

BANCO DI DESIO E DELLA BRIANZA S.P.A.

(incorporated with limited liability as a "Società per Azioni" under the laws of the Republic of Italy and registered at the Companies' Registry of Monza e Brianza under registration number 01181770155)

Euro 3,000,000,000 Euro Medium Term Note Programme

Under this Euro Medium Term Note Programme (the **Programme**), Banco di Desio e della Brianza S.p.A. (the **Issuer** or **Banco Desio**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

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

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

Application has been made to the *Central Bank of Ireland* (the **CBI**) in its capacity as competent authority under the Prospectus Directive to approve this document as a base prospectus. The CBI assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer. Application has also been made to the Irish Stock Exchange plc trading as Euronext Dublin (the **Euronext Dublin**) for Notes issued under the Programme to be admitted to the official list (the **Official List**) and trading in its regulated market.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Euronext Dublin's regulated market and have been admitted to the Official List of the Euronext Dublin. The Euronext Dublin's regulated market is a regulated market for the purposes of the Directive 2014/65/EU (as amended, **MiFID II**) and the Regulation 2014/600/EU (as amended, **MiFIR**).

This Base Prospectus has been approved by the CBI, as Irish competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of Euronext Dublin, or other regulated markets for the purposes of Directive 2014/65/EU.

The requirement to publish a prospectus under the Prospectus Directive (as defined under "*Important Information*" below) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive. References in this Base Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Directive. The CBI has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the **Final Terms**) which will be filed with the CBI.

Copies of Final Terms in relation to Notes to be listed on the Euronext Dublin will also be published on the website of the Euronext Dublin (www.ise.ie). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

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

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction

The Issuer has been rated “BBB–” (long-term issuer default rating) and “F3” (short-term issuer default rating) by Fitch Ratings Limited (**Fitch**). Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or 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.

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).

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

Arranger

Société Générale Corporate & Investment Banking

Dealer

Société Générale Corporate & Investment Banking

The date of this Base Prospectus is 30 July 2018.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, 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 EEA.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. 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 Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents incorporated by reference*"). This Base Prospectus shall be read and construed on the basis that those documents are incorporated by reference and form part of this Base Prospectus.

The Dealers (as defined below) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. The Dealers do not accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

PRIIPs / IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**) or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, 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.

MiFID II product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID II Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance Rules.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Dealers and the Fiscal Agent represents that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Fiscal Agent which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including the United Kingdom, Italy and France) and Japan, see

“Subscription and Sale”.

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**) must be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State 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 supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Issuer has been derived from (i) the audited consolidated financial statements of the Issuer for the financial years ended respectively 31 December 2016 and 31 December 2017 (together, the **Financial Statements**) and (ii) the press release dated 10 May 2018 on Consolidated results at 31 March 2018.

The Issuer’s financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in “*Terms and Conditions of the Notes*” or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

In this Base Prospectus, all references to:

- *U.S. dollars, U.S.\$* and *\$* refer to United States dollars;
- *Sterling* and *£* refer to pounds sterling; and
- *Euro, euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

References to a **billion** are to a thousand million.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the

figures which precede them.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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STABILISATION

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

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:	Banco Desio e della Brianza S.p.A.
Issuer Legal Entity Identifier (LEI):	81560026D234790EB288
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 “ <i>Risk Factors</i> ”.
Description:	Euro Medium Term Note Programme
Arranger:	Société Générale
Dealer:	Société Générale
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 “ <i>Subscription and Sale</i> ”) 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*”.

Fiscal Agent and Paying Agent	Société Générale Bank & Trust S.A.
Programme Size:	Up to €3,000,000,000 (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:	<p>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.</p> <p>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.</p> <p>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.</p>
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 “ <i>Form of the Notes</i> ”.
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 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 Banco Desio 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 <i>pari passu</i> 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 (<i>Status of the Senior Notes</i>).
Status of the Non-Preferred Senior Notes:	The Non-Preferred Senior Notes (<i>notes intending to qualify as strumenti di debito chirografario di secondo livello</i> of the Issuer, as defined under Article 12-bis of the Italian Consolidated Banking Act) constitute direct, unconditional, 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, <i>pari passu</i> without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant 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 (<i>Status of the Non-Preferred Senior Notes</i>).
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 <i>pari passu</i> 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 (<i>Status of the Subordinated Notes</i>).
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, or (ii) all Notes, in order to ensure the effectiveness and enforceability of Condition 17 (*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 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 CBI to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed on the Euronext Dublin.

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 17 (*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.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors, including those set out in paragraph "Changes in regulatory framework" below, which individually or together could result in the Issuer becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risks associated with the general economic, financial and other business conditions

The results of the Desio Group are affected by the global economic and financial conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Desio Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates in the Eurozone influence its performance. These risks are exacerbated by concerns over the levels of the public debt of certain Euro-zone countries and their relative weaknesses. There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert "contagion" to other countries. A rating downgrade might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Group's operating results, financial conditions and business outlook.

Furthermore, if sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if the Desio Group's ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the Group. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all Italian financial services institutions, including the Desio Group.

Pressures on sovereign bond prices, as a result of speculation, may directly affect the fair value of Desio Group's exposures to sovereign debt securities and loans, resulting in losses, write-downs and impairment charges.

Furthermore, the concerns on sovereign perceived creditworthiness may also impact both the availability and the cost of funding. In fact, the deterioration of the sovereign perceived risk could affect the price or raise the collateral requirements (eligibility criteria) of securities used by banks to secure funding from private markets (for instance, repos) or from central banks, reducing the availability of funding or increasing its costs.

Finally, to face the sovereign debt crisis, the Italian Parliament has recently approved many austerity measures, including a tax treatment of securities issued by banks, which now render such securities less attractive to investors and which could increase the funding costs for Desio Group.

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur could severely destabilise the markets and have a material adverse effect on the operating results, financial condition and prospects of the Desio Group as well as on the marketability of the Notes. This might also impact on the Desio Group's credit rating, borrowing costs and access to liquidity. Any further Italian sovereign downgrade or the perception that such a downgrade may occur would likely have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a "double dip" recession. These risks are exacerbated by concerns over the level of the public debt of, and the weakness of the economy in, Ireland, Greece, Portugal, Spain and Italy in particular. Further instability within these countries or other countries within the Euro-zone might lead to contagion.

Finally since Italy is the Banco Desio Group's primary market in which the Banco Desio Group operates and, as result, its activities are closely connected to the Italian macroeconomic context, so they could be negatively impacted by any change of the same. Specially, economic forecasts and the current political context could generate considerable uncertainty surrounding the future growth of the Italian economy.

Risks associated with the Issuer's rating

The risk associated with the ability of an issuer to meet its obligations, generated by the issue of debt instruments and money market instruments, is defined by reference to credit ratings assigned by independent rating agencies. A credit rating is a measurement of solvency or credit worthiness of debtors and/or issuers of bonds, made in accordance with consolidated procedures for credit analysis. These measurements, and the relating research, help investors in analysing credit risks associated with financial instruments, since they give detailed information on issuers' ability to meet their obligations. The lower the rating assigned on the respective scale the higher the risk, measured by the respective rating agency, that the bonds will not be repaid or that they will not be repaid fully and/or promptly. A rating is not a recommendation to purchase, sell or hold any bond issued and may be suspended, lowered or withdrawn at any time by the rating agency by which it has been assigned. Suspension, lowering or withdrawal of an assigned rating can negatively affect the market price of the bonds issued.

A rating downgrade might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Desio Group's operating results, financial conditions and business outlook.

Impact of events which are difficult to anticipate

The Desio Group's earnings and business are affected by general economic conditions, the performance of financial markets and of market participants, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. The expectations in respect of the global economy remain uncertain in the short- and medium-term. Additional sources of uncertainty are those related to the geopolitical environment including the timing and the modalities for the exit of the United Kingdom from the European Union.

Each of these factors can change the level of demand for the Desio Group's products and services, the credit quality of Debtors and counterparties, the interest rate margin between lending and borrowing costs and the value of its investment and trading portfolios and can influence the Group's balance sheet and economic results.

Moreover, on 23 June 2016 the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Issuer or one or more of the other parties to the Transaction Documents. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

Market declines and volatility

The results of the Desio Group are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the Desio Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Desio Group's debtors and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

The ongoing economic crisis may also negatively affect the real estate market and value of collateral securing loans with an adverse impact on the fair value of the Desio Group's secured loans and mortgages, entailing additional provisions or reserve requirements. Moreover, when a debtor defaults on his collateralised loans or obligations, the value of the collateral could not be sufficient to meet the claims of the creditors so that Desio Group may not recover the full expected amount due.

The Issuer is therefore exposed by its very nature to potential changes in the value of financial instruments, including securities issued by sovereign states, due to fluctuations in interest rates, exchange rates and currencies, stock market and commodities prices and credit spreads, and/or other risks.

Risks associated with recent ECB guidance on NPL provisioning

On 20 March 2017, the ECB has published its final guidance on non-performing loans (**NPLs**). It outlines measures, processes and best practices which banks should incorporate when tackling NPLs. The ECB expects banks to fully adhere to the guidance in line with the severity and scale of NPLs in their portfolios.

The guidance calls on banks to implement realistic and ambitious strategies to work towards a holistic approach regarding the problem of NPLs. This includes areas such as governance and risk management. For instance, banks should ensure that managers are incentivised to carry out NPL reduction strategies. This should also be closely managed by their management bodies. The ECB does not stipulate quantitative targets to reduce NPLs. Instead, it asks banks to devise a strategy that could include a range of policy options such as NPL work-out, servicing, and portfolio sales.

The guidance is applicable as of its date of publication and is currently non-binding in nature. However, banks should explain and substantiate any deviations upon supervisory request. This guidance is taken into consideration in the Single Resolution Mechanism regular supervisory review and evaluation process and non-compliance may trigger supervisory measures.

The guidance does not intend to substitute or supersede any applicable regulatory or accounting requirement or guidance from existing EU regulations or directives and their national transpositions or equivalent, or guidelines issued by the EBA. Instead, the guidance is a supervisory tool with the aim of clarifying the supervisory expectations regarding NPL identification, management, measurement and write-offs in areas where existing regulations, directives or guidelines are silent or lack specificity. Where binding laws, accounting rules and national regulations on the same topic exist, banks should comply with those. It is also expected that banks do not enlarge already existing deviations between regulatory and accounting views in the light of this guidance, but rather the opposite: whenever possible, banks should foster a timely convergence of regulatory and accounting views where those differ substantially.

In addition, on 15 March 2018, the ECB published an addendum to the ECB guidance to banks on NPLs. The addendum supplements the qualitative guidance on NPLs dated 20 March 2017 and specifies the ECB's supervisory expectations for prudent levels of provisions for new NPLs. The addendum is not binding and will serve as the basis for the supervisory dialogue between the significant banks and the ECB Banking Supervision. During the supervisory dialogue, the ECB will discuss with each bank divergences from the prudential provisioning expectations laid out in the addendum. After the dialogue and taking into account the bank's specific situation, ECB Banking Supervision will decide (on a case-by-case basis) whether and which supervisory measures are appropriate. The result of this dialogue will be incorporated, for the first time, in the 2021 Supervisory Review and Evaluation Process (SREP). The addendum is complementary to any future EU legislation based on the European Commission's proposal to address NPLs under Pillar 1. The Commission's proposal for a statutory provisioning backstop is conceived as a binding requirement that applies to all credit institutions.

Liquidity risk

The Issuer's business is subject to risks concerning liquidity which are inherent in its banking operations, and could affect the Issuer's ability to meet its financial obligations as they fall due or to

fulfil commitments to lend. In order to ensure that the Issuer continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. The ability of the Issuer to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The global financial system still has to overcome some of the difficulties which began in August 2007 and which were intensified by the bankruptcy of Lehman Brothers in September 2008. Financial market conditions have remained challenging and, in certain respects, have deteriorated. In addition, the continued concern about sovereign credit risks in the Euro-zone and Italy in particular has progressively intensified, and International Monetary Fund and European Union financial support packages have been agreed for Greece, Ireland and Portugal.

Credit quality has generally declined, as reflected by the downgrades suffered by several countries in the Euro-zone, including Italy, since the start of the sovereign debt crisis. The large sovereign debts and/or fiscal deficits in certain European countries, including Italy, have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries.

There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert “contagion” to other countries. If sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if the Issuer’s ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the Issuer. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all Italian financial services institutions, including the Issuer.

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur may severely destabilise the markets and have a material adverse effect on the Issuer’s operating results, financial condition and prospects as well as on the marketability of the Notes. This might also impact on the Issuer’s credit rating, borrowing costs and access to liquidity. A further Italian sovereign downgrade or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a “double dip” recession. These risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in, Ireland, Greece, Portugal, Spain and Italy in particular. Further instability within these countries or other countries within the Euro-zone might lead to contagion.

These concerns may impact the ability of Euro-zone banks to access the funding they need, or may increase the costs of such funding, which may cause such banks to suffer liquidity stress. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an

impact on the Issuer's access to, and cost of, funding. Should the Issuer be unable to continue to source a sustainable funding profile, the Issuer's ability to fund its financial obligations at a competitive cost, or at all, could be adversely impacted.

Credit and market risk

To the extent that any of the instruments and strategies used by the Desio Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the Desio Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Desio Group's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Desio Group's financial results also depend upon how effectively it determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Protracted market declines and reduced liquidity in the markets

In some of the Desio Group's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Desio Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Desio Group using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Desio Group's operating results and financial condition.

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

Risk management and exposure to unidentified or unanticipated risks

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

Changes in interest rates

Fluctuations in interest rates influence the Desio Group's financial performance. The results of the Desio Group's banking operations are affected by its management of interest rate sensitivity and, in particular, changes in market interest rates; : the risks associated with interest rate fluctuations specifically affect the interest margin and, consequently, the Group's net profits (cash flow risk) and

also affect the actual net value of assets and liabilities, impacting the present value of future cash flows (fair value risk). A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Desio Group's financial condition or results of operations. In addition, in recent years, the Italian banking sector has been characterised by increasing competition which, together with the low level of interest rates, has caused a sharp reduction in the difference between borrowing and lending rates, and has made it difficult for banks to maintain positive growth trends in interest rate margins. In particular, such competition has had two main effects:

- (i) a progressive reduction in the differential between lending and borrower interest rate, which may result in the Issuer facing difficulties in maintaining its actual rate of growth in interest rate margin; and
- (ii) a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and order collection, due to competition on prices.

Both of the above factors may adversely affect the Issuer's financial condition and results of operations. In addition, downturns in the Italian economy could cause pressure on the competition through, for example, increased price pressure and lower business volumes for which to compete.

Intense competition could materially adversely affect the Issuer's revenues and profitability

Competition is intense in all of the Banco Desio Group's primary business areas. The Banco Desio Group derives most of its total banking income from its banking activities, a mature market where competitive pressures have been increasing quickly. If the Banco Desio Group is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the Banco Desio Group, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the Italian economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for which to compete.

Operational risk

The Desio Group, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Desio Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Any failure or weakness in these systems could however adversely affect its financial performance and business activities. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Desio Group will be unable to comply with its obligations as a company with securities admitted to the official list of the Irish Stock Exchange.

A downgrade of the Issuer's credit rating may impact the Issuer's funding ability and have an adverse effect on the Issuer's financial condition

A downgrade of any of the Issuer's ratings (for whatever reason) might result in higher funding and

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

The Issuer's financial performance is affected by "systemic risk"

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

The Issuer's financial performance is affected by borrower credit quality and general economic conditions, in particular in Italy and Europe

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

The Issuer monitors credit quality and manages the specific risk of each counterparty and the overall risk of the respective loan portfolios, and the Issuer will continue to do so, but there can be no assurance that such monitoring and risk management will suffice to keep the Issuer's exposure to credit risk at acceptable levels. Any deterioration of the creditworthiness of significant individual customers or counterparties, or of the performance of loans and other receivables, as well as wrong assessments of creditworthiness or country risks may have a material adverse effect on the Issuer's business, financial condition and results of operations.

As discussed above, these risks are exacerbated by concerns over the levels of the public debt of certain Euro-zone countries and their relative weaknesses. There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert "contagion" to other countries. A rating downgrade in one of the countries in which the Issuer operates might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Issuer's operating results, financial conditions and business outlook.

Legal Proceedings

The Desio Group is involved in various legal proceedings. Management believes that such proceedings have been properly analysed by the Issuer and its subsidiaries in order to decide whether any increase

in provisions for litigation is necessary or appropriate in all the circumstances and, with respect to some specific issues, whether to refer to them in the notes to its financial statements in accordance with the International Financial Reporting Standards ("IFRS").

Catastrophic events, terrorist attacks and similar events could have a negative impact on the business and results of the Issuer

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

Changes in regulatory framework

The Desio Group conducts its business subject to on-going regulatory and associated risks, including the effects of changes in laws, regulations, and policies in Italy and at a European level. The timing and the form of future changes in regulation are unpredictable and beyond the control of the Issuer, and changes made could materially adversely affect the Desio Group's business.

Desio Group is subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank and the European System of Central Banks. The banking laws the Desio Group is subject to govern the activities in which banks may engage with and are designed to maintain the safety and soundness of banks and limit their exposure to risk. In addition, the Desio Group must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union that will affect the Desio Group, including proposed regulatory initiatives that could significantly alter the Desio Group's capital requirements.

In particular, in December 2009, the Basel Committee on Banking Supervision (the "**Basel Committee**") proposed strengthening the global capital framework, and in December 2010, January 2011 and July 2011, the Basel Committee issued its final guidance on the proposed changes to capital adequacy and liquidity requirements ("**Basel III**"), which envisaged a substantial strengthening of capital rules existing at that time, including by, among other things, raising the quality and quantity of the Core Tier 1 Capital base in a harmonised manner (*inter alia* through changes to the items which give rise to adjustments to that capital base), introducing requirements for non-Core Tier 1 and Tier 2 capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability, strengthening the risk coverage of the capital framework, promoting the build-up of capital buffers and introducing a new leverage ratio and global minimum liquidity standards for the banking sector. The Basel III framework adopts a gradual approach, with full enforcement in 2019, though the proposed amendments to the CRR (as defined below) envisaged a longer period.

In January 2013 the Basel Committee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio (as defined below), with a full implementation in 2019, as well as

expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the Net Stable Funding Ratio (the “NSFR”), the Basel Committee published the final rules in October 2014 providing that the NSFR will become a minimum standard starting from 1 January 2018.

The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the “CRD IV”) and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “CRR” and together with the CRD IV, the “CRD IV Package”).

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed. Additionally, it is possible that Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package. National options and discretions that were exercised by national competent authorities are now exercised by the SSM (as defined below) in a largely harmonized manner throughout the Banking Union. In this respect, ECB has adopted the Regulation (EU) 2016/445 of 14 March 2016 on the exercise of options and discretions available in Union law, published on 24th March 2016 and the ECB Guide on options and discretions available in Union law (“ECB Guide”). This regulation specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. Depending on the manner these options / discretions were so far exercised by the national competent authorities and on the manner the SSM will exercise them in the future, additional / lower capital requirements may result. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the ECB Guide and the above mentioned Regulation (EU) 2016/445.

In addition, it should be noted that, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities (“NCAs”) concerning the exercise of options and national discretions available in European Union law that affect banks which are directly supervised by NCAs (*i.e.* less significant institutions). Both documents are intended to further harmonise the way banks are supervised by NCAs in the 19 countries to which the SSM (as defined below) applies. The aim is to ensure a level playing field and the smooth functioning of the euro area banking system as a whole.

In Italy, the Legislative Decree no. 72 of 12 May 2015, implementing the CRD IV entered into force on 27 June 2015 and impacted, *inter alia*, on:

- (i) proposed acquirers of credit institutions’ holdings, shareholders and members of the management body requirements (Articles 22, 23 and 91 of the CRD IV);
- (ii) supervisory measures and competent authorities’ powers (Articles 64, 65, 102 and 104 of the

CRD IV);

(iii) reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 of the CRD IV);

(iv) administrative penalties and measures (Article 65 of the CRD IV).

Moreover, the Bank of Italy published the supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 – the “**Circular No. 285**”) which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules. Circular No. 285 has been constantly updated after its first issue.

Italian banks are required to comply with a minimum Common Equity Tier 1 (CET1) Capital ratio of 4.5 per cent, a minimum Tier I Capital ratio of 6 per cent, and a Total Capital Ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- Capital conservation buffer: set at 2.5 per cent of risk weighted assets subject to the transitional regime herein below and applies to Banco Desio from 1 January 2014 (pursuant to Article 129 of the CRD IV and Title II, Chapter I, Section II of Circular No. 285). In this respect, on 4 October 2016, the Bank of Italy enacted the 18th update to Circular No. 285 in order to align the domestic transitional regime concerning the capital conservation buffer to the provisions set forth in CRD IV. According to such update, banks, both at individual and consolidated level, shall apply a minimum capital conservation buffer equal to: (i) 1.25 per cent. from 1 January 2017 to 31 December 2017, (ii) 1.875 per cent. from 1 January 2018 to 31 December 2018 and (iii) 2.5 per cent. starting from 1 January 2019. Such update entered into force on 1 January 2017.
- Counter-cyclical capital buffer: is set by the relevant competent authority between 0 per cent – 2.5 per cent (but may be set higher than 2.5 per cent where the competent authority considers that the conditions in the member state justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV and Part I, Title II, Chapter I, Section III of Circular No. 285);
- Capital buffers for global systemically important institutions (“**G-SIIs**”): set as an “additional loss absorbency” buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitutability for the services provided, global activity and complexity); it was phased in from 1 January 2016 (pursuant to Article 131 of the CRD IV and Title II, Chapter 1, Section IV of Circular No. 285) and will become fully effective on 1 January 2019; and
- Capital buffers for other systemically important institutions at a domestic level (“**O-SIIs**”): up to 2.0% as set by the relevant competent authority (and it must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the domestic financial system (Article 131 of the CRD IV and Part I, Title II, Chapter 1, Section IV of Circular No. 285).

The Issuer is not currently included in the list of financial institutions of global systemic importance published on 21 November 2016 by the Financial Stability Board. The Bank of Italy has not included the Issuer among the systemically important banks at a domestic level for the year 2018.

In addition to the above listed capital buffers, under Article 133 of the CRD IV each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 in order to prevent and mitigate long term non-cyclical systemic or macroprudential risks with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV as the Italian level-1 rules for the implementation of the CRD IV on this point have not been enacted yet.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV and Part I, Title II, Chapter 1, Section V of Circular No. 285).

As part of the CRD IV Package transitional arrangements, as implemented by Circular No. 285, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital instruments under the framework which the CRD IV Package has replaced (EU Directive 2010/76/EU, the “**CRD III**”) that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 80 per cent in 2014, with this cap decreasing by 10 per cent in each subsequent year (see, in particular, Part II, Chapter 14, Section 2 of Circular No. 285).

The new liquidity requirements introduced under the CRD IV Package are the Liquidity Coverage Ratio (“**Liquidity Coverage Ratio**”) and the NSFR. The Liquidity Coverage Ratio Delegated Regulation (Regulation (EU) no. 2015/61) was adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015. The Liquidity Coverage Ratio is subject to a gradual phase-in, beginning at 60 per cent. in 2015 and increasing by 10 per cent. each year in order to reach 100 per cent. in 2018. It is worth mentioning that the EU Banking Reform (as defined below) includes a proposal aimed at establishing a binding detailed NSFR which will require credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding in order to increase banks' resilience to funding constraints. 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 per cent., 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 per cent. to credit institutions and systemic investment firms two years after the date of entry into force of the proposed amendments to the CRR.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports in order to enhance regulatory harmonisation in Europe through the creation of a single rulebook. In particular, as of liquidity, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity Coverage Ratio buffer. In addition, the CRD IV Package states that the EBA shall report to the

Commission on the operational requirements for the holdings of liquid assets. The CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

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

The CRD IV Package also introduced a new Leverage Ratio (“**Leverage Ratio**”) with the aim of restricting the level of leverage that an institution can take on to ensure that an institution’s assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) 2015/62 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015, amending the calculation of the Leverage Ratio compared to the current text of the CRR Regulation. Institutions have been required to disclose their Leverage Ratio from 1 January 2015. Full implementation of the Leverage Ratio as a Pillar 1 measure and European harmonisation, however, is expected two years after the date of entry into force of the proposed amendments to the CRR. In this context, it is worth noting that the EU Banking Reform (as defined below) contains a proposal to implement a binding Leverage Ratio of 3 per cent., which is designed to prevent institutions from excessively increasing leverage (e.g. to compensate for low profitability).

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU’s future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation. The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course. One of the main proposed changes to the global regulatory framework is for G-SIBs to be required to have a minimum Total Loss Absorbing Capacity (“**TLAC**”). In November 2014, the Financial Stability Board (the “**FSB**”) published a consultation document setting out its proposals for TLAC, which were endorsed at the Group of Twenty’s (G20) Brisbane conference in November 2014. The FSB, in November 2015, issued the final TLAC standard for G-SIBs, with application starting from 2019. Moreover, it is worth mentioning the Basel Committee has embarked on a very significant RWA variability review. This includes the “Fundamental Review of the Trading Book”, revised standardised approaches (credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator’s primary aim is to eliminate unwarranted levels of RWA variance. The new framework is in the process of being finalized. From a credit risk perspective, an impact is expected both on capital held against those exposures

assessed via the standardized approach, and those evaluated via an internal ratings based approach (IRB). In addition, significant changes are expected in relation to operational risk modelling, as the Basel Committee is proposing to eliminate the internal models some banks are currently utilising and the introduction of a more standardised approach. Following the finalisation of the Basel framework, the new rules will need to be transposed into European regulation. Implementation of these new rules on risk models is not expected before end of 2018.

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

- (i) the CRD IV Package (as defined above);
- (ii) the Bank Recovery and Resolution Directive (as defined below);
- (iii) regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund.

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

On 28 December 2017, Directive (EU) 2017/2399, amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the **BRRD Amending Directive**), entered into force. The BRRD Amending Directive requires Member States to create a new asset class of “non-preferred” senior debt instruments with a lower rank than ordinary senior unsecured debt instruments in insolvency. The BRRD Amending Directive must be implemented by the EU 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, regulators and supervisory authorities are taking an increasingly strict approach to regulations and their enforcement that may not be to the Issuer’s benefit. A breach of any regulations by the Issuer could lead to intervention by supervisory authorities and the Issuer could come under investigation and surveillance, and be involved in judicial or administrative proceedings. The Issuer may also become subject to new regulations and guidelines that may require additional investments in systems and people and compliance with which may place additional burdens or restrictions on the Issuer.

Such changes in the regulatory framework and how they will be implemented may have a material effect on all the European Banks and on the Desio Group’s business and operations as well. As the new framework of banking laws and regulations affecting the Desio Group is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted,

enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Desio Group.

ECB Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Regulation (EU) No. 1024/2013 establishing a single supervisory mechanism (the “**ECB Single Supervisory Mechanism**” or “**SSM**”) for all banks in the Banking Union (euro area banks and banks of any EU member state that joins the Banking Union), which have, beginning in November 2014, given the European Central Bank (“**ECB**”), in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over “*significant credit institutions*” established in the Banking Union. The SSM framework regulation (Regulation (EU) No. 468/2014 of the ECB) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include any Eurozone bank that (i) has assets greater than Euro 30 billion or – unless the total value of its assets is below Euro 5 billion – greater than 20% of national gross domestic product;(ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities.

Irrespective of the fulfilment of these criteria, the SSM may declare an institution significant to ensure the consistent application of high-quality supervisory standards.

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, inter alia, the power to: (i) authorise and withdraw authorisations of all credit institutions in the Eurozone; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB has also the right to, *inter alia*, impose pecuniary sanctions.

National competent authorities continue to be responsible for supervisory matters not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the Eurozone, the EBA is developing a single supervisory handbook applicable to EU Member States.

The Desio Group may be subject to the provisions of the EU Bank Recovery and Resolution Directive

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

The BRRD provides competent authorities with a credible set of tools to intervene sufficiently early and

quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, minimising the impact of an institution's failure on the economy and financial system.

The BRRD has been applied by Member States from 1 January 2015, except for the General Bail-In Tool (as defined below) which has been applied from 1 January 2016.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problematic assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims to shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the “**General Bail-In Tool**”), such equity could also be subject to any future application of the General Bail-In Tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted the above resolution tools (including the General Bail-In Tool) to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilization tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD. In particular, a single resolution fund financed by bank contributions at national level is being established and Regulation (EU) no. 806/2014 sets the modalities for the use of the fund and the general criteria to determine contributions to the fund.

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

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

application of the General Bail-in Tool.

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

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

The powers set out in the BRRD impact on how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

As (i) article 44(2) of the BRRD excludes certain liabilities from the application of the General Bail-in Tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-in Tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally.

On 1 June 2016, Commission Delegated Regulation (EU) 2016/860 of 4 February 2016 ("**Delegated Regulation (EU) 2016/860**") specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of BRRD was published on the Official Gazette of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in Article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the bail-in tool is applied. The Delegated Regulation (EU) 2016/860 entered into force on 21 June 2016.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 and 181/2015 (together, the "**BRRD Decrees**"), both of them were published in the Italian Official Gazette (Gazzetta Ufficiale) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (*i.e.* 16 November 2015), except for: (i) the bail-in tool which applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019.

With respect to the BRRD Decrees, Legislative Decree No. 180/2015 sets forth provisions regulating resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national

resolution authority and also regulating the national resolution fund. On the other hand, Legislative Decree No. 181/2015 introduces certain amendments to the Consolidated Banking Act and the Consolidated Financial Act, by introducing provisions regulating recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Moreover, this decree also amends certain provisions regulating the extraordinary administration procedure (*amministrazione straordinaria*), in order to make them compliant with the European regulation. The regulations on the liquidation procedures applied to banks (*liquidazione coatta amministrativa*) are also amended in compliance with the new regulatory framework and certain new market standard practices.

The determination that securities issued by the Desio Group will be subject to write-down, conversion or bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Desio Group's control. This determination will also be made by the relevant resolution authority and there may be many factors, including factors not directly related to the bank or the Desio Group, which could result in such a determination. Because of this inherent uncertainty, it is difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the criteria that the relevant resolution authority will be obliged to consider in exercising any bail-in power provide it with considerable discretion, holders of the securities issued by the Desio Group may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the Desio Group and the securities issued by the Desio Group. Potential investors in the securities issued by the Desio Group should consider the risk that a holder may lose all or part of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of holders of the Notes, the price or value of their investment in any relevant Notes and/or the ability of the Issuer to satisfy its obligations under any relevant Notes.

Decree No. 181 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.

Furthermore, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU ("**Deposit Guarantee Schemes Directive**") have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Decree No. 181 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME

deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank *pari passu* with any unsecured liability owed to the holders of the Notes, will rank higher than such unsecured liabilities in normal insolvency proceedings and therefore, on application of the General Bail-In Tool, such creditors will be written-down/converted into equity capital instruments only after Notes. Therefore, the safeguard set out in Article 75 of the BRRD would not provide any protection since, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

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 Consolidated Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is Euro 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.

The BRRD also requires institutions to maintain at all times a sufficient aggregate amount of own funds and “eligible liabilities”, expressed as a percentage of the total liabilities and own funds of the institution (*i.e.* the “Minimum Requirement for Own Funds and Eligible Liabilities” or “**MREL**”), with a view to facilitating effective resolution of institutions and minimising to the greatest extent possible the need for interventions by taxpayers. “Eligible liabilities” (or bail-inable liabilities) are those liabilities and other instruments that are not excluded by the BRRD from the scope of the bail-in tool. The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria to be identified by the EBA in its regulatory technical standards. In particular, the resolution authority may determine that part of the MREL is to be met through “contractual bail-in instruments”. The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union or to the Single Resolution Board (the “**SRB**”) for banks being part of the Banking Union.

On 23 May 2016, the Commission published a delegated regulation on MREL according to Article 45, par. 18 of the BRRD, which entered into force on 23 September 2016.

Furthermore, given that the TLAC and the MREL aim to achieve similar objectives, the EU Commission intends to avoid the overlapping of requirements, in particular for G-SIBs, by elaborating an integrated standard harmonising TLAC and MREL in EU, which is likely to be applied, to some extent, also to O-SIIs.

However, the EU Banking Reform contains potential amendments to the abovementioned regime.

From 2016 the Desio Group was subject to the provisions of the Regulation establishing the Single

Resolution Mechanism

On 19 August 2014, the Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the “**SRM Regulation**”) entered into force. The SRM is fully operational from 1 January 2016.

The SRM Regulation, which will complement the SSM (as defined above), will mainly consist of the SRB and a Single Resolution Fund (the “**Fund**”).

Decision-making is centralised with the SRB, and involves the European Commission and the Council (which have the possibility to object to the SRB's decisions) as well as the ECB and national resolution authorities.

The Fund, which backs resolution decisions mainly taken by the SRB, will be divided into national compartments during an eight year transition period. Banks, starting from 2015, were required to start paying contributions (additional to contributions to the national deposit guarantee schemes) to national resolution funds that gradually started mutualising into the Fund from 2016.

The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the ECB Single Supervisory Mechanism.

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

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

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

The proposed regulation would apply to European banks designated as G-SIBs, or that exceed the following thresholds for three consecutive years: a) total assets are equal or exceed €30 billion; b) total trading assets and liabilities are equal or exceed €70 billion or 10% of their total assets. The banks that meet one of the aforementioned conditions will be automatically banned from engaging in proprietary trading, defined narrowly as activities using a bank's own capital or borrowed money to take positions in any type of transaction to purchase, sell or otherwise acquire or dispose of any financial instrument or commodities for the sole purpose of making a profit for own account and without connection to actual or anticipated client activity or for the purpose of hedging the entity's risk as a result of actual or anticipated client activity. In addition, such banks will be prohibited also

from investing in or holding shares in hedge funds, or entities that engage in proprietary trading or sponsor hedge funds. Other trading and investment banking activities – including market-making, lending to venture capital and private equity funds, investment and sponsorship of complex securitisation, sales and trading of derivatives – are not subject to the ban (subject to the discretion of the bank's competent authority), however they might be subject to separation if such activities are deemed to pose a threat to financial stability.

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

On 23 June 2016, a referendum took place in the United Kingdom on the permanence of the United Kingdom within the European Union. At the end of such referendum the majority of votes indicated the will to exit from the European Union (so called "Brexit").

On 29 March 2017 the United Kingdom notified the European Council of its intention to withdraw from the European Union within the meaning and for the purposes of Article 50(2) of the Treaty on European Union. Article 50(2) requires that, in the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal from the European Union, taking account of the framework for its future relationship with the Union. Article 50 requires that such agreement shall be negotiated in accordance with Article 218(3) of the European Treaty on the Functioning of the European Union and concluded on behalf of the European Union by the European Council, acting by a qualified majority, after obtaining the consent of the European Parliament. Under Article 50(3) of the Treaty, the EU Treaties shall cease to apply to United Kingdom from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in Article 50(2), unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. Absent such extension, and subject to the terms of any withdrawal agreement, the United Kingdom shall withdraw from the European Union no later than 29 March 2019.

Brexit could cause an increase in volatility in financial markets, a worsening in the terms of financing, especially in the so-called "peripheral" countries, including Italy, and consequently a possible economic slowdown. In addition, the Brexit may significantly influence other Member States to exit the European Union and the Monetary Union with further negative consequences for the above mentioned events. Moreover, it cannot be excluded that in the Member States, including Italy, there may be further increases in political and institutional instability, with a consequent rise in interest rates for sovereign debt. All of this could cause an increase in the cost of the debt of the Issuer with the consequential negative effects on its operations, results and economic and financial position.

The Desio Group may be affected by new accounting standards

Following the entry into force and subsequent application of new accounting standards, regulatory rules and/or the amendment of existing standards and rules, the Desio Group may have to revise the accounting and regulatory treatment of certain outstanding assets and liabilities (eg. deferred tax assets) and transactions (and the related income and expense). This may have potentially negative effects, also significant, on the estimates contained in the financial plans for future years and may cause the Desio Group to have to restate previously published financials.

In this regard, it should be pointed out that a relevant change is expected in future periods from the

finalisation of IFRS 9. In particular, IFRS 9 which was issued on 24 July 2014 and adopted by the European Commission on 22 November 2016, will introduce significant changes with regard to classification, measurement, impairment and hedge accounting of financial instruments, replacing IAS 39.

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

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

The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Banco Desio Group's business, financial condition and results of operations.

The Issuer's operations are dependent on the correct functioning of our IT systems, which exposes the Issuers to risk

The Issuer's operations depend on, among other things, the correct and adequate operation of the Issuer's IT systems, as well as their continuous maintenance and constant updating.

The Issuer has always invested significant resources in upgrading their relevant IT systems and improving their defense and monitoring systems. However, possible risks remain with regard to the reliability of the system (disaster recovery), the quality and integrity of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the Issuers' business, results of operations or financial condition.

Among the risks that the Issuers face relating to the management of IT systems are the possible violations of their systems due to unauthorized access to the Issuer's corporate network, or IT resources, the introduction of viruses into computers or any other form of abuse committed via the internet. Like attempted hacking, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Issuers and their customers and can have negative effects on the integrity of the Issuer's IT systems, as well as on the confidence of their customers and on the Issuers reputation, with possible negative effects on the Issuer's business, results of operations or financial condition.

In addition, the Issuer's substantial investment in resources in software development creates the risk that when one or more of the above-mentioned circumstances occurs, the Issuer's may suffer financial losses or impacts on the Issuer's operations if the software is destroyed or seriously damaged, or will incur repair costs for the violated IT systems. The Issuer may also be subject to regulatory sanctions.

Tax consequences of holding the Notes – No Gross-up for Taxes

Potential investors should consider the tax consequences of investing in the Notes and consult their tax adviser about their own tax situation. Notwithstanding anything to the contrary in this Base Prospectus, if withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be. The Issuer shall be obliged to pay any additional amounts pursuant to Condition 6 (Taxation) subject to customary exceptions including Legislative Decree No. 239 of 1 April 1996 withholdings.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by **FATCA**) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under Condition 15) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

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 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 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 Desio Group may be subject to the provisions of the EU Bank Recovery and Resolution Directive*".

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

Italian laws and regulations applicable to the Non-Preferred Senior Notes was recently enacted

On 1 January 2018, the Italian law No. 205 of 27 December 2017 (so-called "*Legge di Bilancio 2018*") came into force introducing certain amendments to the Consolidated Italian Banking Act, including the

possibility for banks and companies belonging to banking groups to issue senior non-preferred securities (the so-called “*strumenti di debito chirografario di secondo livello*”).

In particular, the so-called “Legge di Bilancio 2018” introduced, inter alia, a new provision in the Italian Banking Act (i.e., Article 12-*bis* (*Strumenti di debito chirografario di secondo livello*)) providing that securities (*obbligazioni and altri titoli di debito*) with a senior non-preferred ranking issued by banks and companies belonging to banking groups shall comply with the following requirements:

- (i) the original maturity period is at least equal to twelve months;
- (ii) are not derivative securities (*strumenti finanziari derivanti*) (as defined in Article 1, paragraph 3 of the Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**)), are not linked to derivative securities, nor include any characteristics of such derivative securities;
- (iii) the minimum denomination is at least equal to Euro 250,000;
- (iv) may be offered only to qualified investors (*investitori qualificati*), as referred to in Article 100, letter a), of the Financial Services Act as implemented by Article 34-*ter*, first paragraph, letter b) of Regulation No. 11971/1999 and Article 26, paragraph 1(d) of CONSOB Regulation NO. 16190 of 29 October 2007;
- (v) the prospectus and the agreements regulating the issuance of senior non-preferred securities expressly provide that payment of interests and reimbursement of principal due in respect thereof are subject to the provisions set forth in of Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Italian Banking Act.

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

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

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

Any prospective investor in the Non-Preferred Senior Notes should be aware that the provisions of Articles 12-*bis* and 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Italian Banking Act was

recently enacted and that, as at the date of this Base Prospectus, no interpretation of the application of such provisions has been issued by any Italian court or governmental or regulatory authority and no regulation has been issued by the Bank of Italy in respect thereof. Consequently, it is possible that any regulation or official interpretation relating to the above will be issued in the future by the Bank of Italy or any different authority, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

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

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

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

Prior to the adoption of the so-called "*Legge di Bilancio 2018*" and its entry into force, Italian issuers were not able to issue senior non-preferred securities. Accordingly, there is no trading history for securities with this ranking. Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non-preferred obligations. The credit ratings assigned to senior non-preferred securities such as the Non-Preferred Senior Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non-preferred securities such as the Non-Preferred Senior Notes will be lower than those expected by investors at the time of issuance of the Non-Preferred Senior Notes. If so, investors may incur losses in respect of their investments in 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 Notes Senior Notes will be unsecured 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 Regulatory Capital 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 at any time in relation to any Series of Senior Notes or Non-Preferred Senior Notes an MREL Disqualification Event occurs and/or as applicable in order to ensure the effectiveness and enforceability of Condition 17 (*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 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 17 (*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.

Risks applicable to the Subordinated Notes

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

Banco Desio' 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 Banco Desio for money borrowed or raised or guaranteed by Banco Desio 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 Banco Desio 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 Banco Desio 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 Banco Desio 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 Banco Desio Group should the Bank of Italy, the SRB or other authority or authorities having prudential oversight of Banco Desio 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 Banco Desio 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 Banco Desio' 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) Banco Desio demonstrates to the satisfaction of the Competent Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by Banco Desio as at the date of the issue of the relevant Subordinated Notes, Banco Desio 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

In order to ensure the effectiveness and enforceability of Condition 17 (*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 Subordinated Notes of that Series), and having given not less than 30 nor more than 60 days' notice to 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 17 (*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.

The interest rate on Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of the Reset Notes

Reset Notes will initially bear interest at the Initial Rate of Interest from and including the Interest Commencement Date up to but excluding the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a **Subsequent Reset Rate of Interest**). The Subsequent Reset Rate of Interest for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate of Interest for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

Risks applicable to certain types of Exempt Notes

There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of

the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London interbank offered rate (**LIBOR**). The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Risks related to Notes generally

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

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Fiscal Agent which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

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

The conditions of the Notes also provide for the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

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 17 (*Statutory Loss Absorption Powers*) 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.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021 (the **FCA Announcement**). The FCA Announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time) or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. There is also uncertainty as to the establishment of an alternative interest rate which would apply if LIBOR were discontinued and the adequacy of any such alternative rate. Amendments to the Conditions and/or relevant fall-back provisions may be required to reflect such discontinuance and there can be no assurance that any such amendments will fully or effectively mitigate all future relevant interest rate risks. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

The regulation and reform of benchmarks may adversely affect the value of Notes referencing such benchmarks

Interest rates and indices which are deemed to be “benchmarks” (including EURIBOR and LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuers) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes referencing a benchmark, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect, amongst other things, of: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes referencing a benchmark.

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

Calculation Agent

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

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their principal amount or for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

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

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

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuer, or the Notes (also where such credit rating agencies have not been engaged or solicited by the Issuer). Any ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the

rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

DOCUMENTS INCORPORATED BY REFERENCE

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

Issuer's Reports and Accounts	2016	2017
<i>Audited consolidated financial statements of the Issuer</i>		
Auditors' Report	Pages 250-253	251-257
Consolidated Balance Sheet	Pages 70-71	74-75
Consolidated Income Statement	Pages 72	76
Statement of consolidated comprehensive Income	Pages 73	77
Statement of Changes in Shareholders' Equity	Pages 74-75	78-79
Consolidated Statement of Cash Flows	Pages 76-77	80-81
Consolidated explanatory notes	Pages 79-248	82-250
<i>Press release date 10 May 2018 – Consolidated results at 31 March 2018</i>	Pages 22-27	

Copies of the Audited consolidated financial statements of the Issuer incorporated by reference in this Base Prospectus is be available for viewing on the website of the Issuer at <https://www.bancodesio.it/en/content/annual-report-2016> and at <https://www.bancodesio.it/en/content/annual-report-2017>.

Copies of the Press release date 10 May 2018 – Consolidated results at 31 March 2018 incorporated by reference in this Base Prospectus is be available for viewing on the website of the Issuer at <https://www.bancodesio.it/en/content/board-directors-banco-di-desio-e-della-brianza-spa-has-approved-consolidated-quarterly-1>.

The information incorporated by reference that is not included in the cross-reference list, is not relevant for the investor or covered elsewhere in this Base Prospectus, in accordance with Commission Regulation (EC) No 809/2004.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CBI in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and 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 Euronext Dublin e (www.ise.ie).

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

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

FORM OF THE NOTES

Any reference in this section to "form of Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the form of Final Terms, a permanent global note (a **Permanent Global Note** and, together with a Temporary Global Note, each a **Global Note**) which, in either case, will:

- (a) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the form of Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and
- (b) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the form of Final Terms will also indicate/Euroclear and Clearstream, Luxembourg will be notified as to whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the form of Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the form of Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The form of Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 8 (*Events of Default and enforcement*)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Fiscal Agent is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Fiscal Agent. The Issuer will promptly give notice to Noteholders in accordance with Condition 12 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Fiscal Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the form of Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

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

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so

permits, be deemed to include a reference to any additional or alternative clearing system specified in the form of Final Terms.

[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 TERMS²

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

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]

BANCO DI DESIO E DELLA BRIANZA S.P.A.

Legal entity identifier (LEI): 81560026D234790EB288

**[Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000**

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”.

² In case of issuance of unlisted Notes and/ or Notes not admitted to trading on any market, all Prospectus Directive language will be removed from the relevant Final Terms.

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 30 July 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 Euronext Dublin (www.ise.ie).

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or 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) below][subject to interest rate step-down as specified in subparagraph 13(g) below]
[[] 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) below][subject to interest rate step-down as specified in subparagraph 15(m) below]
[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 [100 per cent.] 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 below 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 [] [and []], respectively]
issuance of Notes obtained: *(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) above /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 [] per Calculation Amount][Not Applicable]

excluding) the First Reset Date:

- (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) below/, not subject to adjustment, as the Business Day Convention in (b) below 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 [Screen Rate Determination/ISDA Determination]

be determined:

- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal 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) above /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 Fiscal Agent.)
20. 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 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*)): per Calculation Amount/as 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 Fiscal Agent)

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-paragraph 15(c) relates)
27. Talons for future Coupons to be attached [Yes, as the Notes have more than 27 coupon

to Definitive Notes: 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: Applicable [in relation to MREL Disqualification Event][and]/[in order to ensure the effectiveness and enforceability of Condition 17 (*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 Euronext Dublin)*] 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 Euronext Dublin)] 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 Euronext Dublin)*] 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 Euronext Dublin)] 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. 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.)]

4. YIELD (Fixed Rate Notes only)

Indication of yield: []

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 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.]

6. 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.)

[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.^{3]}

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]

BANCO DI DESIO E DELLA BRIANZA S.p.A.

Legal entity identifier (LEI): 81560026D234790EB288

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000
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 30 July 2018 [as 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 Euronext Dublin (www.ise.ie).

³ 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”.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus [dated 30 July 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)] [Subject to interest rate step-down as specified in subparagraph 13(g)]
[[] 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)] [Subject to interest rate step-down as specified in subparagraph 15(m)]
[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 below 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 [] [and [], respectively]]
 issuance of Notes obtained: *(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) below /, not subject to any adjustment, as the Business Day Convention in (b) below 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 Fiscal 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) below /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 Fiscal 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 Fiscal 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: [[] per Calculation Amount/[Make-whole Amount/]*specify other/see Appendix]*

of such amount(s):

- (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 Fiscal Agent)

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 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 [[] per Calculation Amount/as set out in Condition 5.7 (*Early Redemption Amounts*)]

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 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]
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 Fiscal Agent)
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: Applicable [in relation to MREL Disqualification]

Event][and]/[in order to ensure the effectiveness and enforceability of Condition 17 (*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. 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*]

4. 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.]]

5. 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 [Not Applicable/*give name*]

relevant Dealer:

- (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 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 Banco di Desio e della Brianza S.p.A. (the **Issuer**).

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

- (c) in relation to any Notes represented by a global Note (a Global Note), units of each Specified Denomination in the Specified Currency;
- (d) any Global Note; and
- (e) 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 the deed of covenant dated 30 July 2018 (the **Deed of Covenant**) executed by the Issuer and an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 30 July 2018 and made between the Issuer, Société Générale Bank & Trust S.A. as fiscal agent and principal paying agent (the **Fiscal Agent**, which expression shall include any additional or substitute Fiscal Agent) and paying agent (the **Paying Agent** which expression shall include the Paying Agent and any additional or substitute Paying Agent). The Fiscal Agent, the Paying Agent and any Calculation Agent are 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.

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 Deed of Covenant 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 Euronext Dublin the form of Final Terms will be published on the website of the Euronext Dublin (www.ise.ie). 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 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 Agency Agreement, the Deed of Covenant 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 Deed of Covenant and the Agency Agreement.

Words and expressions defined in the Agency Agreement, the Deed of Covenant 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 Agency Agreement and the Deed of Covenant, the Agency Agreement will prevail and, in the event of inconsistency between the Deed of Covenant 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 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 and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and 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 Fiscal Agent 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

The Non-Preferred Senior Notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-*bis* of the Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended (the **Italian Consolidated Banking Act**)), any related Receipts and Coupons constitute direct, unconditional, 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 the 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 preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant 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, as amended from time to time.

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 (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 (the **Bank of Italy Regulations**), 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 the 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 arrears 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 Fiscal 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:

- (f) 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;
- (g) 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
- (h) 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 Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of paragraph (A) above, no such offered quotation appears or, in the case of paragraph (B) above, fewer than three such offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the

Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

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

If the 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) above 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 CalculationAgent 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 CalculationAgent 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;

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 such number is 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 such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the 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 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 such number would be 31, in which case D₂ 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 Calculation 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 Calculation 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 Fiscal 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 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 Fiscal Agent shall (in the absence of manifest error) be binding on the Issuer, the Fiscal 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 Fiscal Agent 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 above 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 were references to Index Linked Interest Notes and provided further that the Calculation Agent will notify the Fiscal 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 above 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 the date on which all amounts due in respect of such Note have been paid.

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 (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 4.2 above 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 above 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 above 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 Conditions 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 Fiscal Agent 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 (including a holding by a court of competent jurisdiction), 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 Fiscal Agent 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 such documents shall be 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 below 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 Fiscal Agent and, in accordance with Condition 12, 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 Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describe the facts leading thereto and such certificate shall be 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 below 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 Calculation 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 Calculation 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 Calculation 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 including without limitation the Calculation Agent), shall (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, 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 Fiscal 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 Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear and Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Fiscal 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 12 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Notes have been declared to be due and payable pursuant to Condition 5.4, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 12.

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 this Note is a Floating Rate Note), or at any time (if this 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 Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all (but not some only) of the Notes then outstanding at any time 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.

5.7 Early Redemption Amounts

For the purpose of Condition 5.2, Condition 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:

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

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 to 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 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal 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 Conditions 5.1, 5.2, 5.3, 5.4 or 5.5 above 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) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 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 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 Conditions 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 Fiscal Agent; 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 Banco Desio 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 Banco Desio 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 Banco Desio 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 Banco Desio 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 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 Banco Desio 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 , as subsequently amended ("**Decree No. 239**") and in all circumstances in which the procedures set forth in 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 (as defined below) 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) in respect of any Note, Receipts or Coupons where withholding or deduction is required pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended or supplemented from time to time; or
 - (e) 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 Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 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

This Condition 8.1 only applies to Notes specified in the form of Final Terms as being Senior Notes, Non-Preferred Senior Notes or Subordinated Notes.

If any of the following events (an **Event of Default**) occurs and is continuing, the holder of any Note then outstanding may give written 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 these Conditions:

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

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 Fiscal 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 or any Calculation Agent is or are appointed in connection with any Series, the names of such Agents will be specified in Part B of the form of Final Terms.

The Issuer is entitled 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 Fiscal 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 do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement provides that any legal entity into which any Agent is merged or converted or consolidated or any legal entity resulting from any merger or conversion or consolidation to which such Agent is a party or to which the business of such Agent is transferred shall, to the extent permitted by applicable law, be the successor to such Agent without any further formality, whereupon the Issuer, the other Agents and, by virtue of a transfer by novation, such successor shall acquire and become subject to the same rights and obligations under the Agency Agreement as such Agent as if the successor had originally entered into the Agency Agreement.

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 Euronext Dublin, a daily newspaper of general circulation in Ireland or the Euronext Dublin's website, www.ise.ie. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading 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 on the Euronext Dublin's website.

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 Fiscal Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent through Euroclear and/or Clearstream,

Luxembourg, as the case may be, in such manner as the Fiscal 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

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. The Issuer at any time may and shall upon a request in writing by, in respect of Notes, Holders of Notes holding not less than one-tenth of the principal amount of the Notes of any Series for the time being outstanding, convene a meeting of the Holders of Notes of that Series. The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be two or more persons present holding Notes or voting certificates or being proxies or representatives and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding *provided that* subject to mandatory provisions of Italian law in relation to meetings of Holders of Notes issued by Banco Desio, in relation to any Extraordinary Resolution for the purpose of making any modification to the provisions contained in the Notes, the Receipts, the Coupons or the relevant Conditions set out below, the quorum shall be two or more persons present holding Notes or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than three-quarters in principal amount of the Notes for the time being outstanding: (a) to amend the dates of maturity or redemption of any of the Notes, any Instalment Date or any date for payment of interest thereon; (b) to reduce or cancel the principal amount or an Instalment Amount of, or any premium payable on redemption of, the Notes; (c) to reduce the rate or rates of interest in respect of the Notes or vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the Interest Amount in respect thereof; (d) if a Minimum and/or a Maximum Interest Rate, Instalment Amount or Final Redemption Amount is shown in the Final Terms, to reduce any such Minimum and/or Maximum; (e) to change any method of calculating the Final Redemption Amount; (f) to vary the currency or currencies of payment or denomination of the Notes; (g) to modify the relevant provisions contained in the Agency Agreement concerning the quorum required at any meeting of holders of Notes or any adjournment thereof or concerning the majority required to pass an Extraordinary Resolution; (h) to modify the provisions which would have the effect of giving any authority, direction or sanction which under the Notes is required to be given pursuant to a meeting of holders of Notes to which the special quorum provisions apply; (i) to take any steps which as specified in the relevant Final Terms may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply; or (j) to amend the foregoing proviso (as set out in the Agency Agreement) in any manner.

An Extraordinary Resolution passed at a meeting of the Holders of Notes duly convened and held in accordance with the provisions of the Agency Agreement shall be binding upon all the Holders of Notes, whether present or not present at such meeting, and upon all the Couponholders and each of the Holders of Notes and Couponholders shall be bound to give effect thereto accordingly. 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.

(b) Substitution of the Issuer

The Issuer may, without the consent of the Noteholders, substitute itself (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Agency Agreement with another company, being a Subsidiary of the Issuer, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer; (ii) the compliance with applicable Regulatory Capital Requirements and MREL Requirements; (iii) no payment in respect of the Notes, the Receipts or the Coupons (as the case may be) being at the relevant time overdue; (iv) the Substitute, by means of a deed poll in the form scheduled to the Programme Manual (the “**Deed Poll**”), agreeing to indemnify each holder of Notes and Coupons against any incremental tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute’s residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon, Talon or the Deed of Covenant and which would not have been so imposed or otherwise suffered by any holder of Notes, Receipts or Coupons had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution; (v) the obligations of the Substitute under the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant being unconditionally guaranteed by the Issuer by means of the Deed Poll, in accordance with the terms thereof; (vi) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute having been taken, fulfilled and done and are in full force and effect; (vii) the Substitute shall have become party to this Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it; (viii) legal opinions having been delivered to the Fiscal Agent and Dealers from lawyers of recognised standing in each relevant jurisdiction as to the fulfilment of the requirements of this Clause and the other matters specified in the Deed Poll and that the Notes, Receipts, Coupons and Talons are legal, valid and binding obligations of the Substitute; (ix) each stock exchange on which the Notes are listed shall have confirmed that, following the proposed substitution of the Substitute, the Notes will continue to be listed on such stock exchange; and (x) if applicable, the Substitute has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes. Upon the execution of the Deed Poll and the delivery of the legal opinions, the Substitute shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Notes and the Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein and therein, and the Issuer shall be released from its obligations under the Notes and under the Agency Agreement.

(c) 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, or (ii) all Notes, in order to ensure the effectiveness and enforceability of Condition 17 (*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 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.

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 17 (*Statutory Loss Absorption Powers*), 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 they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) 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 17 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this clause 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 17 (*Statutory Loss Absorption Powers*), have terms not materially less favourable to a holder of the Senior Notes (as reasonably determined by the Issuer) than the terms of the Senior Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) 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 17 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this clause 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 17 (*Statutory Loss Absorption Powers*), 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 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 17 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this clause 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.

Subsidiary means, at any particular time, any company which is then directly or indirectly controlled, or at least 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its subsidiaries. For a company to be “controlled” by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

14. 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.

15. 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.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing law

The Deed of Covenant, the Agency Agreement, the Notes (except for Condition 2.2, Condition 2.3 and Condition 17 (*Statutory Loss Absorption Powers*)), the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Deed of Covenant, 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 are

governed by, and shall be construed in accordance with, Italian law.

16.2 Submission to jurisdiction

- (a) The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Deed of Covenant, 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 Deed of Covenant, the Notes, the Receipts and/or the Coupons (a **Dispute**) and accordingly each of the Issuer, the Agents 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 16.2, the Issuer, the Agents and any Noteholders, Receiptholders or Couponholders waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

16.3 Appointment of Process Agent

The Issuer irrevocably appoints Institutional Service Center Ltd at 8th Floor, Thavies Inn House, 3–4 Holborn Circus, London EC1N 2HA, United Kingdom 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 Institutional Service Center Ltd being unable or unwilling for any reason so to act, it will immediately appoint another person 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.

16.4 Other documents

The Issuer has in the Deed of Covenant 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.

17. 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.

USE OF PROCEEDS

The net proceeds of the sale of each Tranche of Notes will be used by the Issuer for general funding purposes of Banco Desio, unless otherwise stated in the form of Final Terms or in the applicable Pricing Supplement.

Banco Desio as Issuer

1. History and development of the Issuer

As at the date of this Base Prospectus, the Issuer was the parent company of the Desio Group.

The Issuer was incorporated on 4 August 1909.

Company name

The Issuer's company name is Banco di Desio e della Brianza S.p.A.

Place of registration of the Issuer and its registration number

The Issuer is on the Business Register of Monza and Brianza, Italy, at entry No. 01181770155. The Issuer is also on the Register of Banks held by the Bank of Italy at entry No. 3440.5.

Date of incorporation and length of life of the Issuer, except where indefinite

The Issuer is a joint-stock company incorporated by deed of Mr. Innocente Arnaboldi, Notary public, with Record No. 4503/6221 of 4 August 1909. The Issuer has been originally incorporated as a "*società commerciale cooperativa in nome collettivo*" named "Cassa Rurale di Desio", and was turned into a "*società anonima cooperativa a capitale illimitato*" named "Cassa Rurale di Depositi e Prestiti in Desio" with resolution of the extraordinary shareholders' meeting of December 20, 1920. Subsequently, the Issuer was turned into a "*società anonima*" named "BANCO DI DESIO" with resolution of the extraordinary shareholders' meeting of March 21, 1926, and acquired the current corporate name "BANCO DI DESIO E DELLA BRIANZA - Società per Azioni" on December 31, 1967, upon the merge with "Banca della Brianza S.p.A.".

The Issuer is the parent company of the "Gruppo Banco di Desio e della Brianza" (**Desio Group** or **Banco Desio Group**).

The duration of the Issuer is set, pursuant to Article 3 of its Articles of Association, up to 31 December 2100 and may be extended.

Domicile and legal form of the Issuer, legislation under which the Issuer operates, its country of incorporation, website address and address and telephone number of its registered office.

Banco Desio is a joint-stock company incorporated in Desio, Italy and operating under the Italian law. The address of the Issuer's registered office is Via Rovagnati, 1, Desio, Italy, phone +39 0362 6131.

Consolidated Financial Position of the Desio Group

The table below reports the main performance and financial ratios of the Desio Group, calculated based on the interim Financial Statements as at 31 March 2018, and the consolidated Financial Statements for the years closed as at 31 December 2017 and 2016, which were approved by the Board of Directors on 10 May 2018, 8 February 2018 and 9 February 2017, respectively, and subject to full audit by the Independent Auditors that issued their reports on 5 March 2018 and 6 March 2017, respectively.

In this regard, it is pointed out that the Desio Group Annual Report and Consolidated Financial Statements as at 31 December 2017 approved by the Board of Directors on 8 February 2018, were prepared considering the Issuer's draft Annual Report and Separate Financial Statements as at 31 December 2017, approved without significant changes by the General Meeting of the Issuer's Shareholders held on 27 March 2018.

However, data for 2017 have been compared to those for 2016.

The consolidated balance sheet and income statement highlights of the Desio Group as at 31 March 2018, 31 December 2017 and 2016 are summarized hereinafter.

Accounting policies and reference accounting standards

The accounting standards adopted to prepare the accounting situation as at 31 March 2018, as pertains the classification, recognition, measurement and derecognition of assets and liabilities, as well as the recognition of costs and revenues, comply with the IAS/IFRS issued by the International Accounting Standard Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission and effective on 31 March 2018, pursuant to EC Regulation no. 1606 of 19 July 2002. To this respect, please note that on 1 January 2018 the new accounting standards IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" have come into effect. The impacts generated by the first-time adoption of IFRS 9 and the attendant changes introduced in the Group's reclassified statements as compared to those used up until 31 December 2017 are explained in the following paragraph "First-time application of IFRS 9"; as to IFRS 15, please note that no need for a different accounting treatment of revenues emerged, as it is basically consistent with the recognition procedures provided for by the prior accounting standard IAS 18.

As concerns Accounting standard IFRS 16 (Leases) which will supersede IAS 17 (Leases) on 1st January 2019, we report that the Group has conducted an analysis of the key new elements introduced by this accounting standard and, over the course of the 2018 financial year, will proceed with more detailed analysis on contracts stipulated in which the Group acts as lessor or lessee, i.e. on contracts that can be considered leases according to IFRS 16. Once this analysis is complete, the Group will move on to the design and implementation stages, which are to be completed by the end of 2018, in order to then adopt the new standard as from 2019.

First-time application of IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments", which replaced IAS 39, came into force on 1 January 2018 with an impact on the classification and measurement of financial instruments and on the logic and methods of calculating adjustments. As a result of regulatory changes and choices made regarding:

- definition of business models for the management of financial assets and the allocation of financial instruments held in individual portfolios,
- structuring of the model for calculating the expected loss on loans and other financial instruments

held within the "held to collect" and "held to collect & sell" business models for performing exposures (stage 1 and stage 2),

- integration of analytical assessments being performed at 31 December 2017 on impaired financial assets (stage 3) for multi-scenario assumptions, in which "disposal scenarios" are also considered, in line with the declared business plan targets for which recovery of impaired assets is expected, also through their sale,

the balance sheet effects summarised in the table were recorded at 1 January 2018.

(Data in Euro/000)

	Classification and measurement	Impairment – stage 1 and stage 2	Impairment – stage 3	Total
Financial assets	9,201	(590)		8,611
– <i>debt securities held to collect</i>	5,616	(590)		5,026
– <i>debt securities held to collect & sell</i>	3,585			3,585
Loans to ordinary customers		(19,836)	(77,098)	(96,934)
Guarantees and commitments		179		179
Total financial instruments	9,201	(20,247)	(77,098)	(88,144)
Associated tax assets/liabilities	(3,043)	5,839	21,201	23,997
Total effect on shareholders' equity *	6,158	(14,408)	(55,897)	(64,147)
– <i>of which: recorded in the valuation reserve</i>	7,428	718		8,146
– <i>of which: recorded in other reserves – FTA reserve</i>	(1,270)	(15,126)	(55,897)	(72,293)

* Including the effect on minority interests for Euro 9.7 million

Overall, the effect of first-time adoption (FTA) of IFRS 9 on the Group shareholders' equity was therefore equal to Euro 54.4 million, while the effect on minority interests was Euro 9.7 million, for a total of 64.1 million.

Consolidated balance sheet

The following balance sheet has undergone some adjustments in order to include the new financial instrument accounting categories introduced by update no. 5 of the Bank of Italy's Circular no. 262, to incorporate, among others, the international accounting standard IFRS 9 "Financial Instruments". More precisely, the prior aggregates have been added after the new aggregates following the progressive numbering of Circular no. 262, mentioned above, and/or inserting "old" to the numbering of the previous items.

(Data in Euro/000)

Assets	31 March 2018	31 December 2017	31 December 2016
10. /10 <i>old.</i> Cash and cash equivalents	44,990	59,413	50,472
20. Financial assets designated at fair value through profit and loss	85,230		
<i>a) Financial assets held for trading</i>	27,632		
<i>c) Other financial assets that are necessarily measured at fair value</i>	57,598		
20 <i>old.</i> Financial assets held for trading		20,981	20,053
30. Financial assets designated at fair value through other comprehensive income	1,487,131		
40. Financial assets measured at amortised cost	11,848,938		
<i>a) Due from banks</i>	1,503,094		
<i>b) Loans to customers</i>	10,345,844		
40 <i>old.</i> Financial assets available for sale		1,511,467	1,848,164
50. /80 <i>old.</i> Hedging derivatives	4	5	2,591
50 <i>old.</i> Financial assets held to maturity		748,696	0
60. /90 <i>old.</i> Adjustment to financial assets with generic hedge (+/-)	749	875	1,543
60 <i>old.</i> Due from banks		1,218,060	112,838
70 <i>old.</i> Loans to customers		9,861,862	9,720,108
90. /120 <i>old.</i> Property, plant and equipment	179,459	180,566	181,201
100. /130 <i>old.</i> Intangible assets	17,774	17,946	17,843
<i>of which goodwill</i>	15,322	15,322	15,322
110. /140 <i>old.</i> Tax assets	231,987	212,527	233,410
<i>a) current</i>	40,361	35,097	36,408
<i>b) deferred</i>	191,626	177,430	197,002
<i>of which Law 214/2011</i>	<i>n.a.</i>	151,027	164,834

130. /160 <i>old.</i> Other assets	161,729	163,424	177,680
Total assets	14,057,991	13,995,822	12,365,903

(Data in Euro/000)

Liabilities and shareholders' equity	31 March 2018	31 December 2017	31 December 2016
10. Financial liabilities measured at amortised cost	12,727,340		
<i>a) Due to banks</i>	1,706,915		
<i>b) Due to customers</i>	9,350,321		
<i>c) Debt securities in issue</i>	1,670,104		
10 <i>old.</i> Due to banks		1,705,928	962,245
20. /40 <i>old.</i> Financial liabilities held for trading	6,039	7,976	6,230
20 <i>old.</i> Due to customers		9,272,337	8,729,591
30 <i>old.</i> Debt securities in issue		1,708,320	1,393,884
40. /60 <i>old.</i> Hedging derivatives	4,580	4,724	6,637
50 <i>old.</i> Financial liabilities designated at fair value through profit and loss		0	15,908
60. /80 <i>old.</i> Tax liabilities	31,290	30,226	27,367
<i>a) current</i>	4,185	3,425	718
<i>b) deferred</i>	27,105	26,801	26,649
80. /100 <i>old.</i> Other liabilities	295,368	210,961	220,054
90. /110 <i>old.</i> Provision for termination indemnities	28,624	28,962	30,204
100. /120 <i>old.</i> Provisions for risks and charges:	49,739	46,547	55,282
<i>a) commitments and guarantees given</i>			
<i>c) other provisions for risks and charges</i>	1,913		
	47,826	46,547	55,282
120. /140 <i>old.</i> Valuation reserves	49,704	38,307	11,755
150. /170 <i>old.</i> Reserves	729,075	761,201	746,964

160. /180 <i>old.</i> Share premium reserve	16,145	16,145	16,145
170. /190 <i>old.</i> Share capital	67,705	67,705	67,705
190. /210 <i>old.</i> Minority interests	42,895	52,785	50,381
200. /220 <i>old.</i> Net profit (loss) for the period (+/-)	9,487	43,698	25,551
Total liabilities and shareholders' equity	14,057,991	13,995,822	12,365,903

Consolidated income statement

The following income statement has undergone some adjustments in order to include the new financial instrument accounting categories introduced by update no. 5 of the Bank of Italy's Circular no. 262, to incorporate, among others, the international accounting standard IFRS 9 "Financial Instruments". More precisely, the prior aggregates have been added after the new aggregates following the progressive numbering of Circular no. 262, mentioned above, and/or inserting "old" to the numbering of the previous items.

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
10. Interest and similar income	70,266	283,490	307,107
20. Interest and similar expense	(14,344)	(52,248)	(70,915)
30. Net interest income	55,922	231,242	236,192
40. Commission income	41,581	175,484	171,269
50. Commission expense	(2,973)	(11,437)	(20,292)
60. Net commission income	38,608	164,047	150,977
70. Dividends and similar income	458	6,400	5,509
80. Net trading income	(20)	2,865	3,456
90. Net hedging gains (losses)	(2)	(119)	(792)
100. Gains (losses) on disposal or repurchase of:	5,551		
<i>a) financial assets measured at amortised cost</i>	<i>(101)</i>		
<i>b) financial assets designated at fair value through other comprehensive income</i>	<i>5,832</i>		
	<i>(180)</i>		

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
<i>c) financial liabilities</i>			
100 <i>old</i> . Gains(losses) on disposal or repurchase of:		13,605	15,822
<i>a) loans</i>		(520)	(1,710)
<i>b) financial assets available for sale</i>		12,787	18,849
<i>c) financial assets held to maturity</i>		2,183	
<i>d) financial liabilities</i>		(845)	(1,317)
110. Net result of other financial assets and liabilities designated at fair v alue through profit and loss	(1,070)		
<i>a) financial assets and liabilities designated at fair v alue</i>	0		
<i>b) other financial assets that hav e to be measured at fair v alue</i>	(1,070)		
110 <i>old</i> . Net results on financial assets and liabilities designated at fair value		(8)	(60)
120. Net interest and other banking income	99,447	418,032	411,104
130. Net v alue adjustments/write-backs for credit risk relating to:			
<i>a) financial assets measured at amortised cost</i>	(17,110)		
<i>b) financial assets designated at fair v alue through other comprehensiv e income</i>	7		
130 <i>old</i> . Net impairment adjustments to:		(84,919)	(92,401)
<i>a) loans</i>		(79,041)	(90,138)
<i>b) financial assets available for sale</i>		(9,681)	(2,265)
<i>d) other financial assets</i>		3,803	2
150. /140 <i>old</i>. Net profit from financial activities	82,337	333,113	318,703

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
180. /170 old. Net profit from financial and insurance activities	82,337	333,113	318,703
190. /180 old. Administrative costs:	(75,437)	(303,426)	(333,838)
<i>a) payroll costs</i>	(43,177)	(178,206)	(202,501)
<i>b) other administrative costs</i>	(32,260)	(125,220)	(131,337)
200. /190 old. Net provisions for risks and charges	(2,318)	(1,171)	(3,779)
<i>a) commitments for guarantees given</i>	49		
<i>b) other net provisions</i>	(2,367)	(1,171)	(3,779)
210. /200 old. Net adjustments to property, plant and equipment	(1,845)	(7,780)	(8,114)
220. /210 old. Net adjustments to intangible assets	(533)	(2,045)	(1,978)
230. /220 old. Other operating charges/income	11,272	45,863	48,943
240. /230 old. Operating costs	(68,861)	(268,559)	(298,766)
250. /240 old. Profit (loss) from equity investments	0	0	7,616
280. /270 old. Gains (losses) on disposal of investments	0	41	0
290. /280 old. Profit (loss) from current operations before tax	13,476	64,595	27,553
300. /290 old. Income taxes on current operations	(3,897)	(19,636)	(2,016)
310. /300 old. Profit (loss) from current operations after tax	9,579	44,959	25,537
330. /320 old. Net profit (loss) for the period	9,579	44,959	25,537
340. /330 old. Net profit (loss) pertaining to minority interests	(92)	(1,261)	14
350. /340 old. Parent Company net	9,487	43,698	25,551

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
profit (loss)			

Disclosure regarding any recent events relevant to the evaluation of the Issuer's solvency

Between the date of the approval of this Base Prospectus and the reference date of the Desio Group's latest Annual Report and Consolidated Financial Statements audited and published, referring to the period closed as at 31 December 2017, no events relevant for the evaluation of the Issuer's solvency occurred.

2. BUSINESS OVERVIEW

A brief description of the Issuer's principal activities and principal categories of products sold and/or services provided

A) Credit intermediation activities

Within credit intermediation, the Issuer's operations consist in funding and lending, from and to retail, corporate and private banking customers, as well as from and to banks.

The Issuer has diversified the range of financial products it supplies, making them fit to meet the customers' specific requirements. The Bank's traditional customers are mainly individuals and households, small and medium enterprises.

The Issuer's strong bond with the main areas of operations, as well as the quality of the products and services it provides, have led to significant customer retention.

As at 31 March 2018, the Bank's consolidated funding, including funding from banks, came to Euro 12,727,340 thousands (Euro 12,686,585 thousands as at 31 December 2017), of which Euro 9,350,321 thousands (equal to 73.5%) from customers and Euro 1,706,915 thousands from banks.

As at 31 March 2018, the Bank's consolidated loan portfolio, including loans to banks, came to Euro 11,100,900 thousands (Euro 11,079,922 thousands as at 31 December 2017), of which loans to customers accounted for Euro 9,726,422 thousands (equal to 87.6%) and loans to banks for Euro 1,374,478 thousands.

Funding from customers

The Issuer's direct funding is made through current accounts, bonds, repurchase agreements, saving deposits and deposit certificates. Short-term technical forms are mainly current accounts, while a significant portion of medium- and long-term ones consists of bonds. The following table shows the breakdown by technical form of the Issuer's consolidated direct funding as at 31 March 2018, 31 December 2017 and 31 December 2016, respectively.

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
<i>Current accounts and demand deposits</i>	8,047,110	7,738,397	7,288,663
<i>Saving deposits</i>	1,237,515	1,471,738	1,383,441
<i>Repurchase agreements</i>	0	0	0
<i>Mortgages with Cassa Depositi e Prestiti (*)</i>	24,465	24,045	23,204
<i>Other payables</i>	41,231	38,157	34,283
Due to customers	9,350,321	9,272,337	8,729,591
<i>Bonds</i>	1,646,983	1,684,873	1,368,059
<i>Other securities (deposit certificates)</i>	23,121	23,447	25,825
Debt securities in issue	1,670,104	1,708,320	1,393,884
<i>Bonds measured at fair value</i>	0	0	15,908
Financial liabilities designated at fair value through profit and loss	0	0	15,908
Total Funding from customers	11,020,425	10,980,657	10,139,383

(*) Specific funding to finance mortgages granted to customers for reconstruction following the 2009 earthquake in Abruzzo

Funding from banks

The Bank carries out intermediation activities with Italian and non-Italian banks, based on its requirements.

The following table shows the breakdown by technical form of data relating to the Issuer's consolidated funding from banks, as at 31 March 2018, 31 December 2017 and 31 December 2016, respectively.

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
<i>Current accounts and demand deposits</i>	23,234	27,077	36,275
<i>Saving deposits</i>	9,072	2,593	372
<i>Other loans</i>	83,170	83,205	125,454

<i>Other payables</i>	251	253	144
Due to banks	115,727	113,128	162,245
Due to central banks	1,591,188	1,592,800	800,000
Total Funding from banks	1,706,915	1,705,928	962,245

Loans to Customers

The Issuer's consolidated loan portfolio is composed of short-term and medium-/long-term cash loans. The Issuer's Customers mainly belong to the retail segment. In a situation affected by the consequences of the economic recession and by the essential stagnation in private consumption, loans to customers came to Euro 9,726,422 thousands as at 31 March 2018 from Euro 9,861,862 thousands as at 31 December 2017 and from Euro 9,720,108 thousands as at 31 December 2016.

The following table shows the breakdown by technical form of consolidated data relating to the Issuer's loans to customers, as at 31 March 2018, 31 December 2017 and 31 December 2016, respectively.

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
<i>Current accounts</i>	1,464,267	1,491,290	1,524,805
<i>Repurchase agreements</i>	14,823	0	211,681
<i>Mortgage loans</i>	5,465,912	5,479,861	5,047,390
<i>Credit cards, personal loans and assignments of one-fifth of salary</i>	667,580	652,144	589,740
<i>Finance leases</i>	209,246	223,325	284,550
<i>Factoring</i>	25,432	24,781	35,236
<i>Other loans</i>	1,140,291	1,166,537	1,115,415
<i>Impaired assets</i>	738,871	823,924	910,206
Loans	9,726,422	9,861,862	9,719,023
Debt securities	0	0	1,085
Total Loans to customers	9,726,422	9,861,862	9,720,108

Loans to banks

The following table shows the breakdown by technical form of consolidated data relating to the Bank's loans to banks, as at 31 March 2018, 31 December 2017 and 31 December 2016, respectively.

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
<i>Current accounts and demand deposits</i>	14,294	30,305	12,212
<i>Restricted deposits</i>	68,598	35,435	7,979
<i>Other loans</i>	78,958	54,365	3,914
<i>Debt securities</i>			10,142
Due from banks	161,850	120,105	34,247
Due from central banks	1,212,628	1,097,955	78,591
Total Loans to banks	1,374,478	1,218,060	112,838

B) Financial intermediation activities

The Issuer may carry out proprietary trading and trading on behalf of customers in financial markets. In this way, the Issuer concomitantly pursues two objectives, that is to say, effective financial planning in management and optimization of financial risks associated to the money market, currency and bond portfolios, as well as high effectiveness of service to its network and, therefore, to its customers. The Issuer also operates in selling derivative products to hedge customers' interest rate and exchange rate risks, as well as in trading of exchanges on behalf of customers.

C) Indirect funding

The Issuer operates in the sector of assets under management with a wide range of products and services including securities asset management and collective investment schemes mainly through the provision of advisory services and execution of orders on behalf of clients, as well as through portfolio management. Moreover, the Issuer distributes life insurance policies.

As at 31 March 2018, the Issuer's consolidated indirect funding came to Euro 14,150,831 thousands, accounting for 52.6% of total funding and increasing by Euro 1,953 thousands (up by 0.01%) from Euro 14,148,878 thousands as at 31 December 2017 and from Euro 13,474,129 thousands as at 31 December 2016.

The following table shows the data relating to the Bank's indirect funding, for both assets under management and under administration, as at 31 March 2018, 31 December 2017 and 31 December 2016, respectively.

(Data in Euro/000)

	31 March 2018	31 December 2017	31 December 2016
<i>Assets under administration</i>	3,172,168	3,216,089	3,401,030

<i>Assets under management</i>	5,773,203	5,730,434	5,014,272
Ordinary customer deposits	8,945,371	8,946,523	8,415,302
Institutional customer deposits	5,205,460	5,202,355	5,058,827
Total Indirect deposits	14,150,831	14,148,878	13,474,129

D) *Leasing, factoring and bancassurance*

The Issuer provides its customers with so-called “parabanking” products and services, such as leasing and factoring (only towards public administration) contracts, as well as insurance products through cooperation agreements with specialized intermediaries.

Leasing

Alba Leasing S.p.A.

Factoring (only towards public administrations)

Banca Sistema S.p.A.

Bancassurance (Life and non-life)

Helvetia Group: Helvetia Vita S.p.A. (Life) – Chiara Assicurazioni S.p.A. (non-life)

E) *Distribution network*

The Issuer provides services through a complex and integrated multichannel network. As at 31 March 2018, this network consisted of the following channels.

- n. 265 branches
- n. 34 financial consultants
- web banking
- Fides Spa (consumer credit market)

Indication of new products and/or new services, if significant

The Issuer has not introduced any products that are not included in categories usually marketed and amount to a significant contribution to profit margins.

Principal markets

As at 31 March 2018, the Desio Group was operating in the North of Italy (with Banco di Desio e della Brianza Spa) and in the Central Italy (with Banca Popolare di Spoleto Spa).

Region	N. of branches
Lombardia	104
Piemonte	13
Liguria	6

Emilia Romagna	11
Veneto	12
Northern Italy	146
Toscana	14
Umbria	60
Marche	10
Abruzzo	2
Lazio	34
Central Italy	119
TOTAL	265

As at 31 March 2018, the workforce consisted of 2,295 employees.

3. ORGANIZATIONAL STRUCTURE

Brief description of the Desio Group of which the Issuer is part and of the Issuer's position within the Desio Group

As of the date of the Prospectus, the Desio Group is comprised of the following companies:

- *Parent Company:*
Banco di Desio e della Brianza S.p.A.
- *Companies belonging to the Group:*
Banca Popolare di Spoleto S.p.A.
Fides S.p.A.
Desio OBG S.r.l.

The Issuer's dependence upon other entities within the Desio Group of which it is part of

The Issuer does not depend on any other entity within the Desio Group (nor is subject to any management and coordination by the company controlling the same (Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A.).

Brief description of the Desio Group of which the Issuer is the Parent Company

An organizational chart showing the structure of the Desio Group as at the date of approval of the Base Prospectus is given below.

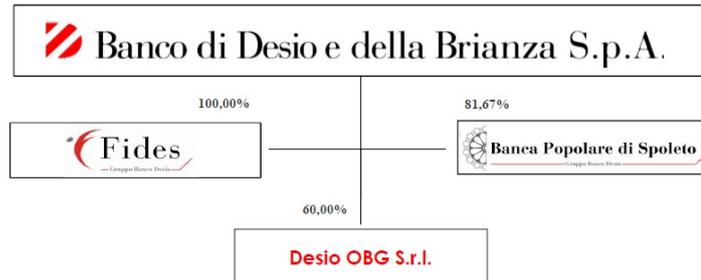
Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A.

|

52,92%

GRUPPO BANCO DESIO

AL 30 GIUGNO 2017



4. INFORMATION ON EXPECTED TRENDS

Negative changes in the Issuer's prospects

After publication of the Desio Group's latest Annual Report and Consolidated Financial Statements as at 31 December 2017, which were subjected to audit, no substantial negative changes in the Desio Group's prospects have occurred.

Trends, uncertainties, claims, commitments or known facts that could generate impacts on the Issuer's prospects

After publication of the Desio Group's latest Annual Report and Consolidated Financial Statements as at 31 December 2017, which were subjected to audit, no trends, uncertainties, claims, commitments or known facts have occurred which could reasonably generate significant impacts on the Issuer's prospects, at least in the current year.

5. PROFIT FORECAST OR ESTIMATE

This Base Prospectus does not include any profit forecasts or estimates.

6. DIRECTORS, SENIOR MANAGERS AND MEMBERS OF THE SUPERVISORY BODIES

Members of the administrative, management and supervisory bodies

The list of the members of the administrative, management and supervisory bodies of the Issuer as at the date of approval of the Base Prospectus and the offices held in other companies.

Board of Directors

NAME AND SURNAME	OFFICE HELD IN BANCO DESIO	OFFICES HELD IN OTHER COMPANIES
Stefano Lado	Chairman and member of the Remuneration Committee	<ul style="list-style-type: none"> – Director and Limited partner of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa – Director of Cedacri SpA – Chairman C-Global of Cedacri Global Services

		<p>SpA</p> <ul style="list-style-type: none"> – Director and member of the Management Committee of Fondo Interbancario di Tutela dei Depositi
Tommaso Cartone	Vice Chairman and member of the Control and Risk Committee	<ul style="list-style-type: none"> – Chairman of Banca Popolare di Spoleto SpA
Graziella Bologna	Director and member of the Executive Committee	<ul style="list-style-type: none"> – Director and member of the Executive Committee of Banca Popolare di Spoleto SpA
Marina Brogi	Director, member of the Nomination Committee and Chairman of the Related Parties Committee	<ul style="list-style-type: none"> – Independent Director and member of Human Resources Committee of Luxottica Group – Independent Director, Chairman of the Remuneration and Nomination Committee and member of the Related Parties Committee of Salini Impregilo – Chairman of the Board of Auditors of Clessidra SGR
Nicolò Dubini	Director, Chairman of the Remuneration Committee and member of the Related Parties Committee	<ul style="list-style-type: none"> – Independent Director and member of Committees of Ergy Capital SpA – Independent Director and member of Committees of Parmalat SpA
Cristina Finocchi Mahne	Director	<ul style="list-style-type: none"> – Director and member of the Control and Risk Committee, of the Related Parties Committee and of Nomination and Remuneration Committee of Trevi Finanziaria Industriale SpA – Director, Chairman of the Control and Risk Committee and member of the Nomination and Remuneration Committee of Italiaonline – Board Member, Member of Audit, Risk and Sustainability Committee of Elica Group
Agostino Gavazzi	Director and Chairman of the Executive Committee	<ul style="list-style-type: none"> – Director and Limited partner of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa
Egidio Gavazzi	Director and member of the Executive	

	Committee	
Paolo Gavazzi	Director and member of the Executive Committee	
Tito Gavazzi	Director and member of the Executive Committee	<ul style="list-style-type: none"> – Director and Limited partner of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa – Director of Fides SpA
Gerolamo Pellicanò	Director, Chairman of the Control and Risk Committee and member of the Remuneration Committee	
Gigliola Zecchi Balsamo	Director, Member of the Nomination Committee and member of the Related Parties Committee	

Board of Auditors

NAME AND SURNAME	OFFICE HELD IN BANCO DESIO	OFFICES HELD IN OTHER COMPANIES
Giulia Pusterla	Chairman of the Board of Auditors	<ul style="list-style-type: none"> – Chairman of Board of Auditors of Tod's SpA – Director of Risanamento SpA – Standing Auditor of Banca Popolare di Spoleto SpA
Rodolfo Anghileri	Standing Auditor	<ul style="list-style-type: none"> – Standing Auditor of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa – Standing Auditor of Fides SpA
Franco Fumagalli Romario	Standing Auditor	
Elena Negonda	Alternate Auditor	
Erminio Beretta	Alternate Auditor	<ul style="list-style-type: none"> – Standing Auditor of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa – Alternate Auditor of Fides SpA

Massimo Celli	Alternate Auditor	
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All the Directors and Auditors listed above are domiciled for the office at the Issuer's registered office and shall be in office until the approval of the Annual Report for 31 December 2019.

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.

General Management

NAME AND SURNAME	OFFICE HELD IN BANCO DESIO	OFFICES HELD IN OTHER COMPANIES
Angelo ANTONIAZZI	General Manager	Director of Fides
Mauro Walter COLOMBO	Deputy General Manager	

Conflicts of interests of the administration, management and control bodies

The fact that the members of Banco Desio administration, management and control bodies hold similar offices in other companies might cause potential conflicts of interests. Therefore, such potential conflicts of interests are managed in compliance with Articles 2391 and 2391-*bis* of the Italian Civil Code, as well as with Article 36 of Law No. 214/2011.

7. MAJOR SHAREHOLDERS

Entities controlling the Issuer

As at the date of approval of the Base Prospectus, the Issuer was controlled by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (which holds 52,92% of the Issuer's share capital). The other qualifying shareholders of the Issuer (within the meaning of the notion of qualifying shareholders set forth under art. 120 of Italian Legislative Decree no. 58 of February 24, 1998 (the "Italian Financial Law") were Avocetta SpA (8,60%) and Vega Finanziaria SpA (5.89%).

Arrangements the operation of which may at a subsequent date result in a change in control of the Issuer

No arrangements, the operation of which may at a subsequent time result in a change in control of the Issuer, are known to the same Issuer.

8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFIT AND LOSSES

Financial information relating to past years

The information concerning the financial position and income of the Desio Group included in this Base Prospectus are taken from the Desio Group consolidated Financial Statements for the years closed as

at 31 December 2016 and 2015, which were approved by the Board of Directors on 8 February 2018 and 9 February 2017, respectively, and subject to full audit by the Independent Auditors that issued their reports on 5 March 2018 and 6 March 2017, respectively.

The Desio Group's consolidated financial statements as at 31 December 2017 approved by the Board of Directors on 8 February 2018 were prepared considering the Issuer's draft separate financial statements as at 31 December 2017, approved without substantial changes by the General Meeting of the Issuer's Shareholders held on 27 March 2018.

However, data for 2017 have been compared to those for 2016.

The consolidated financial statements of the Desio Group as at 31 December 2017 and 2016 are referred to in this Base Prospectus pursuant to Article 11 of the Prospectus Directive and are available on the Issuer's website: <https://www.bancodesio.it/en/content/yearly-and-interim-reports>.

To ensure greater convenience in consulting the Financial Statements of the Desio Group, which are referred to in this Base Prospectus, the table below shows the table of contents with the pages from which the financial information included herein have been taken.

		2017	2016
Consolidated balance sheet	Pages	74–75	70–71
Consolidated income statement	Pages	76	72
Direct funding from customers	Pages	153–154–157	146–147–150
Direct funding from banks	Pages	152	145
Loans to Customers	Pages	127	120
Loans to banks	Pages	126	119
Indirect funding	Pages	44	41
Independent Auditors' reports	Pages	249	250
Legal and arbitration proceedings	Pages	161	154

Financial reporting

The Issuer prepares both separate and consolidated financial statements. The consolidated financial statements of the Desio Group as at 31 December 2017 and 2016 are referred to in this Base Prospectus pursuant to Article 11 of the Prospectus Directive. This Base Prospectus does not include the Issuer's Report and Separate Financial Statements as at each of the dates set forth above, since their content would not show any significant information other than that reported in the Desio Group's Report and Consolidated Financial Statements.

Auditing of the annual financial report and accounts

Statement that the financial report and accounts referring to past years and contained in this Base Prospectus have been audited

The Issuer states that both the separate and consolidated financial statements as at 31 December 2017 and 2016 have been audited by the Independent Auditors, which expressed their opinion and made no remarks through specific reports, on 5 March 2018 (with regard to both the separate and consolidated financial statements as at 31 December 2017) and on 6 March 2017 (with regard to both the separate and consolidated financial statements as at 31 December 2016), respectively; the Independent Auditors' reports are referred to in this Base Prospectus pursuant to Article 11 of the Prospectus Directive along with the relevant consolidated financial statements (see Paragraph 11.1 above).

Indication of other information in the Base Prospectus which has been audited by the Independent Auditors

The Base Prospectus does not contain financial information that has been audited by the Independent Auditors other than the financial information taken from the Desio Group consolidated financial statements as at 31 December 2017 and 2016.

Data contained in the Base Prospectus which have been taken from sources other than the Issuer's financial statements

The Base Prospectus contains certain information taken from the Interim Financial Report (prepared on a consolidated basis) as at 31 March 2018.

Age of the latest audited financial information and accounts contained in the Base Prospectus

The latest audited financial information referring to the Issuer and included in Base Prospectus have been taken from the Desio Group consolidated financial statements as at 31 December 2017.

Interim financial reporting

Between the date of publication of the Issuer separate financial statements and the Desio Group Consolidated Financial Statements and the date of publication of the Base Prospectus, the Issuer has published the Interim Financial Report (on a consolidated basis) as of 31 March 2018.

Without prejudice to the above, it is pointed out that the Issuer prepares and publishes consolidated half-year financial reports of the Desio Group. These reports are available on the Issuer's website: <https://www.bancodesio.it/en/content/yearly-and-interim-reports>.

The consolidated half-year financial report as at 30 June 2018 shall be subjected to limited review by the Independent Auditors.

For interim financial reporting of the Desio Group of which the Issuer is part, investors are invited to consult the documentation made available on the website: <https://www.bancodesio.it/en/content/yearly-and-interim-reports>.

Legal and arbitration proceedings

As at the date of the Base Prospectus, the Issuer and the Desio Group companies were parties to civil and administrative judiciary proceedings; for some of these proceedings, the Issuer has allocated, as recognized in its consolidated financial statements, a specific provision for contingencies and liability, intended to cover potential liabilities resulting from the same proceedings.

As at 31 March 2018, Issuer's (consolidated) provision for liabilities and contingencies totalled Euro 47,826 thousands, increasing from the provision of Euro Euro 46,547 thousands recognized in the financial statements as at 31 December 2017 (Euro 55,282 thousands for 2016); more in particular, Issuer's (consolidated) provisions for legal and tax disputes amounted to a total of Euro 16,002 thousands, increasing from the provision of Euro 15,386 thousands recognized in the financial statements as at 31 December 2017 (Euro 19,458 thousands for 2016). In setting up this provision, the Issuer considered: (i) potential liabilities associated to single proceedings and (ii) the reference accounting standards, which establish that provisions for liabilities shall be made when probable and quantifiable.

Net provisions for liabilities and contingencies (including provisions for legal and tax disputes) totalled Euro 1,171 thousands in 2017, down by Euro 3,779 thousands on the previous year. In the first quarter of 2018 net provisions for liabilities and contingencies totalled Euro 2,367 thousands.

The Issuer does not deem these proceedings significant, when taken singularly.

Between the date of approval of the Base Prospectus and the reporting date of the latest report and consolidated financial statements approved by the Issuer and audited, i.e. as at 31 December 2017, no events occurred which caused significant changes from the position reported above.

Significant changes in the Issuer's financial or business position

Between the date of approval of the Base Prospectus and the reporting date of the latest report and consolidated financial statements approved by the Issuer and audited, i.e. as at 31 December 2017, no event had occurred, which caused significant changes in the Issuer's financial and business position.

9. MATERIAL CONTRACTS

The Issuer has not signed material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any Desio Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to holders of the financial instruments to be issued.

10. RECENT DEVELOPMENTS

In execution of its capital management strategy and in accordance with the provisions of the Group's 2018–2020 Business Plan regarding the reduction of the ratio of “Gross non-performing loans/Gross loans” and “Net non-performing loans/Net loans”, the Board of Directors of Banco di Desio e della Brianza approved a plan for the sale of NPLs for a gross value of Euro 1.1 billion, which includes a securitisation transaction making use of the Italian Government guarantee on the securitisation of doubtful loans on senior securities pursuant to Decree Law 18/2016 (“GACS”) aimed at deconsolidating Banco Desio Group loans for a gross value of Euro 1.0 billion (the “Transaction”). The reference portfolio of the Transaction is made up of mortgage or unsecured loans issued by Banco di Desio e della Brianza (51%) and by Banca Popolare di Spoleto (49%) in favour of “secured” customers, i.e. with relationships secured by mortgages (60%), and “unsecured” customers, i.e. with relationships without collateral (40%).

The Transaction has been structured in order to carry out the significant transfer of the credit risk

associated with the securitised loans (SRT) pursuant to art. 243 et seq. of (EU) Regulation 575/2013 (CRR) and achieve the related benefits in terms of the reduction in the ratio of “Gross non-performing loans/Gross loans” and “Net non-performing loans/Net loans” below the targets envisaged at the end of the 2018–2020 Business Plan.

TAXATION

The statements herein regarding taxation summarise the main tax consequences of the purchase, the ownership, the redemption and the disposal of the Notes. They apply to a holder of Notes only if such holder purchases its Notes in this offering. It is a general overview that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of taxation that may be relevant to a holder of Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law.

Where in this overview English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The laws and their interpretation by the tax authorities may change and such changes may also have retroactive effect. Accordingly, investors should consider this aspect before investing.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Italian Taxation

Tax treatment of Interest

Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities issued, *inter alia*, by Italian resident banks (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as “**Interest**”).

The provisions of Decree No. 239 only apply to Notes issued by the Issuer which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (“**Decree No. 917**”). For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

The tax regime set forth by Decree No. 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian Resident Noteholders

Where an Italian resident Noteholder is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime – see under “*Capital gains tax*” below);
- (b) a non-commercial partnership;
- (c) a private or public institution other than companies, and trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

interest relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as “*imposta sostitutiva*”, levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and the relevant Interest must be included in their relevant income tax return. As a consequence, the Interest will be subject to ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100–114) of Law No. 232 of 11 December 2016 (the “**Finance Act 2017**”).

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. It must, however, be included in the relevant Noteholder’s income tax return and is therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to IRAP (the regional tax on productive activities (“**IRAP**”))).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate SICAFs (together, the “**Real Estate Funds**”) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a Real Estate Fund. However, a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders/shareholders of the Real Estate Fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF or a SICAV (“*Società di investimento a capital variabile*”) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the “**Fund**”), and the relevant Notes are held by an authorised intermediary, Interest accrued during the

holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the “**Collective Investment Fund Tax**”).

Where an Italian resident Noteholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100–114) of Finance Act 2017.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stock brokers and other entities identified by a decree of the Ministry of Finance (each an “**Intermediary**”).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying Interest to a Noteholder or, absent that, by the Issuer.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is:

- (e) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree No. 239 (the “**White List**”); or
- (f) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (g) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (h) an “institutional investor”, whether or not subject to tax, which is established in a State included in the White List.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected must be the beneficial owners of

the payments of Interest and must:

- (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and
- (j) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to Interest paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Noteholder.

Tax treatment of Notes qualifying as atypical securities (*titoli atipici*)

Interest payments relating to atypical securities are subject to 26 per cent. withholding tax.

Atypical securities are securities that do not fall within the category of (a) shares (*azioni*) and securities similar to shares (*titoli similari alle azioni*) and of (b) bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*).

Where the Noteholder is (i) a non-Italian resident person, (ii) an Italian resident individual not holding the Notes for the purpose of carrying out a business activity, (iii) an Italian resident non-commercial partnership, (iv) an Italian resident non-commercial private or public institution, (v) a Fund, (vi) an Italian Real Estate Investment Fund, (vii) a Pension Fund, or (viii) an Italian resident investor exempt from Italian corporate income taxation, such withholding tax is a final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the withholding tax at 26 per cent., on interest, premium and other income relating to the Notes qualifying as atypical securities if such Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

Where the Noteholder is (a) an Italian resident individual carrying out a business activity to which the Notes are effectively connected, or (b) an Italian resident corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), such withholding tax is an advance withholding tax.

In case of a non-Italian resident Noteholder without a permanent establishment in Italy to which the

Notes are effectively connected, the abovementioned withholding tax rate may be reduced (generally to 10 per cent.) or eliminated under certain applicable tax treaties entered into by Italy, subject to timely filing of the required documentation.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent. The Noteholders may set off any losses with their gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

- (k) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Noteholders holding the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. However, according to Law Decree No. 66 of 24 April 2014, as converted with amendments by Law No. 89 of 23 June 2014 ("**Law No. 89**"), capital losses realized up to 30 June 2014 may be offset against capital gains realized after that date for an amount equal to 76.92 per cent. of capital losses realized from 1 January 2012 to 30 June 2014.
- (l) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity, resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:
 - (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and
 - (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholders or using funds provided by the Noteholders for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption or certain other transfer of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. However, according to Law No. 89, capital losses realized up to 30 June 2014 may be offset against capital gains realized after that date for an amount equal to 76.92 per cent. of the capital losses realized from 1 January 2012 to 30 June 2014. Under the *risparmio amministrato* regime, the Noteholders are not required to declare the capital gains in the annual tax return.

- (m) In the "*risparmio gestito*" regime, any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity, resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Pursuant to Law No. 89, depreciations of the managed assets may be carried forward to offset any subsequent increase in value accrued as of 1 July 2014 for an overall amount equal to 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. The Noteholders are not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100–114) of Finance Act 2017.

Any capital gains realised by a Noteholder who is a Fund will neither be subject to *imposta sostitutiva* on capital gains, nor to any other income tax in the hands of the relevant Noteholders; the Collective Investment Fund Tax will be levied on proceeds distributed by the Fund or received by certain categories of unitholders upon redemption or disposal of the units.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100–114) of Finance Act 2017.

Real Estate Funds are not subject to any substitute tax at the fund level nor to any other income tax in

the hands of the Real Estate Fund. However, a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders/shareholders of the Real Estate Fund.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes traded on regulated markets are not subject to the *imposta sostitutiva*. The exemption applies provided that the non-Italian resident Noteholders file in due course with the authorised financial intermediary an appropriate affidavit (*autocertificazione*) stating that the Noteholder is not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary is:

- (n) resident in a State included in the White List; or
- (o) an international entity or body set up in accordance with international agreements which have entered into force in Italy; or
- (p) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (q) an "institutional investor", whether or not subject to tax, which is established in a State included in the White List.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, Noteholders may benefit from an applicable tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

Transfers of any valuable asset (including the Notes or other securities) as a result of death or donation are taxed as follows:

- (r) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding, for each beneficiary, Euro 1,000,000;
- (s) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding, for each beneficiary, Euro 100,000; and
- (t) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) above on the value exceeding, for each beneficiary, Euro 1,500,000.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to Article 13 of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (“**Decree No. 642**”), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. The stamp duty cannot exceed Euro 14,000 if the Noteholder is not an individual.

The statement is deemed to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement. In case of reporting periods less than 12 months, the stamp duty is payable on a pro-rata basis.

Wealth Tax on securities deposited abroad

According to the provisions set forth by Law No. 214 of 22 December 2011, as amended and supplemented, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent. In this case the above-mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does not apply.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries pursuant to an administration agreement. In this case, the above-mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does apply.

Tax Monitoring

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax the amount of investments (including the Notes) directly or indirectly held abroad. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of

income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a Euro 15,000 threshold throughout the year.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by **FATCA**) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under Condition 15) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 30 July 2018, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The form of Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented

and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
 - (ii) a customer within the meaning of Directive 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**); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies “Prohibition of sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (a) to (c) sopra shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any

measure implementing the Prospectus Directive in that Member State; and

- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

France

Each of the Dealers and the Issuer has represented and agreed that: has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in,

and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other offering material relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Consolidated Finance Act and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Consolidated Finance Act and Article 34-ter, of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under paragraph (i) or (ii) sopra must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Consolidated Finance Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and the Italian Banking Act; and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Fiscal Agent nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Fiscal Agent and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by the resolutions of the Board of Directors of the Issuer dated 19 April 2018.

Approval and Listing of Notes

Application has been made to the CBI to approve this document as a base prospectus. Application has also been made to the Euronext Dublin for Notes issued under the Programme to be admitted to trading on the Euronext Dublin's regulated market and to be listed on the Official List of the Euronext Dublin. The Euronext Dublin's regulated market is a regulated market for the purposes of the Directive 2014/65/EU (as amended, **MIFID II**) and the Regulation 2014/600/EU (as amended, **MIFIR**).

Documents Available

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 in physical or electronic means at the registered office of the Issuer and at the specified office of the Paying Agent:

- (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;
- (c) 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;
- (d) the press release dated 10 May 2018 on consolidated results at 31 March 2018;
- (e) the Deed of Covenant, the Agency Agreement, the Programme Manual and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (f) a copy of this Base Prospectus; and
- (g) 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.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the form of Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an

additional or alternative clearing system the appropriate information will be specified in the form of Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the form of Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

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.

Litigation

Save as disclosed in this Base Prospectus at pages from 143 to 145, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

Deloitte & Touche S.p.A. are the auditors of the Issuer and are registered in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, and in the Register of Accountancy Auditors (Registro dei Revisori Contabili), at no. 132587, in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992 (**Decree No. 88**).

Deloitte & Touche S.p.A. is also a member of ASSIREVI – Associazione Nazionale Revisori Contabili, the Italian association of auditing firms. The offices of Deloitte & Touche S.p.A. are located at Via Tortona 25, 20144 Milan, Italy.

Deloitte & Touche S.p.A. audited and rendered an unqualified audit report on the consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 31 December 2017.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in lending, corporate finance, 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.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph the term "affiliates" includes also the relevant parent companies of the Dealers.

Rating

Certain information with respect to the credit rating agency and rating is set out on the cover of this Base Prospectus.

ISSUER

Banco di Desio e della Brianza S.p.A.

Via Rovagnati, 1
20832 Desio
Italy

FISCAL AGENT AND PAYING AGENT

Société Générale Bank & Trust S.A.

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Grand Duchy of Luxembourg

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To the Issuer as to Italian law and English law

Chiomenti

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To the Dealer as to Italian and English law

Jones Day

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To the Issuer and the Sellers

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ARRANGER and DEALER

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