

SUPPLEMENT DATED 19 JULY 2018

TO THE BASE PROSPECTUS DATED 15 JANUARY 2018



**Banca Popolare
di Sondrio**

Fondata nel 1871

BANCA POPOLARE DI SONDRIO S.C.p.A.

(incorporated as joint stock co-operative society in the Republic of Italy)

€5,000,000,000

Euro Medium Term Note Programme

IN ACCORDANCE WITH ARTICLE 7, PARAGRAPH 7, OF THE LUXEMBOURG LAW (AS DEFINED BELOW), THE *COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER* ("CSSF") GIVES NO UNDERTAKING AS TO THE ECONOMIC OR FINANCIAL OPPORTUNENESS OF THE TRANSACTION OR THE QUALITY AND SOLVENCY OF THE ISSUER.

This supplement (the "**Supplement**") constitutes a supplement to the base prospectus dated 15 January 2018 (the "**Base Prospectus**"), for the purposes of Article 16 of Directive 2003/71/EC as amended (the "**Prospectus Directive**") and Article 13, paragraph 1, of the Luxembourg Law on Prospectuses for Securities dated 10 July 2005 (the "**Luxembourg Law**").

This Supplement constitutes a supplement to, and should be read in conjunction with, the Base Prospectus.

Capitalized terms used in this Supplement and not otherwise defined herein shall have the same meaning ascribed to them in the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement. 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 this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of the Prospectus Directive and the Luxembourg Law, as a supplement issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg in order to (i) update the cover page of the Base Prospectus; (ii) update the sections of the Base Prospectus entitled "*Overview of the Programme*", "*Risk Factors*", "*Form of Final Terms*", "*Applicable Pricing Supplement*" and "*Terms and Conditions of the Notes*" in order to, *inter alia*, include a new class of Senior Notes having the status of Non-Preferred Senior Notes; (iii) incorporate by reference in the Base Prospectus (a) the

audited consolidated annual financial statements of the Issuer as at and for the year ended on 31 December 2017 contained in the Issuer's reports and accounts 2017, together with the audit report thereon ("**Issuer's Reports and Accounts 2017**"), (b) the press release headed "*28.04.2018: Ordinary and Extraordinary Shareholders' Meeting of 28 April 2018*" published by the Issuer on 28 April 2018 (the "**Press Release 28 April 2018**"), and (c) the press release headed "*11 May 2018: Board of Directors' approval of the Consolidated Interim Financial Report as of March 31, 2018*" published by the Issuer on 11 May 2018 (the "**Press Release 11 May 2018**" and, together with the Press release 28 April 2018, the "**Press Releases**"); (iv) update the section of the Base Prospectus entitled "*Documents Incorporated by Reference*" in order to include reference to the Issuer's Reports and Accounts 2017 and the Press Releases; and (v) update the sections entitled "*Description of the Issuer*" and "*General Information*" included in the Base Prospectus in order to take into account certain recent developments in respect of the Issuer.

Save as disclosed in this Supplement, there has been no other significant new factor and there are no material mistakes or inaccuracies relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus. To the extent that there is any inconsistency between (i) any statement in this Supplement and (ii) any statement in or incorporated by reference into the Base Prospectus, the statements in this Supplement will prevail.

Copies of this Supplement and all documents incorporated by reference in this Supplement can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg and will be available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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COVER PAGE

On page 2 of the Base Prospectus, the sixth and seventh subparagraph are deleted and replaced as follows:

*“Amounts payable on Floating Rate Notes will be calculated by reference to one of LIBOR and EURIBOR as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is not included in ESMA’s register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of this Base Prospectus, the ICE Benchmark Administration (as administrator of LIBOR) is included in ESMA’s register of administrators under Article 36 of the Benchmarks Regulation.*

As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that European Money Markets Institute (as administrator of EURIBOR) is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).”

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OVERVIEW OF THE PROGRAMME

The section entitled “*Overview of the Programme*”, included on pages 9 to 14 of the Base Prospectus is deleted in its entirety and replaced with the text set out below:

“OVERVIEW OF THE PROGRAMME

The following overview 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 form of Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes other than Exempt Notes, and if appropriate, a new Base Prospectus or a supplement to the Base Prospectus, will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the Prospectus Regulation).

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this Overview.

Issuer: Banca Popolare di Sondrio S.C.p.A.

Issuer Legal Entity Identifier (LEI): J48C8PCSJVUBR8KCW529

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under “Risk Factors”.

Description: Euro Medium Term Note Programme

*Arrangers: J.P. Morgan Securities plc
Société Générale*

*Dealers: Banca Akros S.p.A. – Gruppo Banco BPM
Banca IMI S.p.A.
Banca Popolare di Sondrio S.C.p.A.
Barclays Bank PLC
HSBC Bank Plc
J.P. Morgan Securities plc
Natixis
Société Générale
UniCredit Bank AG*

and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions:

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale") including the following restrictions applicable at the date of this Base Prospectus.

Notes having a maturity of less than one year

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

Issuing and Principal Paying Agent: Citibank N.A., London Branch

Programme Size: Up to €5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution: Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies: Subject to any applicable legal or regulatory restrictions, notes may be denominated in euro, Sterling, U.S. dollars and any other currency agreed between the Issuer and the relevant Dealer.

Maturities: The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Unless otherwise permitted by current laws, regulations,

directives and/or requirements applicable from time to time to the issue of Non-Preferred Senior Notes, Non-Preferred Senior Notes must have a minimum maturity of not less than twelve months.

Unless otherwise permitted by current laws, regulations, directives and/or requirements applicable from time to time to the issue of Subordinated Notes, Subordinated Notes must have a minimum maturity of 5 years.

Issue Price: Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes The Notes will be issued in bearer form as described in "Form of the Notes".

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Fixed Rate Notes may also include an interest step-up provision whereby the Rate of Interest payable increases at pre-determined periods to a pre-determined percentage per annum as indicated in the form of Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Fixed Rate Notes may also include an interest step-down provision whereby the Rate of Interest payable decreases at pre-determined periods to a pre-determined percentage per annum as indicated in the form of Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Reset Notes Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-market swap rate, as adjusted for any applicable margin, in each case, as may be specified in the relevant Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

(a) *on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an*

agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (b) on the basis of the reference rate set out in the form of Final Terms (or, in the case of Exempt Notes, Pricing Supplement).*

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

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

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Floating Rate Notes may also include an interest step-up provision whereby the Margin payable increases at pre-determined periods to a pre-determined percentage per annum as indicated in the form of Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Floating Rate Notes may also include an interest step-down provision whereby the Margin payable decreases at pre-determined periods to a pre-determined percentage per annum as indicated in the form of Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Zero Coupon Notes:

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

Exempt Notes:

The Issuer may issue Exempt Notes which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as

the Issuer and the relevant Dealer may agree.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Partly Paid Notes: The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Notes redeemable in instalments: The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

The Issuer may agree with any Dealer and the Trustee that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption:

The form of Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in the case of Exempt Notes in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or (in the case of Senior Notes or Non-Preferred Senior Notes only) at the option of the Issuer due to a MREL Disqualification Event, as described in Condition 5.6 (Issuer Call due to MREL Disqualification Event) and/or (in case of Subordinated Notes only) at the option of the Issuer for regulatory reasons, as described in Condition 5.3 (Redemption for regulatory reasons (Regulatory Call)) and/or at the option of the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Other than following an Event of Default, any redemption of Senior Notes and Non-Preferred Senior Notes or Subordinated Notes prior to their stated maturity in accordance with the Conditions (including early redemption for taxation reasons or early redemption for

regulatory reasons) will be subject to the provisions of, respectively, Condition 5.13 and 5.14.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Certain Restrictions – Notes having a maturity of less than one year" above.

Denomination of Notes:

Notes will be issued in such denominations as may be specified in the form of Final Terms (Specified Denomination) save that (i) the minimum Specified Denomination of each Note which is specified in the form of Final Terms as being a Senior Note or a Subordinated Note shall be Euro 100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) and (ii) the minimum Specified Denomination of each Note which is specified in the form of Final Terms as being a Non-Preferred Senior Note shall be Euro 250,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 6 (Taxation). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 6 (Taxation), be required to pay additional amounts, in respect of principal and interest in the case of Senior Notes or Non-Preferred Senior Notes (if permitted by MREL Requirements), or interest only in the case of Subordinated Notes, to cover the amounts so deducted.

Negative Pledge:

The terms of the Notes will not contain a negative pledge provision.

Cross Default:

None.

Status of the Notes:

Notes may be issued by BPS on a subordinated basis (as Subordinated Notes) or unsubordinated basis (as Senior Notes or Non-Preferred Senior Notes), as specified in the relevant Final Terms.

Status of the Senior Notes:

The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than obligations ranking junior to the Senior Notes from time to

time (including Non-Preferred Senior Notes and any further obligations permitted by law to rank, or expressed to rank, junior to the Senior Notes, on or following the Issue Date), if any) of the Issuer, from time to time outstanding, as described in Condition 2.1 (Status of the Senior Notes).

Status of the Non-Preferred Senior Notes: *The Non-Preferred Senior Notes (being Notes intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-bis of the Italian Consolidated Banking Act) constitute direct, unconditional, unsubordinated, and unsecured and non-preferred obligations of the Issuer, ranking junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank in their terms, senior to the Non-Preferred Senior Notes, *pari passu* without any preference among themselves, with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Non-Preferred Senior Notes and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-bis, letter c-bis of the Italian Consolidated Banking Act, as described in Condition 2.2 (Status of the Non-Preferred Senior Notes).*

Status of the Subordinated Notes: *The Subordinated Notes will constitute unconditional, subordinated unsecured obligations of the Issuer and, (subject to Condition 2.3), will rank *pari passu* and without any preference among themselves and after all unsubordinated, unsecured obligations of the Issuer, as described in Condition 2.3.*

Subordination: *Payments in respect of the Subordinated Notes will be subordinated as described in Condition 2.3 (Status of the Subordinated Notes).*

Substitution and Variation: *With respect to (i) any Series of Senior Notes or Non-Preferred Senior Notes, if at any time a MREL Disqualification Event occurs, and if Substitution or Variation is specified as being applicable in the form of Final Terms, or (ii) all Notes, if Substitution or Variation is specified as being applicable in the form of Final Terms, in order to ensure the effectiveness and enforceability of Condition 18 (Statutory Loss Absorption Powers), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the*

consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Trustee and the holders of the Notes of that Series (or such other notice periods as may be specified in the form of Final Terms, at any time either substitute all (but not some only) of such Notes, or vary the terms of such Notes so that they remain or, as appropriate, become, Qualifying Senior Notes, Qualifying Non-Preferred Senior Notes or Qualifying Subordinated Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Rating:

The Programme has not been rated. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the form of Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Approval and Listing:

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The form of Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except Condition 2.2 (Status of the Non-Preferred Senior Notes), Condition 2.3 (Status of the Subordinated Notes) and Condition 18 (Statutory Loss Absorption Powers) which shall be governed by, and construed in accordance with, Italian law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United

Kingdom, Italy, France, Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "Subscription and Sale").

United States Selling Restrictions: Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the form of Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

Non-Preferred Senior Notes shall be distributed to qualified investors only in accordance with Law No. 205 of 27 December 2017 on the budget of the Italian government for 2018."

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RISK FACTORS

On page 26 of the Base Prospectus, the paragraph headed “*Risk associated with inspections by regulatory authorities*”, is deleted and replaced as follows:

“Risk associated with inspections by regulatory authorities

From 2015 and until the date of the Base Prospectus, the Issuer has been subject to on-site supervisory inspections by the ECB together with the Bank of Italy. These included two on-site visits carried out during 2015, covering the following matters: corporate governance, remuneration and internal controls of BPS Group, as well as counterparty and credit risk management. Further to such inspections, the Issuer has prepared and shared with ECB plans of measures providing for specific remedial actions to be taken to implement the recommendations of the supervisory authority, including organizational interventions, strengthening of internal controls and other specific enhancements or upgrades. The activities provided for by the action plans have been monitored by ECB on a quarterly basis. As a result of such monitoring, the improvements carried out so far have been found adequate in terms of the achievements to be reached.

In addition to the above, from December 2016 to March 2017 the Issuer was assessed in relation to its “Capital position calculation accuracy” by the ECB. As a result of the inspection, the Issuer was recommended to improve internal control processes and procedures to assess the compliance of capital measures with regulatory requirements. Interventions on internal regulation have been carried out to implement the recommendations by the relevant Authority. The inspection also revealed only a few cases of customers’ subscription or purchase of shares and/or subordinated instruments issued by the Issuer carried out through the financial assistance of the Issuer, to be deducted, with a very slight impact, from the regulatory own funds of BPS Group.

In 2017 the Issuer was also subject to an inspection by CONSOB in order to supervise the investment concentrations of retail customers in securities issued by the Issuer. The Issuer responded to the findings received by CONSOB on 19 September 2017.

Broadly speaking, BPS Group is subject, in the course of its ordinary activities, to inspections and other supervisory actions carried out by the supervisory authority that could require organisational interventions or strengthening of internal functions aimed at addressing weaknesses identified during inspections which might, furthermore, result in sanction proceedings which may have negative effects on operations, financial and capital position and economic results of the Issuer.”

* * *

On page 28 of the Base Prospectus, under the paragraph headed “*Basel III and the CRD IV Package*”, after the third subparagraph, the following new subparagraph is added:

“In February 2018, the Basel Committee issued for consultation the updated framework of Pillar 3 requirements, which contains new or revised regulatory disclosure requirements primarily related to the finalisation of the Basel III post-crisis regulatory reforms noted above, and: (i) cover credit risk, operational risk, leverage ratio and credit valuation adjustment (CVA); (ii) benchmark a bank’s risk-weighted assets (RWA) as calculated by its internal models with RWA calculated according to the standardised approaches; and (iii) provide an overview of risk management, key prudential metrics and RWA. The publication also proposes new disclosure requirements on asset encumbrance and capital distribution constraints.”

* * *

On page 32 of the Base Prospectus, under the paragraph headed “*Basel III and the CRD IV Package*”, after the fifth full subparagraph, the following new subparagraph is added:

“The European Commission proposed that the amount of available stable funding be calculated by multiplying an institution’s liabilities and regulatory capital by appropriate factors that reflect their degree of reliability over a year. The NSFR is expressed as a percentage and set at a minimum level of 100%, which indicates that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR will apply at a level of 100% to credit institutions and systemic investment firms two years after the date of entry into force of the proposed amendments to the CRR. These proposals need to be adopted by the European Parliament and Council and it is currently unclear when, and in what manner, they will be adopted.”

* * *

On page 36 of the Base Prospectus, under the paragraph headed “*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders*”, the second full subparagraph is deleted and replaced as follows:

“The BRRD contains four resolution tools and powers which may be used alone (except for the asset separation tool) or in combination with other resolution tools 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; these are: (i) sale of business – which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution –

which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and/or to convert certain unsecured debt claims (including Senior Notes, Non-Preferred Senior Notes and Subordinated Notes) into shares or other instruments of ownership (i.e. other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the General Bail-In Tool). Such shares or other instruments of ownership could also be subject to any future application of the BRRD."

* * *

On page 37 of the Base Prospectus, under the paragraph headed "*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders*", the sixth full subparagraph is deleted and replaced as follows:

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

* * *

On page 38 of the Base Prospectus, under the paragraph headed "*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders*", the third full subparagraph is deleted and replaced as follows :

"In the context of the EU Banking Reform, as for the amendments regarding Article 108 of the BRRD, the proposal of the European Commission resulted in the adoption of Directive (EU) 2017/2399 of 12 December 2017 amending the BRRD with regard to the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the European Union on 27 December 2017 and must be transposed into national law by the Member

States by 29 December 2018. In this regard, the Italian Law no. 205/2017, approved by the Italian Parliament on 27 December 2017, contains the implementing provisions pertaining to “non-preferred” senior debt instruments.

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, in specified exceptional circumstances, partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that pari passu ranking liabilities may be treated unequally. Accordingly, holders of Senior Notes, Non-Preferred Senior Notes and Subordinated Notes of a Series may be subject to write-down or conversion upon an application of the General Bail-In Tool while other Series of Senior Notes, Non-Preferred 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. Furthermore, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or pari passu liabilities may have been excluded from the application of the General Bail-In Tool and therefore the holders of such claims receive a treatment which is more favourable than that received by holders of Senior Notes, Non-Preferred 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.”

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On page 39 of the Base Prospectus, under the paragraph headed “*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders*”, the full subparagraphs from first to fourth are deleted and replaced as follows :

“Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of Senior Notes, Non-Preferred Senior Notes or Subordinated Notes will have expressly waived any rights of set-off, netting counterclaim, abatement or other similar remedy which they

might otherwise have, under the laws of any jurisdiction, in respect of such Senior Notes, Non-Preferred Senior Notes or Subordinated Notes, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply.

As the BRRD has only recently been implemented in Italy and other Member States, there is uncertainty as to the effects of its application in practice.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes, Non-Preferred Senior Notes and Subordinated Notes may be subject to write-down or conversion into shares or other instruments of ownership on any application of the General Bail-In Tool and, in the case of Subordinated Notes, BRRD Non-Viability Loss Absorption, which may result in such holders losing some or all of their investment. The exercise of these, or any other power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree no. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 comma 3, let. A), which will come into force on 1 July 2018. Amongst other things, the Decree amends the Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended (the “Consolidated Banking Act”) and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.”

On page 42 of the Base Prospectus under the paragraph headed “Transformation of BPS from a cooperative to joint stock company” the last subparagraph is deleted and replaced as follows:

“On 21 March 2018, the Constitutional Court declared the constitutional legitimacy of Decree 3/2015, whose effects have been suspended by the Council of State. As soon as the regulatory framework is fully clarified, the Issuer will take all necessary steps to ensure full compliance with applicable law and regulation. The Council of State set a new hearing for 28 October 2018 in order to decide on the appeals filed against the Decree 3/2015. The ruling of the Council of State will be formulated taking into account the ruling of the Constitutional Court of 21 March 2018.”

On page 44 of the Base Prospectus the paragraph headed “*Risks applicable to all Notes*” is deleted and replaced as follows:

“*Risks applicable to all Notes*”

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes or there is an actual or perceived increase in the likelihood that the Issuer will be able to redeem the 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.

The Issuer may also, at its option, redeem Senior Notes and Non-Preferred Senior Notes for tax reasons in the circumstances described in, and in accordance with, Condition 5.2 (Redemption for tax reasons) or in accordance with Condition 5.4 (Redemption at the option of the Issuer (Issuer Call)) or in the circumstances described and in accordance with Condition 5.6 (Issuer Call due to MREL Disqualification Event). Any redemption of the Senior Notes or Non-Preferred Senior Notes is subject to compliance by the Issuer with any conditions to such redemption prescribed by MREL Requirements at the relevant time (including any requirements applicable to such redemption due to the qualification of such Senior Notes or Non-Preferred Senior Notes at such time as eligible liabilities available to meet the MREL Requirements). See “Early redemption and purchase of the Senior Notes and Non-Preferred Senior Notes may be restricted” below for further information.

In addition, the Issuer may also, at its option, redeem Subordinated Notes for tax reasons in the circumstances described in, and in accordance with, Condition 5.2 (Redemption for tax reasons) or, if so specified in the form of Final Terms, following a change of the regulatory classification of the relevant Subordinated Notes in the circumstances described in, and in accordance with Condition 5.3 (Redemption for regulatory reasons (Regulatory Call)) or in accordance with Condition 5.4 (Redemption at the option of the Issuer (Issuer Call)). Any redemption of the Subordinated Notes is subject to the prior approval of the relevant Competent Authority and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation. See “Regulatory classification of the Notes” below for further information.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the

Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

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

Waiver of set-off

As specified in Condition 2.1 (Status of the Senior Notes), each holder of a Senior Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction, in respect of such Senior Note.

As specified in Condition 2.2 (Status of the Non-Preferred Senior Notes), each holder of a Non-Preferred Senior Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction, in respect of such Non-Preferred Senior Note.

As specified in Condition 2.3 (Status of the Subordinated Notes) each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

The Notes have limited Events of Default and remedies

The Events of Default in respect of the Notes, being events upon which the Trustee (or, in certain circumstances, the Noteholders) may declare the Notes to be immediately due and payable, are limited to circumstances in which the Issuer (i) is liquidated (including when the Issuer becomes subject to Liquidazione Coatta Amministrativa as defined in the Consolidated Banking Act) or (ii) is insolvent as set out in Condition 8.1 (Events of Default relating to Senior Notes, Non-Preferred Senior Notes and Subordinated Notes). Accordingly, other than following the occurrence of an Event of Default, if the Issuer fails to meet any of its obligations under the Notes, including without limitation the payment of any interest, the Trustee (and the Noteholders) will not have the right of acceleration in respect of any amount due under the Notes and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce the payment of any such amount. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Notes may be subject to loss absorption or any application of the general bail-in tool

The BRRD contemplates that the Notes may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool. See “The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders.”

On page 45 of the Base Prospectus after the paragraph headed “*Risks applicable to all Notes*” a new paragraph is added as follows:

“Risks applicable to the Senior Notes and the Non-Preferred Senior Notes

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

The Issuer’s obligations under Non-Preferred Senior Notes will be unsecured, unsubordinated and non-preferred obligations and will rank junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to Non-Preferred Senior Notes. Although Non-Preferred Senior Notes may pay a higher rate of interest than comparable Notes which rank senior to the Non-Preferred Senior Notes, there is a real risk that an investor in Non-Preferred Senior Notes will lose all or some of his investment should the Issuer become insolvent.

Senior Notes and Non-Preferred Senior Notes could be subject to Issuer Call due to MREL Disqualification Event

If at any time an MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Notes or Non-Preferred Senior Notes, and the form of Final Terms for the Senior Notes or the Non-Preferred Senior Notes of such Series specify that Issuer Call due to MREL Disqualification Event is applicable, the Issuer may (subject to the provisions of Condition 5.13 (Conditions to Early Redemption and Purchase of Senior Notes and Non-Preferred Senior Notes), elect to redeem all, but not some only, of the Senior Notes or the Non-Preferred Senior Notes of such Series. An MREL Disqualification Event shall be deemed to have occurred if, by reason of the introduction of or a change in the MREL Requirements which was not reasonably foreseeable by the Issuer at the Issue Date of the Senior Notes or Non-Preferred Senior Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Notes or Non-Preferred Senior Notes are or will be excluded fully or partially from the eligible liabilities available to meet the MREL Requirements. The applicability of the minimum requirements for eligible liabilities under the BRRD is subject to the implementation of the EC Proposals in the EU and in Italy.

If the Senior Notes or the or Non-Preferred Senior Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes or Non-Preferred Senior Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time. In addition, an MREL Disqualification Event could result in a decrease in the market price of the Notes.

See also “If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return” above.

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

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

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

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

The Competent Authority shall consult with the Relevant Resolution Authority before granting that permission.

The EC Proposals are in draft form and may be subject to change prior to any implementation.

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

If Substitution or Variation is specified as being applicable in the circumstances described in (i) and/or (ii) below in the relevant Final Terms for any Series of Senior Notes or Non-Preferred Senior Notes then (i) at any time an MREL Disqualification Event occurs and/or as applicable (ii) in order to ensure the effectiveness and enforceability of Condition 18 (Statutory Loss Absorption Powers), the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the holders of the Senior Notes or Non-Preferred Senior Notes of that Series) and having given not less than 30 nor more than 60 days’ notice to the Trustee and the holders of the Notes of that

Series (or such other notice periods as may be specified in the relevant Final Terms), at any time either substitute all (but not some only) of such Senior Notes or Non-Preferred Senior Notes, or vary the terms of such Senior Notes or Non-Preferred Senior Notes so that they remain or, as appropriate, become, Qualifying Senior Notes or Qualifying Non-Preferred Senior Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Senior Notes or Qualifying Non-Preferred Senior Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 18 (Statutory Loss Absorption Powers), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Senior Notes or Non-Preferred Senior Notes, as applicable. However, no assurance can be given as to whether any of these changes (including, without limitation, any changes to governing law and/or jurisdiction) will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.”

On page 45 of the Base Prospectus the paragraph headed “*Risks applicable to Subordinated Notes*” is deleted and replaced as follows:

“Risks applicable to the Subordinated Notes

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of insolvency of BPS

BPS’ obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. Senior Liabilities means any direct, unconditional, unsecured and unsubordinated indebtedness or payment obligations (including Non-Preferred Senior Notes or indebtedness or obligations which are subordinated but to a lesser degree than the obligations under the relevant Subordinated Notes) of BPS for money borrowed or raised or guaranteed by BPS and any indebtedness or mandatory payment obligations preferred by the laws of the Republic of Italy. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated (including Non-Preferred Senior Notes), there may be a higher risk that an investor in Subordinated Notes will lose all or some of his investment should BPS become insolvent.

In no event will holders of Subordinated Notes be able to accelerate the obligations of the Issuer under Subordinated Notes held by them; such holders will have claims only for amounts then due and payable on their Subordinated Notes. After BPS has fully paid all deferred interest on any issue of Subordinated Notes and if that issue of Subordinated Notes remains outstanding, future interest payments on that issue of Subordinated Notes will be subject to further deferral.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in-tool or at the point of non-viability of the Issuer and the BPS Group

Investors should be aware that, in addition to the General Bail-In Tools, the BRRD contemplates that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability of the Issuer and the BPS Group should the Bank of Italy, the SRB or other authority or authorities having prudential oversight of BPS at the relevant time exercise the power to do so. The BRRD is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing.

Regulatory classification of the Notes

The intention of BPS is for Subordinated Notes to qualify on issue as "Tier 2 capital" for regulatory capital purposes. Current regulatory practice by the Bank of Italy (acting as lead regulator) does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

Although it is BPS' expectation that the Subordinated Notes qualify on issue as "Tier 2 capital", there can be no representation that this is or will remain the case during the life of such Notes. If there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from "Tier 2 capital" in whole or in part and, in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, both of the following conditions are met: (i) the Competent Authority (as defined in Condition 5.14 (Conditions to Early Redemption and Purchase of Subordinated Notes)) considers such a change to be reasonably certain and (ii) BPS demonstrates to the satisfaction of the Competent Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by BPS as at the date of the issue of the relevant Subordinated Notes, BPS will (if so specified in the form of Final Terms) have the right to redeem the Subordinated Notes in accordance with Condition 5.3 (Redemption for regulatory reasons (Regulatory Call)), subject to, inter alia, the prior approval of the relevant Competent Authority and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation. There can be no assurance that holders of such Subordinated Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be. In addition, the occurrence of such event could result in a decrease in the market price of the Notes.

Subordinated Notes may be subject to substitution and modification without Noteholder consent

If Substitution or Variation is specified as being applicable in the relevant Final Terms, in order to ensure the effectiveness and enforceability of Condition 18 (Statutory Loss Absorption Powers), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the holders of the Subordinated Notes of that Series), and having given not less than 30 nor more than 60 days' notice to the Trustee and the holders of the Notes of that Series (or such other notice periods as may be specified in the relevant Final Terms), at any time either substitute all (but not some only) of a Series of Subordinated Notes, or vary the terms of such Subordinated Notes so that they remain or, as appropriate, become, Qualifying Subordinated Notes, as applicable, provided

that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Subordinated Notes are securities issued by the relevant Issuer that, other than in respect of the effectiveness and enforceability of Condition 18 (Statutory Loss Absorption Powers), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Subordinated Notes. However, no assurance can be given as to whether any of these changes (including, without limitation, any changes to governing law and/or jurisdiction) will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.”

On page 48 of the Base Prospectus the paragraph headed “*The value of the Notes could be adversely affected by a change in English law or administrative practice.*” is deleted and replaced as follows:

“The value of the Notes could be adversely affected by a change in English law or administrative practice.

Except for Condition 2.2, Condition 2.3 and Condition 18 the conditions of the Notes are based on English law 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 English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.”

DOCUMENTS INCORPORATED BY REFERENCE

Issuer's Reports and Accounts 2017

By virtue of this Supplement, the English language version of the Issuer's Reports and Accounts 2017, which have previously been published and have been filed with the CSSF, are incorporated by reference in, and form part of, the Base Prospectus.

The Issuer's Reports and Accounts 2017 are available on the website of the CSSF and both in their original version in Italian and translated into English on the website of the Issuer (www.popso.it/cm/pages/ServeBLOB.php/L/EN/IDPagina/2282) and, free of charge, during usual business hours on any weekday (except for Saturdays, Sundays and public holidays in Italy) at the registered office of the Issuer. The English language version represents an accurate and direct translation from the Italian language document, and where there is a discrepancy between the Italian and the English version, the former shall prevail.

On page 54 of the Base Prospectus, under letter (g) of the section headed "*Documents Incorporated by Reference*" the following new letters (h) and (i) are added:

"(h) the audited consolidated annual financial statements for the financial year ended on 31 December 2017 of the Issuer including the information set out at the following pages in particular

Report of the independent auditors *Pages 320-325*

Consolidated Balance Sheet *Pages 430-431*

Consolidated Income Statement *Page 432*

Statement of Consolidated Comprehensive Income *Page 433*

Statement of Changes in Consolidated Equity *Pages 434-435*

Consolidated Cash Flow Statement *Pages 436-437*

Notes to the Financial Statements *Pages 439-585*

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004;

(i) the auditors' report on the audited consolidated annual financial statements for the financial year ended on 31 December 2017 of the Issuer:

Entire document"

* * * * *

In addition, the following documents which have previously been published and have been filed with the CSSF shall be incorporated, by virtue of this Supplement, by reference in, and forms part of, the Base Prospectus:

On page 54 of the Base Prospectus, immediately after the new letter (i) of the section headed “*Documents Incorporated by Reference*” the following new letters (l) and (m) are added:

“(l) Press release “28.04.2018: Ordinary and Extraordinary Shareholders' Meeting of 28 April 2018”

Pages 1-5

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004;

“(m) Press release “11 May 2018: Board of Directors' approval of the Consolidated Interim Financial Report as of March 31, 2018”

Pages 9-11

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004.”

FORM OF FINAL TERMS

The section entitled “*Form of Final Terms*”, included on pages 59 to 72 of the Base Prospectus, is deleted in its entirety and replaced with the text set out below:

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

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, MiFID II); and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [The target market assessment indicates that Notes are incompatible with the needs, characteristic and objectives of clients which are [fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested]]. Any person subsequently offering, selling or recommending the [Notes] (a distributor) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

FORM OF FINAL TERMS

NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE, OTHER THAN EXEMPT NOTES

¹ Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.

[Date]

BANCA POPOLARE DI SONDRIO S.C.p.A.

Legal entity identifier (LEI): J48C8PCSJVUBR8KCW529

*Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €5,000,000,000
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 set forth in the Base Prospectus dated 15 January 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the Base Prospectus). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been 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 subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (a) *Series Number:* []
 - (b) *Tranche Number:* []
 - (c) *Date on which the Notes will be consolidated and form a single Series:* *The Notes will be consolidated and form a single Series with [Provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [] below, which is expected to occur on or about [date]][Not Applicable]*
2. *Specified Currency or Currencies:* []
 3. *Aggregate Nominal Amount:*

- (a) Series: []
- (b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5. (a) Specified Denominations: []
- (N.B. Senior and Subordinated Notes must have a minimum denomination of €100,000 (or equivalent). In the case of Non-Preferred Senior Notes, Notes must have a minimum denomination of €250,000 (or equivalent))*
- (Note - where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (Note - where multiple denominations above [€250,000] or equivalent are being used the following sample wording should be followed:*
- "[€250,000] and integral multiples of [€1,000] in excess thereof up to and including [€499,000]. No Notes in definitive form will be issued with a denomination above [€499,000].")*
- (b) Calculation Amount (in [] relation to calculation of interest in global form see Conditions):
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6. (a) Issue Date: []

- (b) *Interest Commencement Date:* *[specify/Issue Date/Not Applicable]*
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
7. *Maturity Date:* *Specify date or for Floating Rate Notes – Interest Payment Date falling in or nearest to [specify month and year]*

(Unless otherwise permitted by current laws, regulations, directives and/or requirements applicable to the issue of Notes by the Issuer, Non-Preferred Senior Notes must have a maturity of not less than twelve months and Subordinated Notes must have a minimum maturity of five years).
8. *Interest Basis:* *[[] per cent. Fixed Rate] [subject to interest rate step-up as specified in subparagraph 13(g) sotto][subject to interest rate step-down as specified in subparagraph 13(g) sotto]*
[[] per cent. to be reset on [] [and []] and every [] anniversary thereafter]
[[[] month [LIBOR/EURIBOR]] +/- [] per cent. Floating Rate] [subject to interest rate step-up as specified in subparagraph 15(m) sotto][subject to interest rate step-down as specified in subparagraph 15(m) sotto]
[Zero coupon]
(see paragraph [13]/[14]/[15]/[16]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*
10. *Change of Interest Basis:* *[Specify the date when any fixed to floating rate or vice versa change occurs or cross refer to paragraphs 13 and 15 sotto and identify there] [Not Applicable]*
11. *Put/Call Options:* *[Issuer Call]*
[Regulatory Call]
(N.B. Only relevant in the case of Subordinated Notes)
[Issuer Call due to MREL Disqualification Event]
(N.B. Only relevant in the case of Senior Notes)

or Non-Preferred Senior Notes)
[Investor Put]
[(see paragraph [19]/[20]/[21]/[22] below)]
[Not Applicable]

12. (a) *Status of the Notes:* *[Senior/Non-Preferred Senior/Subordinated]*
- (b) *[Date [Board] approval for issuance of Notes obtained:* *[] [and [], respectively]]*
(N.B. 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]*
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) *Rate(s) of Interest:* *[] per cent. per annum payable in arrear on each Interest Payment Date*
[For interest step-up/step-down Notes: []% per annum commencing on (and including) the Interest Commencement Date until (but not including) [date]
[]% per annum commencing on (and including) [date] until (but not including) [date]
[]% per annum commencing on (and including) [date] until (but not including) the Maturity Date]]
- (b) *Interest Payment Date(s):* *[] in each year up to and including the Maturity Date*
(Amend appropriately in the case of irregular coupons)
- (c) *Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):* *[] per Calculation Amount*
- (d) *Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):* *[[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]*
- (e) *Day Count Fraction:* *[30/360] [Actual/Actual (ICMA)]*
- (f) *Determination Date(s):* *[[] in each year][Not Applicable]*
(Only relevant where Day Count Fraction is

Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

- (g) *[Interest Rate Step-up/Step-down:* *[Applicable for further details see paragraph 13(a) sopra /Not Applicable]*
14. *Reset Note Provisions:* *[Applicable/Not Applicable]*
- (a) *Initial Rate of Interest:* *[] per cent. per annum payable in arrear [on each Interest Payment Date]*
- (b) *First Margin:* *[+/-][] per cent. per annum*
- (c) *Subsequent Margin:* *[[+/-][] per cent. per annum] [Not Applicable]*
- (d) *Interest Payment Date(s):* *[] [and []] in each year up to and including the Maturity Date [until and excluding []]*
- (e) *Fixed Coupon Amount up to (but excluding) the First Reset Date:* *[[] per Calculation Amount][Not Applicable]*
- (f) *Broken Amount(s):* *[[] per Calculation Amount payable on the Interest Payment Date falling [in/on] []][Not Applicable]*
- (g) *First Reset Date:* *[]*
- (h) *Second Reset Date:* *[]/[Not Applicable]*
- (i) *Subsequent Reset Date(s):* *[] [and []]*
- (j) *Relevant Screen Page:* *[●]/[Not Applicable]*
- (k) *Mid-Swap Rate:* *[Single Mid-Swap Rate/Mean Mid-Swap Rate]*
- (l) *Mid-Swap Maturity* *[]*
- (m) *Day Count Fraction:* *[Actual/Actual / Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360/360/360/Bond Basis]
[30E/360/Eurobond Basis]
[30E/360 (ISDA)]
[Actual/Actual ICMA]*

- (n) *Determination Dates:* [] in each year
- (o) *Business Centre(s):* []
- (p) *Calculation Agent:* []
15. *Floating Rate Note Provisions* [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) *Specified Period(s)/Specified Interest Payment Dates:* [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) sotto/, not subject to adjustment, as the Business Day Convention in (b) sotto is specified to be Not Applicable]
- (b) *Business Day Convention:* [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
- (c) *Additional Business Centre(s):* []
- (d) *Manner in which the Rate of Interest and Interest Amount is to be determined:* [Screen Rate Determination/ISDA Determination]
- (e) *Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):* []
- (f) *Screen Rate Determination:*
- *Reference Rate:* [] month [LIBOR/EURIBOR]
 - *Interest Determination Date(s):* []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - *Relevant Screen Page:* []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a

composite rate or amend the fallback provisions appropriately)

- (g) *ISDA Determination:*
- *Floating Rate Option:* []
 - *Designated Maturity:* []
 - *Reset Date:* []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) *Linear Interpolation:* *[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]*
- (i) *Margin(s):* *[+/-] [] per cent. per annum*
- [For interest step-up/step-down Notes: []% per annum commencing on (and including) the Interest Commencement Date until (but not including) [date]*
- []% per annum commencing on (and including) [date] until (but not including) [date]*
- []% per annum commencing on (and including) [date] until (but not including) the Maturity Date]*
- (j) *Minimum Rate of Interest:* [] *per cent. per annum*
- (k) *Maximum Rate of Interest:* [] *per cent. per annum*
- (l) *Day Count Fraction:* *[Actual/Actual (ISDA)][Actual/Actual]*
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
30E/360 (ISDA)
- (m) *[Interest Rate Step-up/Step-down:* *[Applicable for further details see paragraph 15(i) sopra /Not Applicable]*
16. *Zero Coupon Note Provisions* *[Applicable/Not Applicable]*
(If not applicable, delete the remaining

subparagraphs of this paragraph)

- (a) *Accrual Yield:* [] *per cent. per annum*
- (b) *Reference Price:* []
- (c) *Day Count Fraction in relation to Early Redemption Amounts:* [30/360]
[Actual/360]
[Actual/365]
17. *Change of Interest Basis Provisions:* [Applicable]/[Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (To be completed in addition to paragraphs 13 and 15 (as appropriate) if any fixed to floating or fixed reset rate change occurs)*
- (i) *Switch Option:* [Applicable - [specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies]/[Not Applicable]
- (The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 12 (Notices) on or prior to the relevant Switch Option Expiry Date)*
- (ii) *Switch Option Expiry Date:* []
- (iii) *Switch Option Effective Date:* []

PROVISIONS RELATING TO REDEMPTION

18. *Notice periods for Condition (Redemption and Purchase - Redemption for tax reasons):* Minimum period: [30] days
Maximum period: [60] days
19. *Issuer Call:* [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) *Optional Redemption Date(s):* []
- (b) *Optional Redemption Amount:* [[] per Calculation Amount][Make-whole Amount]
- [Set out appropriate variable details in this pro forma, for example reference obligation]*

- (c) *Reference Bond:* *[Insert applicable Reference Bond/FA Selected Bond]*
- (d) *Quotation Time:* *[11.00 a.m. [London/specify other] time]*
- (e) *Redemption Margin:* *[[] per cent./Not Applicable]*
- (f) *If redeemable in part:*
- (i) *Minimum Redemption [] Amount:*
- (ii) *Maximum Redemption [] Amount:*
- (g) *Notice periods:* *Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)*
20. *Regulatory Call:* *[Applicable/Not Applicable]*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph.)*
- (N.B. Only relevant in the case of Subordinated Notes)*
- (a) *Early Redemption Amount payable on redemption for regulatory reasons (in the case of Subordinated Notes only and subject to the prior approval of the relevant Competent Authority, as applicable, and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation) as contemplated by Condition 5.3 (Redemption* *[[] per Calculation Amount/as set out in Condition 5.7 (Early Redemption Amounts)]*

for regulatory reasons (Regulatory Call) and/or the method of calculating the same (if required or if different from that set out in Condition 5.7 (Early Redemption Amounts):

21. *Issuer Call due to MREL Disqualification Event:* [Applicable]/[Not Applicable]
(Only relevant in the case of Senior Notes or Non-Preferred Senior Notes)
- (a) *Early Redemption Amount:* [] *per Calculation Amount/as set out in Condition 5.7]*
22. *Investor Put:* [Applicable]/[Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) *Optional Redemption Date(s):* []
- (b) *Optional Redemption Amount:* [] *per Calculation Amount*
(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)
- (c) *Notice periods:* *Minimum period: [15] days*
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)
23. *Final Redemption Amount:* [] *per Calculation Amount*
24. *Early Redemption Amount payable on redemption for taxation reasons or on event of default:* [] *per Calculation Amount*
(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final

Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

*[See also paragraph 20 (Regulatory Call:)]
(Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. *Form of Notes:*

(a) *[Form:]*

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]

(N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." .)

(b) *[New Global Note:*

[Yes][No]]

26. *Additional Financial Centre(s):*

[Not Applicable/give details]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c) relates)

27. *Talons for future Coupons to be attached to Definitive Notes:*

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

28. Substitution or Variation of Notes: *[Not Applicable] / [Applicable] / [Applicable only] [in relation to MREL Disqualification Event][and]/[in order to ensure the effectiveness and enforceability of Condition 18 (Statutory Loss Absorption Powers)]*

(a) Notice period: []

[THIRD PARTY INFORMATION]

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

Signed on behalf of [name 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 made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the Luxembourg Stock Exchange, the UK Listing Authority or the official list of the Irish Stock Exchange)] with effect from [].]*

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the Luxembourg Stock Exchange, the UK Listing Authority or the official list of the Irish Stock Exchange)] with effect from [].]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

- (ii) Estimate of total expenses [] related to admission to trading:*

2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].

Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation)

(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.)

3. *[REASONS FOR THE OFFER – USE OF PROCEEDS*

Use of Proceeds: []

(Applicable only in case of securities to be classified as green/social bond if the use of proceeds is different to that stated in the Base Prospectus. If not applicable, delete this paragraph)

4. *INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE*

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – Amend as appropriate if there are other interests]

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

5. *YIELD (Fixed Rate Notes only)*

Indication of yield: []

6. *OPERATIONAL INFORMATION*

(i) ISIN: []

(ii) Common Code: []

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

- (iv) *Delivery:* *Delivery [against/free of] payment*
- (v) *Names and addresses of [] additional Paying Agent(s) (if any):*
- [(vi) *Intended to be held in a manner which would allow Eurosystem eligibility:* *[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and 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.]*

7. DISTRIBUTION

- (i) *Method of distribution:* *[Syndicated/Non-syndicated]*
- (ii) *If syndicated, names of Managers:* *[Not Applicable/give names]*
- (iii) *Date of [Subscription] [] Agreement:*
- (iv) *Stabilisation Manager(s) (if any):* *[Not Applicable/give name]*
- (v) *If non-syndicated, name of relevant Dealer:* *[Not Applicable/give name]*

(vi) *U.S. Selling Restrictions:* [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]

(vii) *Prohibition of Sales to EEA Retail Investors:* [Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products, “Applicable” should be specified.)

* * *

APPLICABLE PRICING SUPPLEMENT

The section entitled “*Applicable Pricing Supplement*”, included on pages 73 to 86 of the Base Prospectus, is deleted in its entirety and replaced with the text set out below:

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

MIFID II product governance / target market – [appropriate target market legend to be included]

APPLICABLE PRICING SUPPLEMENT

EXEMPT NOTES OF ANY DENOMINATION

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.

[Date]

BANCA POPOLARE DI SONDRIO S.C.p.A.

Legal entity identifier (LEI): J48C8PCSJVUBR8KCW529

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

under the €5,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 15 January 2018 [as

² Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

supplemented by the supplement[s] dated [date[s]]] (the Base Prospectus). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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 15 January 2018 [and the supplement dated [date]]] which are incorporated by reference in the Base Prospectus].

[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 subparagraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

1. (a) Series Number: []
- (b) Tranche Number: []
- (c) Date on which the Notes will be consolidated and form a single Series: *The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [] below, which is expected to occur on or about [date]]][Not Applicable]*
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5. (a) Specified Denominations: []

(N.B. Senior and Subordinated Notes must have a minimum denomination of €100,000 (or equivalent). In the case of Non-Preferred Senior Notes, Notes must have a minimum denomination of €250,000 (or equivalent))

 - (b) Calculation Amount (in []

relation to calculation of interest in global form see Conditions):

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

6. (a) *Issue Date:* []
- (b) *Interest Commencement Date:* *[specify/Issue Date/Not Applicable]*
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
7. *Maturity Date:* *[Specify date or for Floating Rate Notes – Interest Payment Date falling in or nearest to [specify month and year]]*
- (Unless otherwise permitted by current laws, regulations, directives and/or requirements applicable to the issue of Notes by the Issuer, Non-Preferred Senior Notes must have a maturity of not less than twelve months and Subordinated Notes must have a minimum maturity of five years).*
8. *Interest Basis:* *[[] per cent. Fixed Rate] [Subject to interest rate step-up as specified in subparagraph 13(g) sotto] [Subject to interest rate step-down as specified in subparagraph 13(g) sotto]*
[[] per cent. to be reset on [] [and [] and every [] anniversary thereafter]
[[specify Reference Rate] +/- [] per cent. Floating Rate] [Subject to interest rate step-up as specified in subparagraph 15(m) sotto] [Subject to interest rate step-down as specified in subparagraph 15(m) sotto]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
9. *Redemption/Payment Basis:* *[Redemption at par]*

[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]

10. *Change of Interest Basis or Redemption/Payment Basis:* *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 13 and 15 sotto and identify there][Not Applicable]*
11. *Put/Call Options:* *[Issuer Call]*
[Regulatory Call]
(N.B. Only relevant in the case of Subordinated Notes)
[Issuer Call due to MREL Disqualification Event]
(N.B. Only relevant in the case of Senior Notes or Non-Preferred Senior Notes)
[Investor Put]
[(further particulars specified below)]
12. (a) *Status of the Notes:* *[Senior/Non-Preferred Senior/Subordinated]*
- (b) *[Date [Board] approval for issuance of Notes obtained:* *[] [and [], respectively]]*
(N.B. 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]*
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) *Rate(s) of Interest:* *[] per cent. per annum payable in arrear on each Interest Payment Date*
- [For interest step-up/step-down Notes: []% per annum commencing on (and including) the Interest Commencement Date until (but not including) [date]*
- []% per annum commencing on (and including) [date] until (but not including) [date]*
- []% per annum commencing on (and including) [date] until (but not including) the Maturity Date]]*
- (b) *Interest Payment Date(s):* *[] in each year up to and including the*

Maturity Date

(Amend appropriately in the case of irregular coupons)

- (c) *Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):* [] *per Calculation Amount*
- (d) *Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):* [[] *per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]*
- (e) *Day Count Fraction:* [30/360/Actual/Actual (ICMA)/specify other]
- (f) *[Determination Date(s):* [[] *in each year][Not Applicable]*
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]
- (g) *[Rate of Interest Step-up/Step-down:* [Applicable for further details see paragraph 13(a)/Not Applicable]
14. *Reset Note Provisions:* [Applicable/Not Applicable]
- (a) *Initial Rate of Interest:* [] *per cent. per annum payable in arrear [on each Interest Payment Date]*
- (b) *First Margin:* [+/-][] *per cent. per annum*
- (c) *Subsequent Margin:* [[+/-][] *per cent. per annum] [Not Applicable]*
- (d) *Interest Payment Date(s):* [] *[and []] in each year up to and including the Maturity Date [until and excluding []]*
- (e) *Fixed Coupon Amount up to (but excluding) the First Reset Date:* [[] *per Calculation Amount][Not Applicable]*
- (f) *Broken Amount(s):* [[] *per Calculation Amount payable on the Interest Payment Date falling [in/on] []][Not Applicable]*
- (g) *First Reset Date:* []

- (h) *Second Reset Date:* []/[Not Applicable]
- (i) *Subsequent Reset Date(s):* [] [and []]
- (j) *Relevant Screen Page:* [●]/[Not Applicable]
- (k) *Mid-Swap Rate:* [Single Mid-Swap Rate/Mean Mid-Swap Rate]
- (l) *Mid-Swap Maturity* []
- (m) *Day Count Fraction:* [Actual/Actual / Actual/Actual (ISDA)]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360/360/360/Bond Basis]
 [30E/360/Eurobond Basis]
 [30E/360 (ISDA)]
 [Actual/Actual ICMA]
- (n) *Determination Dates:* [] in each year
- (o) *Business Centre(s):* []
- (p) *Calculation Agent:* []
15. *Floating Rate Note Provisions* [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) *Specified Period(s)/Specified Interest Payment Dates* [], subject to adjustment in accordance with the Business Day Convention set out in (b) sotto/, not subject to any adjustment, as the Business Day Convention in (b) sotto is specified to be Not Applicable]
- (b) *Business Day Convention:* [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]] [Not Applicable]
- (c) *Additional Business Centre(s):* []
- (d) *Manner in which the Rate of Interest and Interest Amount is to be determined:* [Screen Rate Determination/ISDA Determination/specify other]
- (e) *Party responsible for calculating the Rate of Interest* []

and Interest Amount (if not the Agent):

(f) *Screen Rate Determination:*

- *Reference Rate:* [] month [LIBOR/EURIBOR/specify other Reference Rate] (Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions in the Agency Agreement.)
- *Interest Determination Date(s):* [] (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- *Relevant Screen Page:* [] (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

(g) *ISDA Determination:*

- *Floating Rate Option:* []
- *Designated Maturity:* []
- *Reset Date:* [] (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

(h) *Linear Interpolation:* [Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

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

[For interest step-up/step-down Notes: []% per annum commencing on (and including) the Interest Commencement Date until (but not including) [date]

[]% per annum commencing on (and including)

- [date] until (but not including) [date]*
- []% per annum commencing on (and including) [date] until (but not including) the Maturity Date]]*
- (j) *Minimum Rate of Interest:* *[] per cent. per annum*
- (k) *Maximum Rate of Interest:* *[] per cent. per annum*
- (l) *Day Count Fraction:* *[Actual/Actual (ISDA)][Actual/Actual]
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
30E/360 (ISDA)
[Other]*
- (m) *[Interest Rate Step-up/Step-down:* *[Applicable for further details see paragraph 15(i) sopra /Not Applicable]*
16. *Zero Coupon Note Provisions* *[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) *Accrual Yield:* *[] per cent. per annum*
- (b) *Reference Price:* *[]*
- (c) *Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes:* *[]*
- (d) *Day Count Fraction in relation to Early Redemption Amounts:* *[30/360]
[Actual/360]
[Actual/365]*
17. *Index Linked Interest Note* *[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) *Index/Formula:* *[give or annex details]*
- (b) *Calculation Agent* *[give name]*
- (c) *Party responsible for calculating the Rate of Interest (if not the Calculation Agent)* *[]*

and Interest Amount (if not the Agent):

- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
 - (e) Specified Period(s)/Specified Interest Payment Dates: []
 - (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]
 - (g) Additional Business Centre(s): []
 - (h) Minimum Rate of Interest: [] per cent. per annum
 - (i) Maximum Rate of Interest: [] per cent. per annum
 - (j) Day Count Fraction: []
18. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
 - (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): []
 - (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
 - (d) Person at whose option Specified Currency(ies) is/are payable: []
19. Change of Interest Basis Provisions: [Applicable]/[Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(To be completed in addition to paragraphs 13 and 15 (as appropriate) if any fixed to floating or fixed reset rate change occurs)

(i) *Switch Option:* *[Applicable - [specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies]/[Not Applicable]*

(The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 12 (Notices) on or prior to the relevant Switch Option Expiry Date)

(ii) *Switch Option Expiry [] Date:*

(iii) *Switch Option [] Effective Date:*

PROVISIONS RELATING TO REDEMPTION

20. *Notice periods for Condition 5.2 (Redemption for tax reasons):* *Minimum period: [30] days*
Maximum period: [60] days

21. *Issuer Call:* *[Applicable/Not Applicable]*
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) *Optional Redemption Date(s): []*

(b) *Optional Redemption Amount and method, if any, of calculation of such amount(s):* *[[] per Calculation Amount/[Make-whole Amount/] specify other/see Appendix]*

(c) *Reference Bond:* *[Insert applicable Reference Bond/FA Selected Bond]*

(d) *Quotation Time:* *[11.00 a.m. [London/specify other] time]*

(e) *Redemption Margin:* *[[] per cent./Not Applicable]*

(f) *If redeemable in part:*

(i) *Minimum Redemption [] Amount:*

(ii) *Maximum Redemption [] Amount:*

(g) *Notice periods: Minimum period: [15] days
Maximum period: [30] days*

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)

22. *Regulatory Call: [Applicable/Not Applicable]*

(If not applicable, delete the remaining subparagraphs of this paragraph.)

(N.B. Only relevant in the case of Subordinated Notes)

(a) *Early Redemption Amount [[] per Calculation Amount/as set out in Condition 5.7 (Early Redemption Amounts)] payable on redemption for regulatory reasons (in the case of Subordinated Notes only and subject to the prior approval of the relevant Competent Authority, as applicable, and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation) as contemplated by Condition 5.3 (Redemption for regulatory reasons (Regulatory Call)) and/or the method of calculating the same (if required or if different from that set out in Condition 5.7 (Early Redemption Amounts):*

23. *Issuer Call due to MREL [Applicable]/[Not Applicable] Disqualification Event:*

(Only relevant in the case of Senior Notes or Non-Preferred Senior Notes)

- (a) *Early Redemption Amount:* *[[] per Calculation Amount/as set out in Condition 5.7]*
24. *Investor Put:* *[Applicable]/[Not Applicable]*
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) *Optional Redemption Date(s):* *[]*
- (b) *Optional Redemption Amount:* *[] per Calculation Amount*
(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)
- (c) *Notice periods:* *Minimum period: [15] days*
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.)
25. *Final Redemption Amount:* *[[] per Calculation Amount/specify other/see Appendix]*
26. *Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):* *[[] per Calculation Amount/specify other/see Appendix]*
(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)
- [See also paragraph 22 (Regulatory Call:)]*

(Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:

(a) *[Form:]* *[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]*

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]

(b) *[New Global Note:]* *[Yes][No]*

28. Additional Financial Centre(s):

[Not Applicable/give details]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c) and 17(g) relate)

29. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment.

[Not Applicable/give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]

31. Details relating to Instalment Notes:

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) *Instalment Amount(s):* *[give details]*

(b) *Instalment Date(s):* *[give details]*

32. *Other terms or special conditions:* *[Not Applicable/give details]*
33. *Substitution or Variation of Notes:* *[Not Applicable] / [Applicable] / [Applicable [only] [in relation to MREL Disqualification Event][and]/[in order to ensure the effectiveness and enforceability of Condition 18 (Statutory Loss Absorption Powers)]*
- (a) *Notice period:* *[]*

RESPONSIBILITY

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

Signed on behalf of [name of the Issuer]:

By:

Duly authorised

PART B – OTHER INFORMATION

1. *LISTING* *[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [specify market – note this must not be a regulated market] with effect from [].] [Not Applicable]*

2. *RATINGS*

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].

(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus)

3. *[REASONS FOR THE OFFER – USE OF PROCEEDS*

Use of Proceeds:

[]

(Applicable only in case of securities to be classified as green/social bond if the use of proceeds is different to that stated in the Base Prospectus. If not applicable, delete this paragraph)

4. *INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE*

[Save for any fees payable to the [Managers named below/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – Amend as appropriate if there are other interests]

5. *OPERATIONAL INFORMATION*

(i) ISIN: []

(ii) Common Code: []

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

- (iv) *Delivery:* *Delivery [against/free of] payment*
- (v) *Names and addresses of [] additional Paying Agent(s) (if any):*
- (vi) *[Intended to be held in a manner which would allow Eurosystem eligibility:* *[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and 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 this Pricing Supplement, 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.]]*

6. *DISTRIBUTION*

- (i) *Method of distribution:* *[Syndicated/Non-syndicated]*
- (ii) *If syndicated, names of Managers:* *[Not Applicable/give names]*
- (iii) *Stabilisation Manager(s) (if any):* *[Not Applicable/give name]*
- (iv) *If non-syndicated, name of relevant Dealer:* *[Not Applicable/give name]*
- (v) *U.S. Selling Restrictions:* *Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]*

- (vi) *Additional selling restrictions:* *[Not Applicable/give details]*
(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)
- (vii) *Prohibition of Sales to EEA Retail Investors:* *[Applicable/Not Applicable]*
(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products, “Applicable” should be specified.)

* * *

TERMS AND CONDITIONS OF THE NOTES

The section entitled “*Terms and Conditions of the Notes*”, included on pages 87 to 125 of the Base Prospectus, is deleted in its entirety and replaced with the text set out below:

“*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 (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The form of Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of Final Terms” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Banca Popolare di Sondrio S.C.p.A. (the Issuer) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the Trust Deed) dated 15 January 2018 and made between the Issuer and Citibank, N.A., London Branch (the Trustee, which expression shall include any successor as Trustee).

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

- (a) in relation to any Notes represented by a global Note (a Global Note), units of each Specified Denomination in the Specified Currency;*
- (b) any Global Note; and*
- (c) any definitive Notes in bearer form (Bearer Notes) issued in exchange for a Global Note in bearer form.*

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the Agency Agreement) dated 15 January 2018 and made between the Issuer, the Trustee, Citibank N.A., London Branch as issuing and principal paying agent (the Principal Paying Agent, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the Paying Agents, which expression shall include any additional or successor paying agents). The Principal Paying Agent and the Paying Agents, together referred to as the Agents.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the Conditions) or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an Exempt Note),

the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the form of Final Terms are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to form of Final Terms shall be deemed to include a reference to applicable Pricing Supplement where relevant. The expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing definitive Notes have interest coupons (Coupons) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (Talons) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts (Receipts) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Trustee acts for the benefit of the Noteholders (which expression shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the Receiptholders) and the holders of the Coupons (the Couponholders, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, Tranche means Notes which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the form of Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders 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 form of Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

In the Conditions, euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the Specified Currency) and the denominations (the Specified Denomination(s)) specified in the form of Final Terms, provided that (i) the minimum Specified Denomination of each Note which is specified in the form of Final Terms as being a Senior Note or a Subordinated Note shall be Euro 100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) and (ii) the minimum Specified Denomination of each Note which is specified in the form of Final Terms as being a Non-Preferred Senior Note shall be Euro 250,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Reset Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the form of Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Reset Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Senior Note, a Non-Preferred Senior Note or a Subordinated Note, as indicated in the form of Final Terms.

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

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (Euroclear) and/or Clearstream Banking S.A. (Clearstream, Luxembourg), each person (other than Euroclear or Clearstream, Luxembourg) who is

for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the form of Final Terms.

2. STATUS OF THE NOTES AND SUBORDINATION

The form of Final Terms will indicate whether the Notes are Senior Notes, Non-Preferred Senior Notes or Subordinated Notes and, in the case of Subordinated Notes, the applicable subordination provisions.

2.1 Status of the Senior Notes

The Senior Notes and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, ranking (subject to any obligations preferred by any applicable law) pari passu with all other unsecured obligations (other than obligations ranking junior to the Senior Notes from time to time (including Non-Preferred Senior Notes and any further obligations permitted by law to rank, or expressed to rank, junior to the Senior Notes, on or following the Issue Date), if any) of the Issuer, present and future and pari passu and rateably without any preference among themselves.

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

2.2 Status of the Non-Preferred Senior Notes

- (a) *The Non-Preferred Senior Notes (being Notes intended to qualify as strumenti di debito chirografario di secondo livello of the Issuer, as defined under Article 12-bis of the Italian Consolidated Banking Act, any related Receipts and Coupons constitute direct, unconditional, unsubordinated, and unsecured and non-preferred obligations of the Issuer. In the event of the liquidation of the Issuer (including in the event that the Issuer becomes subject to an order for Liquidazione Coatta Amministrativa, as defined in the Italian Consolidated Banking Act) or insolvency of the Issuer, the payment obligations of the Issuer under the Non-Preferred Senior Notes and any relative Receipts and Coupons will rank in right of payment:*
- (i) *junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Non-Preferred Senior Notes,*
 - (ii) *pari passu without any preference among themselves, with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Non-Preferred Senior Notes; and*
 - (iii) *in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-bis, letter c-bis of the Italian Consolidated Banking Act.*

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

2.3 Status of the Subordinated Notes

- (a) *The Subordinated Notes (being 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 Disposizioni di Vigilanza Prudenziale 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 Article 63 of CRR) and any relative Receipts and Coupons constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and, in the event of the liquidation of the Issuer (including in the event that the Issuer becomes subject to an order for Liquidazione Coatta Amministrativa, as defined in the Italian Consolidated Banking Act) or insolvency of the Issuer, the payment obligations of the Issuer under the Subordinated Notes and any relative Receipts and Coupons will rank in right of payment (a) after all unsubordinated, unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of the Issuer and after all creditors of the Issuer holding instruments that are or are expressed by their terms to be less subordinated than the relevant Subordinated Notes; (b) at least pari passu without any preference among themselves with all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank or which do not rank junior or senior to the relevant Subordinated Notes; and (c) in priority*

to the claims of shareholders of the Issuer and to all other present and future subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank senior or pari passu to the relevant Subordinated Notes.

- (b) In relation to each Series of Subordinated Notes all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid pro rata on all Subordinated Notes of such Series.*
- (c) Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.*

3. INTEREST

3.1 Interest on Fixed Rate Notes

This Condition 3.1 applies to Fixed Rate Notes only. The form of Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 3.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the form of Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (but excluding) the Maturity Date. The Rate of Interest may be specified in the form of Final Terms either (i) as the same Rate of Interest for all Fixed Interest Periods or (ii) as a different Rate of Interest in respect of one or more Fixed Interest Periods.

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

As used in the Conditions, Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the form of Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or*

(b) *in the case of Fixed Rate Notes in definitive form, the Calculation Amount;*

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 3.1:

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

(A) *in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the form of Final Terms) that would occur in one calendar year; or*

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

(1) *the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and*

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

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

In these Conditions:

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

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

Fixed Rate Notes (other than Subordinated Notes) may also include interest step-up or step-down provisions whereby the Rate of Interest payable increases or decreases, respectively, at pre-determined periods to a pre-determined percentage per annum (as specified in the form of Final Terms for such Notes).

3.2 Interest on Reset Notes

(a) Rates of Interest and Interest Payment Dates

Each Reset Note bears interest:

- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the Initial Rate of Interest;*
- (ii) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the form of Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and*
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,*

payable, in each case, in arrear on the each Interest Payment Date and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the Interest Amount payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 3.1.

For the purposes of the Conditions:

First Margin means the margin specified as such in the form of Final Terms;

First Reset Date means the date specified in the form of Final Terms;

First Reset Period means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the form of Final Terms, the Maturity Date;

First Reset Rate of Interest means, in respect of the First Reset Period and subject to Condition 3.2(b), the rate of interest determined by the Calculation Agent on the

relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

Initial Rate of Interest has the meaning specified in the form of Final Terms;

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

Mid-Market Swap Rate Quotation means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

Mid-Swap Floating Leg Benchmark Rate means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro;

Mid-Swap Rate means, in relation to a Reset Determination Date and subject to Condition 3.2(b), either:

(i) if Single Mid-Swap Rate is specified in the form of Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the form of Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

Rate of Interest means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

Reset Date means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

Reset Determination Date means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

Reset Period means the First Reset Period or a Subsequent Reset Period, as the case may be;

Second Reset Date means the date specified in the form of Final Terms;

Subsequent Margin means the margin specified as such in the form of Final Terms;

Subsequent Reset Date means the date or dates specified in the form of Final Terms;

Subsequent Reset Period means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

Subsequent Reset Rate of Interest means, in respect of any Subsequent Reset Period and subject to Condition 3.2(b), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

(b) Fallbacks

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

For the purposes of this Condition 3.2(b) Reference Banks means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

3.3 Interest on Floating Rate Notes

(a) Interest Payment Dates

This Condition 3.3 applies to Floating Rate Notes only. The form of Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 3.3 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the form of Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the form of Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the form of Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

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

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

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

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

- (A) in any case where Specified Periods are specified in accordance with Condition 3.3(a), the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or*
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or*
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or*
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.*

In these Conditions, Business Day means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System) specified in the form of Final Terms;*
- (b) if TARGET2 System is specified as an Additional Business Centre in the form of Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the TARGET2 System) is open; and*
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.*

Floating Rate Notes (other than Subordinated Notes) may also include interest step-up or step-down provisions whereby the Margin increases or decreases, respectively, at pre-determined periods to a pre-determined percentage per annum (as specified in the form of Final Terms for such Notes).

(b) Rate of Interest

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

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the form of 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 form of Final Terms) the Margin (if any). For the purposes of this subparagraph (i), 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 under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the ISDA Definitions) and under which:

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

*(B) the Designated Maturity is a period specified in the form of Final Terms;
and*

(C) the relevant Reset Date is the day specified in the form of Final Terms.

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

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

(ii) Screen Rate Determination for Floating Rate Notes

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

(A) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the form of Final Terms) which appears or

appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the form of Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying 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 paragraph (A) sopra, no such offered quotation appears or, in the case of paragraph (B) sopra, fewer than three such offered quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), 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 the case of Exempt Notes, if the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of the Notes will be determined as provided in the applicable Pricing Supplement. Unless otherwise stated in the form of Final Terms the Minimum Rate of Interest shall be deemed to be zero.

Specified Time means 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR).

For the purposes of this Condition 3.3(b)(ii) Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, and in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer.

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

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

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

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying 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.

The Principal Paying Agent will calculate the amount of interest (the Interest Amount) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) *in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or*
- (ii) *in the case of Floating Rate Notes in definitive form, the Calculation Amount;*

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 3.3:

- (i) *if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the form of Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);*
- (ii) *if "Actual/365 (Fixed)" is specified in the form of Final Terms, the actual number of days in the Interest Period divided by 365;*
- (iii) *if "Actual/365 (Sterling)" is specified in the form of Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;*
- (iv) *if "Actual/360" is specified in the form of Final Terms, the actual number of days in the Interest Period divided by 360;*
- (v) *if "30/360", "360/360" or "Bond Basis" is specified in the form of Final Terms, the number of days in the Interest 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 Interest Period falls;

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

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

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

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

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the form of Final Terms, the number of days in the Interest 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:

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

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

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

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

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

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

- (vii) if "30E/360 (ISDA)" is specified in the form of Final Terms, the number of days in the Interest 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 Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

(e) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the form of Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the form of Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the form of Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter.

Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 12. For the purposes of this Condition 3.3, the expression London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3.3 by the Principal Paying Agent shall (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful misconduct, gross negligence or fraud) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

3.4 Change of Interest Basis

If Change of Interest Basis is specified as applicable in the form of Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 3.1 or Condition 3.3 sopra each applicable only for the relevant periods specified in the form of Final Terms.

If Change of Interest Basis is specified as applicable in the form of Final Terms, and Issuer's Switch Option is also specified as applicable in the form of Final Terms, the Issuer may, on one or more occasions, as specified in the form of Final Terms, at its option (any such option, a Switch Option), having given notice to the Noteholders in accordance with Condition 12 on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the form of Final Terms with effect from (and including) the Switch Option Effective Date specified in the form of Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the form of Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the form of Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

Switch Option Expiry Date and Switch Option Effective Date shall mean any date specified as such in the form of Final Terms provided that any date specified in the form of Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified to the Issuer pursuant to this Condition and in accordance with Condition 12 prior to the relevant Switch Option Expiry Date.

3.5 *Exempt Notes*

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 3.3 shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that 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.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

Change of Interest Basis

If Change of Interest Basis is specified as applicable in the applicable Pricing Supplement, the interest payable in respect of the Notes will be calculated in accordance with Condition 3.1 or Condition 3.3 supra each applicable only for the relevant periods specified in the applicable Pricing Supplement.

If Change of Interest Basis is specified as applicable in the applicable Pricing Supplement, and Issuer's Switch Option is also specified as applicable in the applicable Pricing Supplement, the Issuer may, on one or more occasions, as specified in the applicable Pricing Supplement, at its option (any such option, a Switch Option), having given notice to the Noteholders in accordance with Condition 12 on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Pricing Supplement with effect from (and including) the Switch Option Effective Date specified in the applicable Pricing Supplement to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Pricing Supplement, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change

will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Pricing Supplement, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

Switch Option Expiry Date and Switch Option Effective Date shall mean any date specified as such in the applicable Pricing Supplement provided that any date specified in the applicable Pricing Supplement as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified to the Issuer pursuant to this Condition and in accordance with Condition 12 prior to the relevant Switch Option Expiry Date.

3.6 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 date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and*
- (b) as provided in the Trust Deed.*

4. PAYMENTS

4.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and*
- (b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto

4.2 *Presentation of definitive Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 4.1 sopra only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) and save as provided in Condition 4.4 should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

4.3 *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation

to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

4.4 *Specific provisions in relation to payments in respect of certain types of Exempt Notes*

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 4.1 sopra only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 4.1 sopra only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

4.5 *General provisions applicable to payments*

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

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

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;*

- (b) *payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and*
- (c) *such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.*

4.6 *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 7) is:

- (a) *a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):*
 - (i) *in the case of Notes in definitive form only, in the relevant place of presentation; and*
 - (ii) *in each Additional Financial Centre (other than TARGET2 System) specified in the form of Final Terms;*
- (b) *if TARGET2 System is specified as an Additional Financial Centre in the form of Final Terms, a day on which the TARGET2 System is open;*
- (c) *either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.*

4.7 *Interpretation of principal and interest*

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

- (a) *any additional amounts which may be payable with respect to principal under Condition 6;*
- (b) *the Final Redemption Amount of the Notes;*
- (c) *the Early Redemption Amount of the Notes;*

- (d) *the Optional Redemption Amount(s) (if any) of the Notes;*
- (e) *in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;*
- (f) *in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5.7); and*
- (g) *any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.*

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.

5. REDEMPTION AND PURCHASE

5.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer (i) at least at par in case of Fixed Rate Notes, Reset Notes, Floating Rate Notes and Zero Coupon Notes, as specified in the form of Final Terms in the relevant Specified Currency and on the Maturity Date specified in the form of Final Terms (ii) in the case of Exempt Notes, at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the Applicable Pricing Supplement.

5.2 Redemption for tax reasons

Subject to Condition 5.7, the Notes may be redeemed at the option of the Issuer (but subject, in the case of Senior Notes and Non-Preferred Senior Notes, to the provisions of Condition 5.13 and, in the case of Subordinated Notes, to the provisions of Condition 5.14) in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the form of Final Terms to the Principal Paying Agent and the Trustee and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if:

- (a) *on the occasion of the next payment due under the Notes (in the case of Subordinated Notes, in respect of payments of interest only), the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of, or applicable in, a Tax Jurisdiction (as defined in Condition 6), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the Notes, provided that in the case of any redemption of Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, under the relevant Regulatory Capital Requirements (as defined in Condition 5.14) the Issuer demonstrates to the satisfaction of the relevant Competent Authority that such change or*

amendment is material and was not reasonably foreseeable by the Issuer as at the date of the issue of the first tranche of the relevant Subordinated Notes; and

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

provided that no such notice of redemption shall be given 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.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver or procure that there is delivered to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describe the facts leading thereto and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such documents as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 5.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 5.2. Notes redeemed pursuant to this Condition 5.2 will be redeemed at their Early Redemption Amount referred to in Condition 5.7 sotto together (if appropriate) with interest accrued to (but excluding) the date of redemption.

5.3 Redemption for regulatory reasons (Regulatory Call)

This Condition 5.3 applies only to Notes specified in the form of Final Terms as being Subordinated Notes.

If Regulatory Call is specified in the form of Final Terms, the Notes may be redeemed at the option of the Issuer (subject to the provisions of Condition 5.14), in whole, but not in part, at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 15 nor more than 30 days' notice to the Principal Paying Agent and the Trustee and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from "Tier 2" capital (in whole or in part) and, in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, both of the following conditions are met: (i) the Competent Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by the Issuer as at the date of the issue of the relevant Subordinated Notes.

Prior to the publication of any notice of redemption pursuant to this Condition, 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 and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 5.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 5.3. Notes redeemed pursuant to this Condition 5.3 will be redeemed at their Early Redemption Amount referred to in Condition 5.7 sotto together (if appropriate) with interest accrued to (but excluding) the date of redemption.

5.4 Redemption at the option of the Issuer (Issuer Call)

This Condition 5.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons or for regulatory reasons), such option being referred to as an Issuer Call. The form of Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 5.4 for full information on any Issuer Call. In particular, the form of Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the form of Final Terms, the Issuer may (subject to, in the case of Senior Notes and Non-Preferred Senior Notes, Condition 5.13 and, in the case of Subordinated Notes, the provisions of Condition 5.14), having given not less than the minimum period nor more than the maximum period of notice specified in the form of Final Terms to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), 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 form of Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the form of Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the form of Final Terms or, if a Make-whole Amount is specified in the form of Final Terms, will be an amount calculated by the Issuer (or by an agent appointed by the Issuer to calculate the amount on its behalf) equal to the higher of:

- (a) 100 per cent. of the nominal amount of the Notes to be redeemed; or*
- (b) the sum of the present values of the nominal amount of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the Optional Redemption Date) discounted to the Optional*

Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Bond Rate (as defined below), plus the specified Redemption Margin,

plus in each case, for the avoidance of doubt, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

In the Conditions:

FA Selected Bond means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

Financial Adviser means an independent and internationally recognised financial adviser selected by the Issuer;

Redemption Margin shall be as set out in the form of Final Terms;

Reference Bond shall be as set out in the form of Final Terms or the FA Selected Bond;

Reference Bond Price means, with respect to the Optional Redemption Date, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

Reference Bond Rate means, with respect to the Optional Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Optional Redemption Date;

Reference Government Bond Dealer means each of the five banks selected by the Issuer, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate bond issues;

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and the Optional Redemption Date, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the form of Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

Remaining Term Interest means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the Optional Redemption Date.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5.4 by the Issuer (or by an agent appointed by the Issuer to calculate the amount on its behalf), shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful misconduct, gross negligence or fraud) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent.

In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will, subject to compliance with applicable law, be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 5.4 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 at least five days prior to the Selection Date.

5.5 Redemption at the option of the Noteholders (Investor Put)

This Condition 5.5 applies only to Notes specified in the form of Final Terms as being Senior Notes or Non-Preferred Senior Notes.

This Condition 5.5 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an Investor Put. The form of Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 5.5 for full information on any Investor Put. In particular, the form of Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the form of Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 12 not less than the minimum period nor more than the maximum period of notice specified in the form of Final Terms, the Issuer will, upon the expiry of such notice, redeem, in whole (but not, in the case of a Bearer Note in definitive form, in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being

current) obtainable from any specified office of any Paying Agent (a Put Notice) and in which the holder must specify a bank account to which payment is to be made under this Condition the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear and Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 5.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 8, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 5.5.

5.6 *Issuer Call due to MREL Disqualification Event*

This Condition 5.6 applies only to Notes specified in the form of Final Terms as being Senior Notes or Non-Preferred Senior Notes.

In respect of any Series of Senior Notes or Non-Preferred Senior Notes where Issuer Call due to MREL Disqualification Event is specified as being applicable in the form of Final Terms, then the Issuer may (subject to the provisions of Condition 5.13) on any Interest Payment Date (if the Note is a Floating Rate Note), or at any time (if the Note is not a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the form of Final Terms to the Principal Paying Agent and the Trustee and, in accordance with Condition 12 (which notice shall be irrevocable), the Noteholders, redeem all (but not some only) of the Notes then outstanding at their Early Redemption Amount as described in Condition 5.7 below (if appropriate) with interest accrued to (but excluding) the date fixed for redemption, if the Issuer determines that a MREL Disqualification Event has occurred and is continuing.

Prior to the publication of any notice of redemption pursuant to this Condition, 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 and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 5.6, the Issuer shall be bound to redeem the Notes in accordance with this Condition 5.6. Notes redeemed pursuant to this Condition 5.6 will be redeemed at their Early Redemption Amount referred to in Condition 5.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

5.7 Early Redemption Amounts

For the purpose of Condition 5.2 sopraCondition 5.3, Condition 5.6 above and Condition 8:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and*
- (b) each Zero Coupon Note will be redeemed at an amount (the Amortised Face Amount) calculated in accordance with the following formula:*

$$\text{Early Redemption Amount} = RP \times (1 + AY)^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the form of Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30

days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

5.8 Specific redemption provisions applicable to certain types of Exempt Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 5.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

5.9 Purchases

Subject to Condition 5.13 in respect of Senior Notes and Non-Preferred Senior Notes and Condition 5.14 in respect of Subordinated Notes, the Issuer or any of its Subsidiaries may purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation.

Subordinated Notes may only be purchased by the Issuer or any of its Subsidiaries, provided that and to the extent permitted by the relevant Regulatory Capital Requirements (as defined in Condition 5.14) at the relevant time the Notes to be purchased (a) do not exceed the lower of (i) 10 per cent. (or any other threshold as may be requested or required by the Competent Authority from time to time) of the aggregate nominal amount of the relevant Series of the Subordinated Notes and (ii) 3 per cent. (or any other threshold as may be requested or required by the Competent Authority from time to time) of the aggregate nominal amount of the Subordinated

Notes qualified on issue as "Tier 2 capital" for regulatory capital purposes of the Issuer from time to time outstanding and (b) are not purchased in order to be surrendered to any Paying Agent for cancellation.

5.10 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 5.9 sopra (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

5.11 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5.1, 5.2, 5.3, 5.4 or 5.5 sopra or upon its becoming due and repayable as provided in Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5.7(b) sopra as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and*
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 12.*

5.12 Italian Civil Code

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

5.13 Conditions to Early Redemption and Purchase of Senior Notes and Non-Preferred Senior Notes

Any redemption or purchase of Senior Notes and Non-Preferred Senior Notes in accordance with Conditions 5.2, 5.4, 5.6 or 5.9 is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the MREL Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Non-Preferred Senior Notes at such time as eligible liabilities available to meet the MREL Requirements).

5.14 *Conditions to Early Redemption and Purchase of Subordinated Notes*

Any redemption or purchase of Subordinated Notes in accordance with Condition 5.2, 5.3, 5.4 or 5.9 is subject to:

- (a) the Issuer giving notice to the relevant Competent Authority and such Competent Authority granting prior permission to redeem or purchase the relevant Subordinated Notes (in each case in the manner required by the relevant Regulatory Capital Requirements, including Articles 77(b) and 78 of CRR) and confirmation of such permission being provided to the Trustee; and*
- (b) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Regulatory Capital Requirements for the time being.*

In these Conditions:

BRRD means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time;

Competent Authority means the Bank of Italy and/or, to the extent applicable in any relevant situation, the European Central Bank or any successor or replacement entity to either, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

CRD IV Package means, taken together (i) the CRD IV Directive, (ii) the CRR and (iii) the Future Capital Instruments Regulations;

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

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

EC Proposals means the amendments proposed to the CRD IV Directive, the CRR and BRRD published by the European Commission on 23 November 2016, as amended or updated in compromise drafts published by the European Commission as at the Issue Date and excluding any part of the amendments reflected in enacted legislation as at the Issue Date;

Future Capital Instruments Regulations means any regulatory capital rules or regulations introduced after the Issue Date by the Competent Authority or which are otherwise applicable to the Issuer (on a solo or, if relevant, consolidated basis), which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be

fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer (on a consolidated basis) to the extent required by (i) the CRD IV Regulation or (ii) the CRD IV Directive;

Group Entity means the Issuer or any legal person that is part of the BPS Group;

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

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

MREL Requirements means the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss-absorbing capacity instruments applicable to the Issuer and/or the BPS Group, from time to time, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Republic of Italy, a relevant Competent Authority or a Relevant Resolution Authority from time to

time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer and/or the BPS Group), as any of the preceding laws, regulations, requirements, guidelines, rules, standards, policies or interpretations may be amended, supplemented, superseded or replaced from time to time;

Regulatory Capital Requirements means any requirements contained in the regulations, rules, guidelines and policies of the Competent Authority, or of the European Parliament and Council then in effect in the Republic of Italy, relating to capital adequacy and applicable to the Issuer and/or the BPS Group from time to time (including, but not limited to, as at the Issue Date of the relevant Series of Notes, the rules contained in, or implementing, the CRD IV Package and the BRRD, delegated or implementing acts adopted by the European Commission and guidelines issued by the European Banking Authority);

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

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

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

6. TAXATION

All payments of principal and interest in respect of the Notes, Receipts or Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law.

In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest, in the case of Senior Notes or Non-Preferred Senior Notes (if permitted by the MREL Requirements), or interest only, in the case of Subordinated Notes, which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable:

- (a) with respect to any Notes, Receipts or Coupons for or on account of imposta sostitutiva (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 and in all circumstances in which the*

procedures set forth in Legislative Decree No. 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions of omissions of the Issuer or its agents;

- (b) with respect to any Note, Receipt or Coupon presented for payment:*
 - (i) in the jurisdiction of incorporation of the Issuer; or*
 - (ii) by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or*
 - (iii) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making or procuring a declaration of non-residence or other similar claim for exemption; or*
 - (iv) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4.6);*
 - (v) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or any other amount is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or*
- (c) in respect of any Note, Receipts or Coupons where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended or supplemented from time to time;*
- (d) where such withholding or deduction is imposed on a payment pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder or any official interpretations thereof or any law implementing an intergovernmental approach thereto.*

As used herein:

- (i) Tax Jurisdiction means the Republic of Italy (Italy) or any political subdivision of any authority thereof or therein having power to tax; and*
- (ii) Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12.*

7. *PRESCRIPTION*

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4.2 or any Talon which would be void pursuant to Condition 4.2.

8. *EVENTS OF DEFAULT AND ENFORCEMENT*

8.1 *Events of Default relating to Senior Notes, Non-Preferred Senior Notes and Subordinated Notes*

The Trustee, at its discretion, may, and if so requested in writing by the holders of at least one quarter in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (an Event of Default) shall occur:

- (a) the Issuer shall be liquidated (including becoming subject to Liquidazione Coatta Amministrativa as defined in the Italian Consolidated Banking Act); or*
- (b) the Issuer shall be insolvent.*

8.2 *Enforcement*

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the obligations of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction provided that, in the case of Non-Preferred Senior Notes and Subordinated Notes, the Issuer shall not by virtue of the institution of such proceedings, other than proceedings for the winding up or dissolution of the Issuer, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it pursuant to the Conditions and the Trust Deed.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

Proceedings for the winding-up or liquidation of the Issuer may only be initiated in the Republic of Italy (and not elsewhere), by the Trustee on behalf of the Noteholders, in accordance with the laws of the Republic of Italy.

9. *REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS*

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

10. *AGENTS*

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the form of Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent;*
- (b) there will at all times be a paying agent in a jurisdiction within Europe, other than Italy; and*
- (c) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority).*

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 4.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

11. *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 7.

12. NOTICES

All notices regarding the Notes will be deemed to be validly given if published if and for so long as the Notes are admitted to trading on, and listed on the Official List of, the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Luxemburger Wort* or the *Tageblatt in Luxembourg*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

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

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders

holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, or altering the currency of payment of the Notes, the Receipts or the Coupons or amending in certain respects), the quorum shall be two or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error including without limitation where required in order to comply with mandatory provisions of law. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose

domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition Prescription and/or any undertaking or covenant given in addition to, or in substitution for, Condition Prescription pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (ii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, (iii) compliance by the Issuer with relevant Regulatory Capital Requirements and/or MREL Requirements as certified in writing to the Trustee in a certificate signed by two authorised signatories of the Issuer (upon which certificate the Trustee is entitled to rely absolutely without enquiry or liability) and (iv) certain other conditions set out in the Trust Deed being complied with.

In addition, with respect to (i) any Series of Senior Notes or Non-Preferred Senior Notes, if at any time a MREL Disqualification Event occurs, and if Substitution or Variation is specified as being applicable in the form of Final Terms, or (ii) all Notes, if Substitution or Variation is specified as being applicable in the form of Final Terms, in order to ensure the effectiveness and enforceability of Condition 18 (Statutory Loss Absorption Powers), then the Issuer may, subject as provided in the Trust Deed and subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Trustee and the holders of the Notes of that Series (or such other notice periods as may be specified in the form of Final Terms, at any time either substitute all (but not some only) of such Notes, or vary the terms of such Notes so that they remain or, as appropriate, become, Qualifying Senior Notes, Qualifying Non-Preferred Senior Notes or Qualifying Subordinated Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities. The Trustee shall, at the expense of the Issuer, agree to such modification or variation without the consent of holders.

In these Conditions:

Qualifying Non-Preferred Senior Notes means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 18, have terms not materially less favourable to a holder of the Non-Preferred Senior Notes (as reasonably determined by the Issuer) than the terms of the Non-Preferred Senior Notes and provided that a certification to such effect (including in respect of the matters specified in (A) to (E) below) signed by two*

authorised signatories of the Issuer shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without any enquiry or liability) prior to the issue of the relevant notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the BPS Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) have a ranking at least equal to that of the Non-Preferred Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Non-Preferred Senior Notes; (D) have the same redemption rights as the Non-Preferred Senior Notes; and (E) in the event the Notes carry a rating immediately prior to such variation or substitution, are assigned (or maintain) the same credit ratings as were assigned to the Non-Preferred Senior Notes immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 18 becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this sub-clause (E) shall be to such credit rating prior to such amendment); and

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

Qualifying Senior Notes means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 18, have terms not materially less favourable to a holder of the Senior Notes (as reasonably determined by the Issuer) than the terms of the Senior Notes and provided that a certification to such effect (including in respect of the matters specified in (A) to (E) below) signed by two authorised signatories of the Issuer shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without any enquiry or liability) prior to the issue of the relevant notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the BPS Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) have a ranking at least equal to that of the Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (D) have the same redemption rights as the Senior Notes; and (E) in the event the Notes carry a rating immediately prior to such variation or substitution, are assigned (or maintain) the same credit ratings as were assigned to the Senior Notes immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 18 becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this sub-clause (E) shall be to such credit rating prior to such amendment); and*
- (b) are listed on a recognised stock exchange if the Senior Notes were listed immediately prior to such variation or substitution.*

Qualifying Subordinated Notes means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 18, have terms not materially less favourable to a holder of the Subordinated Notes (as reasonably determined by the Issuer) than the terms of the Subordinated Notes and provided that a certification to such effect (including in respect of the matters specified in (A) to (E) below) signed by two authorised signatories of the Issuer shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without any enquiry or liability) prior to the issue of the relevant notes, and they shall also (A) comply with the then-current requirements of the Regulatory Capital Requirements in relation to Tier 2 capital, (B) have a ranking at least equal to that of the Subordinated Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (D) have the same redemption rights as the Subordinated Notes; and (E) in the event the Notes carry a rating immediately prior to such variation or substitution, are assigned (or maintain) the same credit ratings as were assigned to the Subordinated Notes immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 18 becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this sub-clause (E) shall be to such credit rating prior to such amendment); and*
- (b) are listed on a recognised stock exchange if the Subordinated Notes were listed immediately prior to such variation or substitution.*

14. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including:

- (a) provisions relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction; and*
- (b) provisions limiting or excluding its liability in certain circumstances. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.*

The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or opinion or any advice of any accountants, financial advisers, financial institution or other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto

entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, opinion, confirmation or certificate or advice and such report, opinion, confirmation, or certificate or advice shall be binding on the Issuer the Trustee and the Noteholders, Receiptholders and Couponholders.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. *FURTHER ISSUES*

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

16. *CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999*

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

17. *GOVERNING LAW AND SUBMISSION TO JURISDICTION*

17.1 *Governing law*

The Trust Deed (except for Clause 4.3 and Clause 4.4), the Agency Agreement, the Notes (except for Condition 2.2, Condition 2.3 and Condition 18), the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and construed in accordance with, English law. Each of Condition 2.2,

Condition 2.3, Condition 18 and Clause 4.3 and Clause 4.4 of the Trust Deed are governed by, and shall be construed in accordance with, Italian law.

17.2 Submission to jurisdiction

- (a) *The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a Dispute) and accordingly each of the Issuer and the Trustee and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.*
- (b) *For the purposes of this Condition 17.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.*

17.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London, EC2V 7EX as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

17.4 Other documents

The Issuer has in the Trust Deed and Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

18. STATUTORY LOSS ABSORPTION POWERS

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

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

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

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

* * *

DESCRIPTION OF THE ISSUER

On pages 134 to 136 of the Base Prospectus, the paragraph headed “*Board of Directors*” is deleted in its entirety and replaced with the text set out below:

“*Board of Directors*”

<i>NAME AND SURNAME</i>	<i>OFFICE HELD IN BPS</i>	<i>PRINCIPAL OFFICES HELD IN OTHER COMPANIES</i>
<i>Francesco Venosta*</i>	<i>Chairperson</i>	<ul style="list-style-type: none"> – <i>Unione Fiduciaria S.p.A. (Deputy Chairperson).</i>
<i>Alessandro Carretta***</i>	<i>Director</i>	<ul style="list-style-type: none"> – <i>Associazione Italiana per il Factoring (General Secretary);</i> – <i>Associazione Italiana Leasing – Collegio dei Probiviri (Chairperson);</i> – <i>Financial Intermediation Network of European Studies (Member Committee);</i> – <i>Associazione degli amministratori indipendenti e non esecutivi – Consiglio direttivo di NED Community (Member);</i> – <i>European Association of University Teachers of Banking and Finance (Member).</i>
<i>Donatella Depperu***</i>	<i>Director</i>	<ul style="list-style-type: none"> – <i>N/A.</i>
<i>Lino Enrico Stoppani**</i>	<i>Deputy Chairperson</i>	<ul style="list-style-type: none"> – <i>Factorit S.p.A. (Director);</i> – <i>Immobiliare Borgo Palazzo S.r.l. (Sole Director);</i> – <i>Immobiliare San Paolo S.r.l. (Sole Director);</i> – <i>Sinergia Seconda S.r.l. (Sole Director);</i> – <i>FIPE Federazione Italiana Pubblici Esercizi (Director);</i> – <i>EPAM Associazione Pubblici Esercizi di Milano e Provincia (Director).</i>
<i>Mario Alberto Pedranzini**</i>	<i>Chief Executive Officer and Managing Director</i>	<ul style="list-style-type: none"> – <i>Factorit S.p.A. (Deputy Chairperson);</i> – <i>Banca Popolare di Sondrio (SUISSE) SA</i>

		<p><i>(Chairperson of the Board of Directors);</i></p> <ul style="list-style-type: none"> – <i>IEO Istituto Europeo di Oncologia (Director);</i> – <i>Associazione Bancaria Italiana (Member of Executive Committee);</i> – <i>Consorzio Banche Popolari (Director);</i> – <i>Associazione Nazionale fra le Banche Popolari (Deputy Chairperson).</i>
<i>Cecilia Corradini**</i>	<i>Director</i>	– <i>N/A.</i>
<i>Loretta Credaro***</i>	<i>Director</i>	– <i>Sondrio Servizi al Terziario S.r.l. (Director).</i>
<i>Paolo Biglioli**</i>	<i>Director</i>	– <i>N/A.</i>
<i>Federico Falck*</i>	<i>Director</i>	<ul style="list-style-type: none"> – <i>Falck Renewables S.p.A. (Director);</i> – <i>Falck S.p.A. (Director).</i>
<i>Attilio Piero Ferrari*</i> <i>**</i>	<i>Director</i>	– <i>N/A.</i>
<i>Cristina Galbusera*</i>	<i>Director</i>	– <i>Esprinet S.p.A. (Director).</i>
<i>Adriano Propersi***</i>	<i>Director</i>	<ul style="list-style-type: none"> – <i>IMI Fabi S.p.A. (Chairperson of the Board of Auditors);</i> – <i>Accademia S.p.A. (Chairperson of the Board of Auditors);</i> – <i>Certiquality S.r.l. (Chairperson of the Board of Auditors);</i> – <i>SC Sviluppo Chimica S.p.A. (Chairperson of the Board of Auditors);</i> – <i>Tecnocasa Franchising S.p.A. (Chairperson of the Board of Auditors);</i> – <i>Tecnimedia S.r.l. (Chairperson of the Board of Auditors).</i>
<i>Annalisa Rainoldi**</i>	<i>Director</i>	<ul style="list-style-type: none"> – <i>Rainoldi Mac S.r.l. (Chairperson of the Board of Directors);</i> – <i>Proenergia S.r.l. (Director);</i> – <i>Rainoldi Legnami S.r.l. (Director).</i>
<i>Serenella Rossi*</i>	<i>Director</i>	– <i>Edison S.p.A. (Chairperson of the Board of</i>

		<i>Auditors).</i>
Domenico Triacca*	Director	– N/A.

**These Directors shall be in office until the approval of the Annual Report for the year 2018.*

***These Directors shall be in office until the approval of the Annual Report for the year 2019.*

****These Directors shall be in office until the approval of the Annual Report for the year 2020.*

* * * * *

On pages 136 and 137 of the Base Prospectus, the paragraph headed “*Board of Auditors**” is deleted in its entirety and replaced with the text set out below:

“*Board of Auditors”**

NAME AND SURNAME	OFFICE HELD IN BPS	OFFICES HELD IN OTHER COMPANIES
<i>Piergiuseppe Forni</i>	Chairperson of the Board of Auditors	<ul style="list-style-type: none"> – <i>Pirovano Stelvio S.p.A. (Chairperson of the Board of Auditors);</i> – <i>Sinergia Seconda S.r.l. (Auditor);</i> – <i>Società di Sviluppo Locale S.p.A. (Auditor).</i>
<i>Laura Vitali</i>	Auditor	<ul style="list-style-type: none"> – <i>Azienda Energetica Valtellina Valchiavenna S.p.A. (Auditor);</i> – <i>Emilio Giacomelli S.r.l. (Sole Auditor);</i> – <i>Musixmatch S.p.a. (Auditor);</i> – <i>Club Acceleratori S.p.a. (Auditor);</i> – <i>American Startup Club S.p.a. (Auditor).</i>
<i>Luca Zoani</i>	Auditor	<ul style="list-style-type: none"> – <i>Factorit S.p.A. (Chairperson of the Board of Auditors);</i> – <i>Casa.it S.r.l. (Sole Auditor);</i> – <i>Arrow Electronic Italia S.r.l. (Sole Auditor);</i> – <i>CMA MC S.r.l. (Sole Auditor);</i> – <i>Gruppo Formula S.p.A. (Auditor);</i> – <i>Pansystem S.r.l. (Sole Auditor);</i> – <i>Bellatrix S.p.a. (Auditor).</i>

<i>Bruno Garbellini</i>	Alternate Auditor	– <i>Azienda Energetica Valtellina Valchiavenna S.p.A. (Auditor).</i>
<i>Daniele Morelli</i>	Alternate Auditor	– <i>Ing. Leopoldo Castelli S.p.A. (Auditor);</i> – <i>Factorit S.p.A. (Auditor);</i> – <i>EDIL BI S.p.A. (Auditor);</i> – <i>Pirovano Stelvio S.p.A. (Auditor).</i>

**All the Auditors listed above shall be in office until the approval of the Annual Report for the year 2020.*

All members of the Board of Directors and of the Board of Auditors meet the integrity and professional requirements provided for by the legislation and regulations currently in force.

All members of the Board of Auditors are on the Register of Auditors.”

* * * * *

On pages 138 and 139 of the Base Prospectus, the paragraph headed “*Conflicts of interests of the administration, management and control bodies*” is deleted in its entirety and replaced with the text set out below:

“*Conflicts of interests of the administration, management and control bodies*”

As at the date of this Base Prospectus, and to the Parent Company's knowledge – including upon examination as required under article 36 of Law Decree No. 201 of 6 December 2011, as converted into Law No. 214 of 22 December 2011 – no member of the Board of Auditors, the Board of Directors or the general management of the Parent Company is subject to potential conflicts of interest between their obligations arising out of their office or employment with the Parent Company or the BPS Group and any personal or other interests, except for those that may concern transactions put before the competent bodies of the Parent Company and or/entities belonging to the BPS Group, such transactions having been undertaken in compliance with the relevant regulations in force. The members of the administrative, management and control bodies of the Parent Company are required to implement the following provisions governing circumstances in which there exists a specific interest concerning the implementation of a transaction:

- *Article 53 (Supervisory regulations) of the Consolidated Banking Act and the relevant implementing regulations issued by the Bank of Italy, with particular reference to the supervisory regulations relating to transactions with related parties;*
- *Article 136 (Duties of banking officers) of the Consolidated Banking Act which requires the adoption of a particular authorisation procedure where an officer, directly or*

indirectly, assumes obligations towards the bank in which such officer has an administrative, management or control function;

- *Article 2391 ('Directors' interests) of the Italian Civil Code; and*
- *Article 2391-bis (Transactions with related parties) of the Italian Civil Code.*

The Issuer and its corporate bodies have adopted internal measures and procedures to guarantee compliance with the above-mentioned provisions.”

* * * * *

On page 143 of the Base Prospectus, at the end of the paragraph headed “Recent Developments”, the following new subparagraphs are added:

“On 18 December 2017 BPS has increased its stake in Servizi Internazionali e Strutture Integrate 2000 S.r.l. (“Sintesi 2000”) from 33.333% up to 100%. Sintesi 2000 is a company specialized in consulting, assistance and supply of services for the international activity of banks and their customers, in the commercial sector.

*On 28 April 2018 BPS announced that on the same date, during the Ordinary and Extraordinary Shareholders' Meeting, BPS approved, inter alia, (i) the financial statements as at 31 December 2017 and the Directors' report on operations and the proposed allocation of profit, (ii) the amendment to articles no. 6 and 39 of BPS' Articles of Association (currently subject to the necessary legal authorizations by the competent Authorities), and (iii) the proxy appointment to the Board of Directors ex art. 2243 of the Italian Civil Code, in order to increase the share capital, with the exclusion of option rights, for an overall maximum amount of €40 million, with the purpose of the possible fulfilment of the acquisition operation of Cassa di Risparmio di Cento S.p.A. (**Cassa di Risparmio di Cento**). BPS is in advanced negotiation with Fondazione Cassa di Risparmio di Cento S.p.A. (**Fondazione Cassa di Risparmio di Cento**) – that controls Cassa di Risparmio di Cento and, should the parties agree the terms and conditions of the transaction, a binding agreement to purchase Cassa di Risparmio di Cento will be executed within the coming weeks. The acquisition is expected to be carried out in two stages, with BPS initially purchasing 51% of Cassa di Risparmio di Cento from the Fondazione Cassa di Risparmio di Cento in exchange for BPS shares and, for a minor part of the purchase price, in cash. By 2020, BPS expects to increase its stake in Cassa di Risparmio di Cento to at least to 67% and potentially up to 100%.*

On 4 May 2018, BPS announced that, as a result of the competitive procedure initiated by the liquidators, a contract was signed with Banca Popolare di Vicenza S.p.A. in Administrative Compulsory Liquidation which provides for the purchase by BPS of 100% of the share capital of PrestiNuova S.p.A.. The purchase price is equal to 53.37 million euros and will be paid to Banca Popolare di Vicenza S.p.A. in Administrative Compulsory Liquidation in cash at the time of closing, expected by the end of the third quarter of the current year. The impact of the CET1 ratio of BPS Group is estimated to be less than 18bps. It is understood that the completion of the

transaction is subject to the issue of the necessary legal authorizations by the competent Authorities.”

* * *

GENERAL INFORMATION

On page 166 of the Base Prospectus, the paragraph headed “*Documents Available*” shall be deleted and replaced as follows:

“For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;*
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 31 December 2017 (with an English translation thereof). The Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis;*
- (c) the auditors’ report on audited consolidated annual financial statements for the financial year ended on 31 December 2016 and December 2017 (with an English translation thereof) of the Issuer;*
- (d) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated and non-consolidated interim accounts on a semi-annual basis;*
- (e) the unaudited interim consolidated report on operations at 30 September 2017;*
- (f) the press release headed “28.04.2018: Ordinary and Extraordinary Shareholders’ Meeting of 28 April 2018”, published by the Issuer on 28 April 2018*
- (g) the press release headed “11 May 2018: Board of Directors’ approval of the Consolidated Interim Financial report as of March 31, 2018” published by the Issuer on 11 May 2018;*
- (h) the Trust Deed, Supplemental Trust Deed and the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;*
- (i) a copy of this Base Prospectus; and*
- (l) any future Base Prospectus, prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.”*

* * *

On page 167 of the Base Prospectus, the paragraph headed "*Significant or Material Adverse Change*" is deleted in its entirety and replaced with the text set out below:

"Significant or Material Adverse Change

There has been no significant change in the financial position of the Group since 31 March 2018 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2017."

* * *