Unione di Banche Italiane S.p.A.

(Incorporated as a joint stock company in the Republic of Italy
under registered number 03053920165 in the Bergamo Company Register)

Euro 15,000,000,000 Debt Issuance Programme

Under the Debt Issuance Programme described in this Base Prospectus (the "**Programme**"), Unione di Banche Italiane S.p.A. ("**UBI Banca**", or the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt securities (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed Euro 15,000,000,000 (or the equivalent in other currencies).

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank 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 Notes that are to be admitted to trading on the Main Securities Market (the "**Main Securities Market**") of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") or on another regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments) (as amended, "**MiFID II**") or that are to be offered to the public in any Member State of the European Economic Area (the EEA). The Main Securities Market is a regulated market for the purposes of MiFID. Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of Euronext Dublin (the "**Official List**") and trading on the Main Securities 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 Main Securities Market and have been admitted to the Official List.

Each Series (as defined on page 7) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**"). If the Global Notes are stated in the applicable Final Terms (as defined on page 7) to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined on page 7) to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("**Global Certificates**"). If a Global Certificate is held under the New Safekeeping Structure ("**NSS**") the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not held under the NSS may be deposited on the issue date of the relevant Tranche with (i) a common depositary on behalf of Euroclear and Clearstream (the "**Common Depositary**") or (ii) any other agreed clearing system. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Overview of Provisions relating to the Notes while in Global Form".

The Programme has been rated "BBB-" (Senior unsecured debt maturing in one year or more), "A-3"

(Unsecured debt maturing in less than one year), "BB" (Subordinated debt) and "BB+" (Senior Non Preferred Notes) by Standard & Poor's Credit Market Services Italy S.r.l. ("**S&P**"); "(P)Baa3" (Senior unsecured), "(P)Ba3" (Subordinated debt) and "(P)Ba3" (Long-term senior non preferred notes) by Moody's Investors Service España, S.A. ("**Moody's**"); "BBB-" (Long-Term senior unsecured debt) "F3" (Short-Term senior unsecured debt) and "BBB-" (Senior non preferred debt) by Fitch Ratings ("**Fitch**"); "BBB" with Stable Trend (Long-Term Senior Debt), "R-2 (high)" with Stable Trend (Short-Term Debt), "BB (high)" with Stable Trend (Subordinated Debt) and "BBB (low)" with Stable Trend (Senior Non-Preferred Notes) by DBRS Ratings Limited (**DBRS**). For further information on the ratings assigned to UBI Banca see "UBI Banca and the UBI Banca Group – Ratings". S&P, Moody's, Fitch and DBRS are established in the European Union and registered under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**"). The European Securities and Markets Authority ("**ESMA**") is obliged to maintain on its website https://www.esma.europa.eu/supervision/credit-rating-agencies/risk, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. Tranches of Notes (as defined in "Overview of the Programme") may be rated or unrated. Where a Tranche of Notes is to be rated, the rating assigned will be specified in the relevant Final Terms and will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable under the Notes may be calculated by reference to one of LIBOR and EURIBOR or such other Reference Rate as specified in the relevant Final Terms. As at the date of this Prospectus, ICE Benchmark Administration (as administrator of LIBOR) is included in ESMA's register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**"). As at the date of this Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is not 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 the administrator of EURIBOR is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arranger

J.P. Morgan

Dealers

Banca IMI	Banco Bilbao Vizcaya Argentaria, S.A.
Barclays	BNP PARIBAS
BofA Merrill Lynch	Citigroup
Crédit Agricole CIB	Credit Suisse
DBS Bank Ltd.	Deutsche Bank
Goldman Sachs International	HSBC
ING	J.P. Morgan
Mediobanca	Morgan Stanley
MPS Capital Services	Natixis
NatWest Markets	Nomura
Société Générale Corporate & Investment Banking	UBS Investment Bank
UniCredit Bank	Unione di Banche Italiane S.p.A.

30 July 2018

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, to the extent that such amendments have been implemented in the relevant Member State of the EEA) (the "**Prospectus Directive**") and for the purposes of giving information with regard to the Issuer and its consolidated subsidiaries (each a "**Subsidiary**" and together with the Issuer, the "**Group**" or the "**UBI Banca Group**") which, according to the particular nature of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued. 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 herein by reference (see "*Documents Incorporated by Reference*"), which documents form part of the Base Prospectus.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the UBI Banca Group or any of the Dealers or the Arranger (as defined in "Overview of the Programme"). Neither the delivery of this Base Prospectus nor any sale made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the UBI Banca Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The minimum specified denomination of the Notes issued under this Programme shall be Euro 100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes. The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States. There are further restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United Kingdom, the Republic of Italy, the Netherlands, Singapore and Japan. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "Subscription and Sale".

To the fullest extent permitted by law, none of the Dealers (with the exception of UBI Banca in its capacity as Issuer) or the Arranger accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each

Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements should be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger. In this Base Prospectus, unless otherwise specified or the context otherwise requires, all references to "**£**" or "**Sterling**" are to the currency of the United Kingdom, all references to "**US dollars**" are to the currency of the United States of America and all references to "**€**", "**euro**" and "**Euro**" are to the lawful currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time. Figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be the arithmetical aggregate of their components.

In connection with any Tranche of Notes, one or more Dealers may act as a stabilising manager (the "**Stabilising Manager**"). References in the next paragraph to "**the issue**" of any Tranche are to each Tranche in relation to which any Stabilising Manager is appointed.

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

Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilising Manager(s).

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised 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 whilst the registration application is pending. 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). Certain information with respect to the credit rating agencies and ratings is set out in on the cover page of this Base Prospectus.

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.

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

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

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

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

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

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

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended 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 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 will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") – Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The language of this Base Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Base Prospectus.

TABLE OF CONTENTS

Page

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 relevant Final Terms. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meaning in this overview. The Issuer may agree with any Dealer that Notes may be issued in a form other than that contemplated in "Terms and Conditions of the Notes" herein, in which event a supplemental or drawdown Base Prospectus will be published.

Issuer	Unione di Banche Italiane S.p.A.
Issuer Legal Entity Identifier (LEI)	81560097964CBDAED282
Description	Euro 15,000,000,000 Debt Issuance Programme
Size	Up to Euro 15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger	J.P. Morgan Securities plc
Dealers	Banca IMI S.p.A. Banco Bilbao Vizcaya Argentaria, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Credit Suisse Securities (Europe) Limited DBS Bank Ltd. Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc ING Bank N.V. J.P. Morgan Securities plc Mediobanca – Banca di Credito Finanziario S.p.A. Merrill Lynch International Morgan Stanley & Co. International plc MPS Capital Services S.p.A. Natixis NatWest Markets Plc Nomura International plc Société Générale UBS Limited UniCredit Bank AG Unione di Banche Italiane S.p.A.

	The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as Dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	Citicorp Trustee Company Limited
Issuing and Paying Agent	Citibank, N.A., London branch
Method of Issue	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the selling restrictions set forth in "Subscription and Sale". The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche will be completed in the final terms document (the "**Final Terms**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes	Notes may be issued in bearer form only ("**Bearer Notes**"), in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") or in registered form only ("**Registered Notes**"). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "Overview of the Programme — Selling Restrictions"); otherwise such Tranche will be represented by a permanent Global Note. Registered

	Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("**Global Certificates**").
Clearing Systems	Euroclear, Clearstream, Luxembourg and, in relation to any Tranche, such other clearing system (including without limitation Monte Titoli) as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).
Initial Delivery of Notes	On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency if the Issuer and the relevant Dealer(s) so agree.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 30 years as specified in the relevant Final Terms. Unless otherwise permitted by then current laws, regulations and directives, Senior Non-Preferred Notes (intended to qualify as *strumenti di debito*

	chirografario di secondo livello of the Issuer as defined under Article 12-bis of the Banking Act) will have a maturity of not less than twelve months. Unless otherwise permitted by then current laws, regulations and directives, Subordinated Notes will have a maturity of not less than five years.
Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms ("**Specified Denomination**") save that (i) the minimum denomination of each Note which is not a Senior Non-Preferred Note will be Euro 100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) and (ii) the minimum denomination of each Senior Non-Preferred Note will be Euro 250,000 (or, if the Senior Non-Preferred Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
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 set separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association. Inc.; or (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be specified

	in the relevant Final Terms.
Inverse Floating Rate Notes	Inverse Floating Rate Notes will bear interest calculated by subtracting a floating rate of interest from a Fixed Rate, such floating rate to be calculated in the manner described in sub-paragraphs (i) and (ii) above under the heading "Floating Rate Notes".
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Rates of interest	The lengths of the interest periods for the Notes and the applicable rate of interest or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum rate of interest, a minimum rate of interest, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Rating	The Programme has been rated by S&P, Moody's, Fitch and DBRS. Tranches of Notes may be rated or unrated. Where a Tranche of Notes is to be rated, the rating assigned will be specified in the relevant Final Terms and will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Redemption	With the exception of Zero Coupon Notes, subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at par or above par. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue would otherwise constitute a contravention of Section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or (in the case of Senior Notes or Senior Non-Preferred Notes only) at the option of the Issuer due to a MREL Disqualification Event (in whole only) as described in "Terms and Conditions of the Notes – Redemption, Purchase and Options – Issuer Call due to MREL Disqualification Event" and, if so, the terms applicable to such redemption.

Under applicable laws and regulations at the date of this Base Prospectus, other than for taxation reasons or for regulatory reasons or following an event of default, Subordinated Notes may not be repaid prior to five years from the relevant Issue Date.

Other than following an event of default, any redemption of Notes prior to their stated maturity in accordance with the Conditions (including early redemption for taxation reasons or early redemption for regulatory reasons or early redemption due to a MREL Disqualification Event which are each subject to further specific requirements as described in "Terms and Conditions of the Notes – Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes") will be subject to compliance by the Issuer with any conditions prescribed by the Relevant Regulations as described in "Terms and Conditions of the Notes – Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes".

Status of Notes

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

Senior Notes will constitute unsubordinated and unsecured obligations of UBI Banca ranking *pari passu* with all other unsecured and unsubordinated obligations of UBI Banca (other than obligations ranking junior to Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior

	to Senior Notes)), as described in "Terms and Conditions of the Notes — Status of the Notes". Senior Non-Preferred Notes will constitute unsubordinated (*debito chirografario*) and unsecured obligations of UBI Banca ranking junior to the Senior Notes and any other unsecured and unsubordinated obligations of UBI Banca which rank, or are expressed to rank by their terms, senior to Senior Non-Preferred Notes, as described in "Terms and Conditions of the Notes — Status of the Notes". Subordinated Notes will constitute subordinated obligations of UBI Banca, as described in "Terms and Conditions of the Notes — Status of the Notes".
Substitution and Variation	With respect to (i) any Series of Senior Notes or Non-Preferred Senior Notes, if at any time a MREL Disqualification Event occurs, and if Substitution or Variation is specified as being applicable in the form of Final Terms, or (ii) all Notes, if Substitution or Variation is specified as being applicable in the form of Final Terms, in order to ensure the effectiveness and enforceability of Condition 18 (*Statutory Loss Absorption Powers*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the 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.
Negative Pledge	None.
Cross Default	None.

Early Redemption	Except as provided in "Optional Redemption" above, Notes may be redeemable at the option of the Issuer prior to maturity only for taxation reasons and for regulatory reasons. See "Terms and Conditions of the Notes — Redemption, Purchase and Options".
Withholding Tax	All payments of principal and interest will be made free and clear of withholdings or deductions for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of, the Republic of Italy, unless such withholding or deduction is required by law or by the application or official interpretation thereof. In such a case, the Issuer shall pay such additional amounts in respect of principal and interest in the case of Senior Notes or Senior Non-Preferred Notes (if permitted by the MREL Requirements), or interest only in the case of Subordinated Notes, as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions, all as described in "Terms and Conditions of the Notes — Taxation".
Governing Law	English (except for Condition 3(b) (*Status of the Notes – Senior Non-Preferred Notes*), Condition 3(c) (*Status of the Notes – Subordinated Notes*) and Condition 18 (*Statutory Loss Absorption Powers*) each of which shall be governed by, and construed in accordance with, Italian law). See "Terms and Conditions of the Notes — Governing Law and Jurisdiction".
Listing	Application has been made for Notes issued under the Programme to be admitted to the Official List and for such Notes to be admitted to trading on the Main Securities Market of Euronext Dublin.
Selling Restrictions	Prohibition of Sales to EEA Retail Investors, United States, United Kingdom, The Netherlands, Republic of Italy, Singapore, Belgium and Japan. See "Subscription and Sale". Category 1 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with US Treas. Reg. 1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms state that Notes are issued in compliance with US Treas. Reg. 1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Senior Non-Preferred 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

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein) 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

Liquidity Risk

The UBI Banca Group's businesses are 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 its 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 obtain and maintain liquidity and to access wholesale and retail funding sources on favourable economic terms is essential to the Issuer's business. In particular, liquidity and long-term funding are fundamental to the Issuer's ability to meet both its anticipated and unanticipated payment obligations in a manner that does not prejudice its day-to-day operations, financial position or balance sheet. Liquidity risk refers to any inability of the Issuer to meet its payment obligations, which may be caused either by (i) an inability to raise the financial resources to meet its anticipated or unanticipated payment commitments in an economical manner or without a material adverse effect on its day-to-day business or its financial condition (funding liquidity risk), or (ii) the presence of restrictions on the ability to liquidate assets without incurring capital losses (market liquidity risk). Structural liquidity risk is defined as the risk resulting from a mismatch between the sources of funding and lending.

The ability of the Issuer to access sources of liquidity and their cost are affected by numerous factors, including a number of factors outside of its control, such as customer behaviour in respect of direct deposits, the state of the financial markets, the regulatory environment and confidence in the Italian banking system. Market-wide liquidity crises and loss of confidence in financial institutions generally may also increase funding costs or limit access to traditional liquidity sources. The Issuer's business could be negatively affected by tensions that may arise when sourcing liquidity on the market (whether institutional or retail), with consequent negative effects on its business, results of operations, financial condition and cash flows.

With respect to funding liquidity risk, the crisis that affected the international financial markets and the subsequent instability gave rise to a considerable reduction in the liquidity accessible through wholesale financing channels. As regards the market liquidity risk, any sudden changes in market conditions (particularly interest rates and creditworthiness) could have significant effects on the "time to sell", even for high-quality assets, typically represented by government securities, and any ratings downgrades may have consequences on the prices of securities held. UBI Banca Group is exposed to government debt securities, in particular Italian government debt securities. Any further reduction in the credit rating assigned to Italy (which has already been the subject of a number of downgrades by the principal rating agencies in recent years) may adversely affect the value of such debt securities and as a result could impact the extent to which the Issuer and UBI Banca Group can use, *inter alia*, Italian government debt securities as a collateral for the European Central Bank (ECB) refinancing transactions which could have an adverse effect on UBI Banca Group's liquidity.

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

Due to the crisis in the financial markets, followed by instability, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the higher capital requirements imposed by regulatory authorities, including following the results of comprehensive assessments, there has been a widespread need to guarantee higher levels of capitalisation and liquidity of banking institutions. This situation has meant that governments and national central banks around the world have had to take actions to support the banking system (in some cases by direct intervention by governments in the share capital of banks in different forms), and has caused some of the largest banks in Europe and elsewhere to turn to central banks to meet their short-term liquidity needs. 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 European Central Bank ("**ECB**") has implemented important interventions in monetary policy, both through the conventional channel of managing interest rates, and through unconventional channels, such as the provision of fixed-rate liquidity with full allotment, the expansion of the list of assets that can be allocated as a guarantee, and longer-term refinancing programmes, such as the targeted longer-term refinancing operations ("**TLTROs**") introduced in 2014 and the targeted longer-term refinancing operations ("**TLTRO II**") introduced in 2016 to further stimulate credit granting to non-financial companies and households (excluding residential loans) in the Eurozone. Under the TLTRO II programme, financial institutions were able to borrow a total amount of up to 30 per cent. of a specific eligible part of their loans, less any amount which was previously borrowed and still outstanding under the first two TLTRO operations conducted in 2014, for a four-year term. These interventions contributed to reducing the perception of banking system risk, thereby mitigating funding liquidity risk, and contributed to reducing speculative pressures on the debt market, specifically with regard to so-called peripheral countries.

In addition, the ECB introduced in 2015, the expanded asset purchase programme (APP), which includes all purchase programmes under which private sector securities and public sector securities are purchased to address the risks of too prolonged period of low inflation. On 14 June 2018, the ECB Governing Council stated that it anticipates that, after September 2018, subject to incoming data confirming the ECB Governing Council's medium-term inflation outlook, the monthly pace of the net asset purchases will be reduced to €15 billion until the end of December 2018 and that net purchases will then end.

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 UBI Banca Group's business, financial condition and results of operations. In addition, despite the positive impact of such liquidity support measures on the macroeconomic environment, there is a risk that an expansionary monetary policy (including, in particular, quantitative easing) will maintain interest rates, which are currently negative, at low levels on all major maturities in the short and medium term, with consequent adverse effects on the Issuer's profitability as well as an adverse impact on its business, financial condition and results of operations.

The Group's business is focused primarily on the Italian domestic market and therefore adverse economic conditions in Italy or a delayed recovery in the Italian market may have particularly negative effects on the UBI Banca Group's financial condition and results of operations

The Issuer and its activities are affected by the macroeconomic environment of the markets in which it operates. The UBI Banca Group's primary market is Italy. Therefore, its business is particularly sensitive to changes in the Italian economy and adverse macroeconomic conditions in Italy. In particular, there are considerable uncertainties around the future growth of the Italian economy.

The political uncertainty and persistence of adverse economic conditions in Italy, or a slower recovery in Italy compared to other OECD nations could have an adverse effect on the Group's business, results of operations or financial condition. In addition, any downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur, may destabilise the markets and have an adverse effect on the Group's operating results, capital and liquidity position, financial condition and prospects as well as on the marketability of the Notes. See further "*Possible downgrade of the Italian sovereign credit rating*" below.

European sovereign debt crisis

The continued deterioration of the merit of credit of various countries, including (among others) Greece, together with the potential for contagion to spread to other countries in Europe, including Italy, has exacerbated the severity of the global financial crisis. Such developments have posed a significant risk to the stability and status quo of the Economic and Monetary Union ("**EMU**"), and have raised concerns about its long-term sustainability.

In recent years, several EMU countries have requested financial aid from European authorities and from the International Monetary Fund. Such countries are currently pursuing ambitious programmes of reforms. The risk of a sharp and substantial repricing in sovereign credit spreads in the Euro-zone has diminished (but has not completely faded) after the European Central Bank (the "**ECB**") launched the "Outright Monetary Transactions".

Despite these and other initiatives of supranational organisations to deal with the sovereign debt crisis in the Euro-zone, global markets remain characterised by high volatility and a general decrease of market depth. Credit quality has generally declined, as reflected by the repeated downgrades suffered by several countries in the Euro-zone, including Italy, since the start of the sovereign debt crisis (see further "*Issuer's exposure to sovereign debt, in particular that of Italy*" below). 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. Concerns also persist regarding the overall stability of the euro and the suitability of the euro as a single currency, given the diverse economic and political circumstances in individual member states of the Euro-zone.

There can be no assurance that the European Union and the International Monetary Fund initiatives aimed at stabilising the market in certain EMU countries, including Cyprus, Greece, Portugal, Ireland and Spain 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 Group's ratings and/or the ratings of the sector were to be further adversely affected, this may have an 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 an adverse effect on the liquidity funding and value of the assets of all Italian financial services institutions, including the Group.

Issuer's exposure to sovereign debt, in particular that of Italy

The Group is exposed to the borrowings of central governments and other public-sector entities, in particular given the political uncertainty in Italy and credit risk associated with Italian government bonds.

Consequently, the Issuer is particularly exposed to any adverse changes and fluctuations in the markets for the government securities of those countries which may be influenced by global macroeconomic conditions as well as those of individual countries, their political situation, their sovereign debt rating and the relative valuation of their currencies. A decrease in the market price for the government securities that the Issuer holds in its portfolio could negatively affect the value of its assets and therefore have an adverse effect on the Group's business, results of operations, financial condition and cash flows. In addition, if the credit ratings of Italy and other relevant countries deteriorate, the Issuer may be required to revise the risk weighting attributed to these assets for the calculation of risk-weighted assets ("**RWA**"), which could have an adverse effect on the Issuer's capital ratios. The Issuer may also be required to revise the discount criteria applied by counterparties in refinancing transactions, such as in the ECB's TLTRO refinancing transactions, resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to such collateral

Impact of austerity measures on the Group

The austerity measures introduced by the Italian government pursuant to Law Decree No. 98 of 6 July 2011, as converted by Law No. 111 of 15 July 2011 and Law Decree No. 138 of 13 August 2011, as converted by Law No. 148 of 14 September 2011, or any similar legislation which may be introduced in the future, could reduce household disposable incomes and firms' profitability and, consequently, may generate pressure on the ability of households and businesses to service their loans and meet their other financial obligations to the Group and to other operators in the Italian banking sector.

Impact of events which are difficult to anticipate

The Group's earnings and business are affected by general economic conditions, the performance of financial markets (including liquidity constraints) 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 ECB, 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, among others, the political uncertainty in Italy and the exit of the United Kingdom from the European Union. On 23 June 2016, the United Kingdom voted in a referendum to leave the European Union (**Brexit**). On 29 March 2017, the British Prime Minister formally notified the European Council, pursuant to Article 50(2) of the Treaty on the European Union, the intention of the United Kingdom to leave the European Union, officially opening the related negotiations. Given the unprecedented nature of Brexit, the consequences of the United Kingdom's exit are unknown and cannot be predicted. The results of the Brexit referendum have created significant uncertainties with regard to the political and economic prospects of the United Kingdom, the European Union, and, indirectly, the Euro. The exit of the United Kingdom (or any other member of the European Union following the example of the United Kingdom) from the European Union, the possible decision of any European country that adopted the Euro to adopt a different currency, or prolonged periods of uncertainty connected to these eventualities could have significant negative impacts on international markets, including further declines in stock exchange indices and in the value of the British pound and the Euro and/or greater volatility of markets in general due to the increased uncertainty.

Each of these factors can change the level of demand for the Group's products and services, the credit quality of borrowers and counterparties (with potentially negative effects on the recovery of loans or other amounts due from borrowers and counterparties of the Group) and the value of the Group's investment and trading portfolios, and can have an adverse effect on the Group's business, operating results, capital and financial condition.

Changes in interest rates

Fluctuations in interest rates influence the Group's business and its financial performance. Changes in the interest rates are in turn influenced by a number of factors that are outside of the Group's control, such as, for example, monetary policies, macroeconomic trends and political conditions.

The results of the 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, by 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 Group's financial condition or results of operations. In addition, the low level of interest rates in the Italian banking sector in recent years 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.

The Issuer's business and financial performance may be adversely affected if the recent volatility experience in the financial markets continues

The economic and political uncertainty of recent years has introduced considerable volatility and uncertainty in the financial markets, including levels of market interest rates. This, in turn, has made access to these markets increasingly complex, with a consequent rise in credit spreads and the cost of funding, as well as a decline in the values the Issuer can realise from sales of financial assets.

The volatility and uncertainty of the financial markets have had, and could continue to have, a negative effect on the Issuer's assets and, specifically, on its share price and the cost of borrowing on capital markets, which may have a negative impact on the Issuer's business, financial condition and results of operations.

In addition, the volatility or negative performance of financial markets could discourage investments by the Issuer's customers (or induce customers to reallocate their investments in products with a lower risk profile) or have an adverse impact on its customers' investment yields. This could pose a risk to the Issuer's asset management and other activities for which it receives fees, with a possible negative impact on its business, results of operations and financial condition.

Competition

The UBI Banca Group operates in a highly competitive market. In particular, it is subject to the risks arising from competition in the provision of lending and financial services, especially in Italy.

The banking sector in Italy, as well as in Europe, is going through a consolidation phase featuring a high degree of competition due to the following factors: (i) the introduction of EU directives aimed at liberalising the European Union banking sector; (ii) the deregulation of the banking sector and the related development of "shadow banking" throughout the European Union, and specifically in Italy, which has encouraged competition in the traditional banking sector with the effect of progressively reducing the spread between lending and borrowing rates; (iii) the behaviour of competitors; (iv) consumer demand; (v) the trend of the Italian banking industry focused on revenues from fees, which leads to increased competition in asset management and investment banking services; (vi) the changes in a number of Italian tax and banking laws; (vii) the advance of services with a strong element of technological innovation, such as internet banking, mobile banking and fintech; and (viii) the influx of new competitors and other factors that are outside of the Issuer's control. Furthermore, a deterioration of macroeconomic conditions could result in greater competitive pressure due to factors such as increased pressure on prices and lower business volumes.
In recent years, the Italian banking sector has been characterised by ever 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 subsequent difficulties in maintaining a positive growth trend in interest rate margin. In particular, such competition has had two main effects:

(a) a progressive reduction in the differential between lending and borrower interest rate, which may result in the Group facing difficulties in maintaining its actual rate of growth in interest rate margins; and

(b) a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to competition on prices.

In addition, the competitive pressures on the Issuer and the Group may increase as a result of various other factors outside of their control, including aggregation processes both in Italy and in Europe, with the consequent strengthening of the competitive position of the institutions resulting from such combinations, which could lead to a further increase in competitive pressure and could result in large groups applying increasingly comprehensive economies of scale.

All of the above factors may adversely affect the Group's financial condition and result of operations. 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.

Credit and market risk

The Issuer's results of operations, financial viability and profitability, as well as the strength of its assets, depend, among other things, on the creditworthiness of its customers. The lending operations of the Issuer expose it to traditional risks, including the risk that third parties that owe the Issuer money, securities or other assets might, among other things, fail to perform their respective obligations. Any deterioration in credit quality, with a resulting increase in non-performing loans and related write-downs, could have an adverse effect on the UBI Banca Group's business, financial condition and results of operations.

The amount of potential losses that the Group could incur in relation to individual credit exposures, and to the loan portfolio as a whole, depends upon a large number of factors, including economic conditions in general or relating to specific industry sectors, changes to the ratings of individual borrowers, structural or technological changes within corporate borrowers, the deterioration of the borrower's competitive position, poor management by the borrower of its business or other activities, increases in household borrowings, and other external factors, including those of a legislative or regulatory nature. In addition, the deterioration of the macroeconomic environment or of specific sectors could significantly reduce the value of the real estate or other collateral that customers have provided and/or it may not be possible for customers to provide additional security following any such loss of value, resulting in a deterioration of the quality of the Issuer's loan portfolio.

Historically, credit risks are always exacerbated during periods of economic recession or stagnation, which are typically characterised by higher levels of insolvency and bankruptcy. The continuing critical situation in credit markets and the global economy slowdown have reduced, and could further reduce, disposable household income and corporate profitability and/or could have a negative impact on the ability of the Issuer's customers to honour their obligations. In addition, the occurrence of further adverse economic conditions in the future could bring about a reduction in the value of guarantees received and/or the inability of customers to supplement guarantees provided. Finally, the overall macroeconomic situation, the performance of specific business segments and measures taken by supervisory authorities could result in a further decline in the actual or book value of guarantees received by UBI Banca Group.

The Group is exposed to the risk that the value of its financial assets (or liabilities) may decrease (or increase) as a result of trends in market factors such as stock prices, interest rates and exchange rates and their volatility or due to the occurrence of factors that compromise the repayment capacity. These fluctuations could derive from changes in overall performance, investors' propensity to invest, monetary and fiscal policies, overall market liquidity, the availability and cost of capital, action taken by rating agencies, local and international political events, military conflicts and acts of

terrorism. Market risk arises in relation to the trading book, including financial instruments for trading and derivatives linked to such securities, and the banking book, which comprises those assets and liabilities that are not included in the Issuer's trading book. Within the UBI Banca Group, the macro-category of "financial risk" covers the risk generated by financial assets from the trading and banking book portfolios, the interest rate risk arising from activities other than trading, exchange rate risk, commodities risk, basis risk and liquidity risk. Specifically, market risk is concentrated in Italian government securities. Changes in the value of sovereign bonds, whether as a result of the change in the creditworthiness of sovereign issuers or otherwise, remain a risk, given the Group's exposure to such issuers in general and to Italy in particular.

Although the Group has policies and procedures in place that seek to identify, monitor and manage such risks, unexpected events, or any inadequacy of those policies and procedures, may have an adverse effect on its business, financial condition and results of operations. To the extent that any of the instruments and strategies used by the Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The 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 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.

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 Group interacts on a daily basis and therefore could adversely affect the Group.

Risks relating to the acquisition of the Target Bridge Institutions

On 10 May 2017, the Issuer completed the acquisition (the "**Acquisition**") of the entire share capital of Nuova Banca delle Marche S.p.A., Nuova Banca dell'Etruria e del Lazio S.p.A. and Nuova Cassa di Risparmio di Chieti S.p.A. (the "**Target Bridge Institutions**") pursuant to the purchase agreement entered into on 18 January 2017 (the "**Acquisition Agreement**") by and between the Issuer and the Bank of Italy, on behalf of, and in its capacity as managing entity for, the *Fondo Nazionale di Risoluzione* (the "**Italian National Resolution Fund**") (the "**Seller**").

In addition to the standard risks relating to acquisition transactions, integrating the Target Bridge Institutions entails other specific risks related to losses and liabilities of the Target Bridge Institutions deriving from their activities prior to the Acquisition. Furthermore, third parties may bring legal actions against the Target Bridge Institutions relating to their activities prior to the Acquisition, including legal actions based on, or connected with, the findings of the supervisory authorities (including the Bank of Italy and CONSOB), and may use the findings of the inspections carried out by the supervisory authorities and the activities of provisional administrative bodies to start legal proceedings against the Issuer or to further corroborate or support their existing claims or pending proceedings. Although the Acquisition Agreement contains an indemnity from the Seller,

a loss or liability relating to the Target Bridge Institutions or their activities or liabilities that exceeds the limits of, or that is not covered by, the indemnity obligation, could have an adverse effect on the Issuer's business, financial condition and results of operations, and this could negatively affect the Issuer's capital regulatory ratios. In this event, the ECB may, among other things, request corrective actions and measures, including, *inter alia*, capital strengthening measures.

The Issuer may be unable to achieve the operating and strategic objectives included in the 2017 – 2020 Business Plan

On 5 May 2017, the Issuer's Supervisory Board, upon proposal by the Management Board, approved the business plan for the period of 2017-2020 ("**2017 – 2020 Business Plan**"). The 2017-2020 Business Plan relates to the combined entity represented by the UBI Banca Group following the completion of the Acquisition and takes into account the modified Group structure, and updates and supersedes the prior Business Plan 2019/2020 (which was approved on 27 June 2016). The 2017-2020 Business Plan is based on a Group composition which is significantly different from the Group composition as of the reference date of the last accounting period completed prior to the adoption of the 2017-2020 Business Plan (31 March 2017) and, therefore, the historical financial information is only partially comparable with the forecast financial information. The preparation of the 2017-2020 Business Plan also took into account the ECB's request to prepare a strategic and operational plan for the management of NPLs and, in particular, the 2017-2021 NPL strategic plan submitted by the Issuer in March 2017, prior to the Acquisition. The preparation of the 2017-2020 Business Plan required the Issuer to carry out evaluations of the Target Bridge Institutions, including making estimates and forecasts relating, *inter alia*, to: (i) the activities of the Target Bridge Institutions; (ii) the results of their activities; (iii) their lines of business; (iv) their development prospects; and (v) the risk factors relating to the Issuer and the Target Bridge Institutions (including following completion of the Acquisition).

In particular, the 2017 – 2020 Business Plan sets forth the Issuer's financial forecasts for 2019 and 2020 (the "**Forecasts**") that are based on a number of assumptions regarding future events and actions to be taken by the Issuer's directors and management, as well as hypothetical and general assumptions. As such, the Forecasts have a subjective nature and are characterised by uncertainty. The Forecasts are based on certain assumptions that are subject to the risks and uncertainties of the current macroeconomic environment or that relate to future events and actions, which may not occur, as well as assumptions relating to future events and actions that are partially or completely outside management's control. Data used in connection with the preparation of the 2017 – 2020 Business Plan is based on assumptions relating to the Issuer's operations and the results indicated therein are based on its current expectations regarding future actions and events. These may or may not occur, may occur only in part, or may evolve differently than assumed in the 2017 – 2020 Business Plan, with potential adverse effects on the Group's business, financial condition and results of operations. Actual results are therefore subject to significant uncertainties and may differ, also significantly, from the Forecasts, especially in light of the current macroeconomic and market conditions.

Potential negative effects on the assumptions underlying the Forecasts could derive, *inter alia*, from (i) macroeconomic and market conditions; (ii) the ongoing changes in the applicable regulatory framework; and (iii) regulatory measures imposed by the supervisory authorities.

As a result, there can be no assurance that the Issuer will meet the Forecasts set forth in the 2017 – 2020 Business Plan, in whole or in part, and prospective investors should be aware that a number of

factors, including factors beyond the Issuer's control, might render the achievement of these Forecasts difficult or impossible. Furthermore, should any of the Issuer's assumptions turn out to be inaccurate and/or the circumstances envisaged not be fulfilled, or fulfilled only in part or in a different way to that assumed, the Issuer's ability to meet the Forecasts may be negatively impacted. Given the inherent uncertainty surrounding any future event, both in terms of the event's occurrence as well as eventual timing, the differences between the actual values and the Forecasts could be significant. For all of these reasons, investors are cautioned against placing undue reliance on the Forecasts and/or making their investment decisions based exclusively on the forecast data included in the 2017 – 2020 Business Plan.

Moreover, failure to achieve the objectives of the 2017 – 2020 Business Plan and/or implement the 2017 – 2020 Business Plan in the form and amount and within the time frame contemplated could have an adverse effect on the Issuer's business, financial condition and results of operations.

Protracted market declines and reduced liquidity in asset markets

Protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to losses if the Group cannot close out deteriorating positions in a timely manner. 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, including (but not limited to) derivatives contracts between banks, may be calculated by the 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 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 Group's securities activities and its asset management services, as well as its investments in and sales of products linked to the performance of financial assets.

Risk management and exposure to unidentified or unanticipated risks

The 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 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 Group fails to identify or anticipate, all of which may have an adverse effect on the Group's business, financial condition and results of operations.

Operational risk

The Group, like all financial institutions, is exposed to the risk of incurring losses due to the inadequacy or inefficiency of processes, personnel and internal systems, or losses caused by external factors. For example, these include losses due to fraud, human error, interruptions in operations, system unavailability (including IT system; see also "*Information technology systems*" below), contractual breaches and natural disasters. In terms of their monetary manifestation, this includes legal risk, model-related risk, operating losses overlapping market risk (i.e. losses and/or additional costs related to financial transactions) and operating losses overlapping credit risk (i.e.

losses generated during the placement of a product and/or within a lending process, due to an operational risk). Operational risk does not include reputational risk or strategic risk.

The Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Although the Issuer considers the Group's organisational and control measures to be adequate, these measures could be insufficient to deal with all the types of risk that could materialise. Any failure or weakness in these systems could adversely affect its financial performance and business activities.

In addition, as part of its operations, the Issuer outsources certain functions to other companies carrying out related services, including, among others, banking and financial activities. While the UBI Banca Group has specific procedures for the selection of suppliers and agreements with them, the Issuer cannot rule out the possibility that they may not comply with the Group's agreements, policies and procedures or that service interruptions may occur due to the supplier's default and/or other external factors (such as, among others, the supplier's insolvency or the inability to promptly replace defaulting and/or insolvent suppliers), all of which may have an adverse effect on the Group's business, financial condition and results of operations.

Internal models used by the Group to measure credit, market and operational risks

In carrying of its business, UBI Banca Group is subject to the risks inherent to banking and financial activities, not all of which are easily measurable. Such risks generally comprise credit risk, including concentration risk, market risk, liquidity risk and operational risk, as well as other significant risks such as business risk, real estate risk, financial investment risk, strategic risk, risk of excessive financial leverage and asset encumbrance risk, non-viability risk and reputational risk. Thus, a significant part of the Group's operations consists of using its internal risk management system to identify, measure, control and monitor risks relating to its businesses. However, the methods and strategies used by the Group to measure risks could prove to be inadequate or the valuations and assumptions underpinning the policies and procedures could turn out to be incorrect, exposing the Group to unexpected risks or risks which may not have been correctly quantified. In such cases, the UBI Banca Group could suffer losses, including significant ones, with possible adverse effects on its business, financial condition and results of operations.

Information technology systems

Information Technology ("**IT**") risk is the risk of incurring operating losses, market share losses or suffering reputational damage as a result of the use of information and communications technology ("**ICT**").

Similarly to all other banking groups, the Group depends on its IT and data processing systems to operate its business, as well as on their continuous maintenance and constant updating. The Group is exposed to the risk that data could be damaged or lost, or removed, disclosed or processed (data breach) for purposes other than those authorised by the customer, including by unauthorised parties.

The possible destruction, damage or loss of customer, employee or third party data, as well as its removal, unauthorised processing or disclosure, would have a negative impact on the Group's business and reputation, and could subject the Group to fines, with consequent negative effects on the Group's business, results of operations or financial condition.

In addition, changes to relevant regulation could impose more stringent sanctions for violations, and could have a negative impact on the Group's business insofar as they lead the Group to incur additional compliance costs.

There are possible risks with regard to the reliability of IT systems (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 Group's operations, as well as on the Group's capital and financial condition. Moreover, the Group's substantial investment in software development creates the risk that when one or more of the above-mentioned negative events occurs, the Group may suffer significant financial losses if the software is destroyed or seriously damaged, or may need to incur the cost to repair the violated IT systems. The Issuer or the Group may also become subject to regulatory sanctions.

Risks faced by the Group relating to the management of IT systems include possible violations of its systems due to unauthorised access to the Group'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 Group and its customers and can have negative effects on the integrity of the Group's IT systems, as well as on the confidence of the Group's customers and on the Group's reputation, with possible negative effects on the Group's capital and financial condition.

Finally, the ability of the Group to capitalise costs incurred to develop IT systems and related software depends, among other things, on its ability to demonstrate on a recurring basis the technical and financial feasibility of the project and its future utility. The Group may fail to meet these conditions due to its technical or financial inability to complete the project, the possibility that the Group's IT systems become technologically obsolete, due to the changes in its business or due to other unforeseeable causes. In each such case, the UBI Banca Group may be required to (i) write off, in full or in part, the capitalised assets, and therefore incur a capital loss and/or (ii) shorten the useful life of such assets and thus record larger amortisation expenses over a shorter period. In each such case, this may have a material adverse effect on the Group's business, financial condition and results of operations.

Property markets

The Issuer is exposed to risks relating to the property markets due to its significant property portfolio (mainly in Italy), as well as to loans it has granted to companies operating in the commercial real estate market (whose cash flow is generated mainly by the rental or sale of commercial properties) and to individuals, which are secured by real property. Therefore there may be a loss of value of such portfolio and/or guarantees should the real estate market prices decrease.

Legal proceedings

The Group is involved in various legal proceedings. The Issuer monitors both pending and threatened proceedings and, where required under applicable accounting standards, includes provisions in its financial statements. The Issuer has made provisions in the financial statements to cover liabilities that could arise from such proceedings, based on its assessment of the relevant risks. Such provisions have been made on the basis of available information and represent a

judgment of the potential loss in connection with each proceeding, in accordance with the applicable accounting standards.

In many of these cases, the amount of any claim for damages and/or contingent liabilities incumbent on the Issuer and the Group is not determined or determinable as part of the application submitted in court and/or the nature of the same proceedings. As a result, until it is possible to reliably predict the outcome, no provisions are made. On the other hand, where it is possible to reliably estimate the scale of any potential losses and where such losses are considered probable, provisions are made in the balance sheet in an amount considered suitable given the circumstances and in accordance with the International Accounting Standards ("**IAS**").
While the Issuer believes that the recorded provisions for risk and charges are adequate, any such provision may ultimately prove to be insufficient in respect of actual charges, costs, sanctions and claims for penalties and compensatory damages relating to pending causes of action. There can be no assurance that the Issuer or the Group will not be required to pay charges and damages for which no provision has been made. Any of the foregoing may have an adverse effect on the Issuer's or the Group's business, financial condition and results of operations.

In addition, any outcome which is unfavourable for the Issuer and the Group in a relevant dispute—particularly those of greater media interest—as well as new relevant litigation in the future, may have adverse effects on its business, financial condition or results of operations.

In addition, the Group is required to comply with applicable regulations and is subject to the supervision of the ECB and the various supervisory authorities in all the countries in which it operates. As at the date of this Prospectus, the Group is involved in a number of administrative investigations and proceedings by the relevant supervisory authorities, including the ECB, the Bank of Italy, CONSOB (*Commissione Nazionale per le Società e la Borsa*) and the Italian Antitrust Authority.

Sanctions proceedings against the Supervisory Board, Management Board and management

Certain senior officers of the Group's Supervisory Board, Management Board and corporate officers are or have been involved in legal or sanctions proceedings, including criminal and administrative proceedings.

Such proceedings, as well as any future proceedings, investigations, audits and/or inspections concerning the Issuer's corporate officers and/or those of the Group, could have an adverse effect on the Group's reputation. In addition, a negative outcome in these proceedings may result in members of the Supervisory Board, Management Board and management no longer meeting, as a matter of applicable law and regulation, the requirements applicable to those persons. Furthermore, irrespective of these requirements no longer being met as a matter of applicable law or regulation, the Group may adopt specific measures that could have an impact on its governance structure. See further *"The Issuer's organisational and management model pursuant to Legislative Decree 231/2001 and its accounting administrative model pursuant to Law 262/2005"* below

Ongoing tax disputes

The Group is involved in tax-related proceedings, as well as tax inspections by the competent authorities in the countries in which the Group operates. As at 31 March 2018, the Issuer and other Group companies were involved in approximately 60 pending tax disputes. For the period ended on

31 March 2018, no provisions were made for risks and charges to cover the liabilities that may arise from the pending tax disputes, which are included in the sub-line item "other provisions" of the Group's general provisions for risk and charges.

As a result of the uncertainty characterising the tax proceedings in which the Issuer and other Group companies are involved, it is not possible to rule out that an unfavourable outcome and/or the emergence of new proceedings could lead to an increase in risks of a tax nature for the Group, with the consequent need to make further provisions and/or outlays. This may have a material adverse effect on the Group's business, financial condition and results of operations.

Finally, in the event of failure or a presumed failure by the Issuer or the Group to comply with applicable tax laws, the Issuer and the Group could be exposed to increased tax risks, which in turn could increase the likelihood of further tax litigation and result in additional costs to the Issuer or the Group and reputational damage.

The Issuer's organisational and management model pursuant to Legislative Decree 231/2001 and its accounting administrative model pursuant to Law 262/2005

In December 2017, the Issuer adopted an organisational, management and control model pursuant to Legislative Decree No. 231 of 8 June 2001 ("**Legislative Decree 231/2001**") in order to establish a system of rules designed to prevent unlawful conduct by its top management, directors and employees (the "**231 Model**").

The Management Board and the Supervisory Board of the Issuer, on 16 January and 25 January 2018, respectively, approved a new version of the 231 Model. The 231 Model also applies to the Italian companies that are controlled, directly or indirectly, by the Issuer, as well as to the foreign entities with permanent establishment in Italy that the Issuer directly or indirectly controls. In line with the regulatory changes and supervisory provisions for banks that establish the requirement of functional compatibility between the internal control bodies and a supervisory body of a bank, the corporate bodies of UBI Banca have resolved to assign the role of a supervisory body to the members of the Internal Control Committee. The supervisory body reports to the corporate bodies of the Issuer on such matters as adoption and effective implementation of the 231 Model, the monitoring of its operation and its revision and regular updates. In order to ensure effective reporting by the supervisory body, the Issuer has established two separate reporting lines. The first line provides for an ongoing reporting by the supervisory body to the Managing Director and the General Manager. The second line is dedicated to a periodic reporting by the supervisory body to the Management Board and the Supervisory Board.

As a parent company of UBI Banca Group, the Issuer informs its subsidiaries of the measures adopted by it under the relevant legislative guidelines and proposes to the subsidiaries general criteria that they should comply with. However, it is possible that that the 231 Model adopted by the Issuer may be considered inadequate by the judicial authority called to assess its compliance with the relevant legislation. Should this occur, the Issuer may face monetary sanctions and, in the most serious cases, the application of administrative sanctions any of which could have an adverse effect on the Issuer's reputation.

Pursuant to the provisions of Law No. 262/2005, which represent the standard of reference for the evaluation of internal control system and financial reporting, the Issuer has established a system of

administrative and financial governance for the companies that are under its control. Law No. 262/2005 regulates, among other things, internal controls in relation to financial disclosures by listed issuers, which allow the correct management of the various risk profiles related to financial reporting. The development of the laws and regulations that apply to the sector and the UBI Banca Group's areas of operation requires the Issuer to continuously update its internal control system. Therefore, it is not possible to exclude that in the future the Issuer may be required to revise the overall system of business processes and to submit to control and certification the processes that were not previously factored in, the lack of which may result in the system shortcomings and, as a consequence, could have an adverse effect on the reputation of the Issuer or UBI Banca Group.

Potential claims by shareholders who have exercised their withdrawal rights in connection with the conversion of the Issuer into a joint stock company

Pursuant to Law No. 33 of 24 March 2015, which converted into Law Decree No. 3 of 24 January 2015 (the Law Decree 3/2015), and implementing regulation, as a cooperative bank (*banca cooperativa*) having over €8 billion in assets, the Issuer was required to convert into a joint stock company (*società per azioni*) by December 2016, or face severe sanctions (so-called reform of the cooperative banks). On 10 October 2015, the extraordinary shareholders' meeting of the Issuer resolved to convert the Issuer from a cooperative bank (*banca popolare*) into a joint stock company (*società per azioni*). Such conversion was effective from 12 October 2015 and triggered statutory withdrawal rights for shareholders who voted against, abstained or did not participate in the meeting. Shareholders exercised their withdrawal rights for an aggregate number of 35,409,477 shares, or 3.92% of the Issuer's share capital, for an aggregate liquidation amount of approximately €258.1 million (amount calculated on the basis of the settlement value of Issuer's shares determined by the Issuer for the purposes of the exercise of statutory withdrawal rights, namely, €7.288 per share), which represented the maximum outlay that could potentially be incurred by the Issuer. Following the statutory offer procedure (as a result of which 58,322 shares were transferred, for an aggregate amount of approximately €425,000), 35,351,155 shares of shareholders who exercised their rights of withdrawal remained unsold. At the meeting of 10 February 2016, the Management Board verified, on the basis of the criterion specified in the Illustrative Report to the Shareholders published on 9 September 2015, that the new fully loaded CET1 threshold to be observed when redeeming the shares subject to withdrawal stood at 11.62%1, compared with a fully loaded CET1 ratio calculated as at 31 December 2015 of 11.64%. Therefore a proposal was submitted by the Management Board to the Supervisory Board, which voted in favour of it on 18 February 2016 after prior consultation with the Internal Control committee, to redeem 1,807,217 shares (rounded up to 1,807,220 shares in order to ensure equal treatment of the withdrawing shareholders with the same number of withdrawn shares) for a total consideration of €13,171,019.36 (calculated on the basis of the liquidation price of €7.2880 per share);

On 8 April 2016, after obtaining the relevant authorisation by the ECB, the Issuer repaid the withdrawing shareholders. With reference to the conversion and the limitation or exclusion of the right of reimbursement of the shares subject to withdrawal, certain shareholders of cooperative banks and associations representing banking customers have commenced several litigation proceedings to declare null and void the Bank of Italy Circular No. 285/2013 (the Circular 285) implementing Law Decree 3/2015 (which introduced mandatory conversion of cooperative banks into joint stock companies). On 2 December 2016, the Council of State (*Consiglio di Stato*) suspended, on a precautionary basis, the part of the 9th update of June 2015 of Circular 285 that

establishes the possibility of limiting the reimbursement of shares in connection with the withdrawal right triggered by the conversion of cooperative banks into joint stock companies. On 15 December 2016, the Council of State challenged Law Decree 3/2015 for certain alleged violations of the Italian Constitution. On 3 February 2017, the Issuer appeared before the Council of State in two (out of the three) proceedings to which it was a party, in order to be able to appear before the Italian Constitutional Court. On 4 April 2017, the Issuer appeared before the Italian Constitutional Court to defend the constitutional legitimacy of Article 1 of Law Decree 3/2015. On 21 March 2018, the Constitutional Court dismissed the legitimacy arguments advanced by the Council of State. The Constitutional Court confirmed that the conditions of necessity and urgency for the legislative decree were present. Moreover, the Court confirmed that the disputed law – which in the implementation of the relevant European prudential requirements provides for the possibility of banks to introduce limitations on the reimbursement in the event of a shareholder withdrawal – does not affect property rights. Finally, the Constitutional Court held that the regulatory powers of the Bank of Italy fall within the limits established by law. The proceeding is still pending before the Council of State.

Certain of Issuer's shareholders that were allegedly negatively affected by the limitation of the withdrawal rights brought an action against the Issuer. While the Issuer does not deem any of the current actions to be significant, there can be no assurances that additional claims for damages will not be brought against the Issuer in the future and that the Issuer will be able to successfully defend such actions.

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

Catastrophic or geo-physical events, terrorist attacks and similar events, as well as the responses to such events, 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.

Adverse regulatory developments

The Issuer conducts its business subject to ongoing regulatory and associated risks, including the effects of changes in laws, regulations and policies in Italy and at the European level. The Issuer's business can therefore be affected by regulatory factors connected with domestic Italian and the European Union developments in financial and fiscal matters. The timing and the form of future changes in regulation are unpredictable and beyond the control of the Issuer. Any further changes made to the regulatory framework applicable to the Issuer and the UBI Banca Group could materially adversely affect the business of the Issuer and the UBI Banca Group.

The Issuer is required to hold a licence for its operations and is subject to regulation and supervision by the authorities in Italy and in all other jurisdictions in which it operates, and by the ECB. Extensive regulations are already in place and new regulations and guidelines are introduced relatively frequently. The rules applicable to banks and other entities in banking groups are mainly provided by implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the "**Basel Committee**") and aim at preserving their stability and resilience and limiting their risk exposure (see below "*Basel III and the CRD IV Package*").

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package (each as defined below), 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 (2014/65/EU) ("**MiFID II**") and Markets in Financial Instruments Regulation (Regulation No. 600/2014) ("**MiFIR**") which apply from 3 January 2018, subject to certain transitional arrangements. The Basel Committee has also published certain proposed changes to the current securitisation framework and has published a revision of the framework on 11 July 2016, including amendments on simple, transparent and comparable (STC) securitisations, which came into force on 17 January 2018. Additional consultations on criteria and capital treatment of short term securitisations were also launched by the Basel Committee and were closed in October 2017. At the same time the European Commission has published in September 2015 a "Securitisation package" proposal under the Capital Markets Union (CMU) project. The package includes a draft regulation on Simple Transparent and Standardised (STS) securitisations and proposed amendments to the CRR. In December 2016, the European Parliament's Economic and Monetary Affairs Committee (ECON) agreed compromise amendments to the proposed new securitisation regulation and the related CRR amending regulation. On 26 October 2017, the Parliament approved the final text of the securitisation regulation which will enter into force on 1 January 2019. In addition, as further detailed below under "*Basel III and the CRD IV Package*, the European Commission intends to develop the Net Stable Funding Ratio (NSFR) with the aim of introducing it from two years after the entry into force of the EU Banking Reform proposal as illustrated below.

Moreover, the Basel Committee has embarked on a very significant risk weighted assets ("**RWA**") variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, market and operational risks), 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. In December 2017, the Basel Committee published the report *"Basel III: Finalising post-crisis reforms"* completing the framework in respect of credit and operational risks. On 22 March 2018, it issued a proposal to revise minimum capital requirements for market risk with the view to addressing issues that the Basel Committee has identified in the course of monitoring the implementation and impact of the market risk standard issued in January 2016. The new framework would have a significant impact on risk modelling. From a credit risk perspective, an impact would be expected both on capital held against those exposures assessed via the standardised approach, and those evaluated via an internal ratings based approach. In addition, significant changes are expected in relation to operational risk modelling, as the Basel Committee is proposing the elimination of the internal models some banks (including UBI Banca) are currently utilising and the introduction of a more standardised approach. Following the finalisation of Basel standards, the new rules will need to be transposed into European regulation. Implementation of these new rules on risk models will commence from 1 January 2022.

The Basel Committee discussion on whether internal models are used appropriately coincides with the targeted review of internal models ("**TRIM**") project launched by the European Central Bank in 2015, and which is still under way. One major objective of TRIM is to reduce unwarranted variability of RWAs that is driven by the modelling freedom granted by the current regulatory framework. The project will assess whether the internal models comply with regulatory requirements, and are reliable and comparable, and will seek to harmonise practices on specific topics. TRIM is expected to be finalised in 2019. TRIM could result in increases or decreases in capital needs of individual banks.

On 23 November 2016, the European 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 below);

(ii) the Bank Recovery and Resolution Directive (as defined below); and

(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.

In October 2017, the EU agreed to fast-track selected parts of the EU Banking Reform. The European Parliament, the Council and the Commission agreed on elements of the review of the BRRD (as defined below), including Article 108, and the CRD IV Package proposed by the EU Banking Reform. The agreement on aspects of the CRD IV implements the new International Financial Reporting Standard (IFRS 9). This helps mitigate the impact of IFRS 9 standards on EU banks' capital and ability to lend. It also avoids potential disruptions in government bond markets that would result from rules limiting large exposures to a single counterparty. See "*Adoption of IFRS 9*" risk factor below.

On 28 December 2017, following publication in the Official Journal of the EU on 27 December 2017, Directive (EU) 2017/2399, amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the "**BRRD Amending Directive**") and Regulation (EU) 2017/2395, amending the CRR as regards transitional arrangements for mitigating the introduction of IFRS9 (the "**CRR Amending Regulation**"), 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, whereas the CRR Amending Regulation became applicable to EU Member States as of 1 January 2018. In this regard, 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. The agreement facilitates a more efficient path towards banks' compliance with the Total Loss Absorbing Capacity ("**TLAC**") standard (for global systematically important banks ("**G-SIBs**")) that should apply from 2019 onwards. However, at the moment, since the Issuer does not qualify as G-SIB, the TLAC standard and the relevant legislation do not apply

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 the supervisory authorities and the Issuer could come under investigation and surveillance, and become 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.

Changes in the regulatory framework and in how such regulations are interpreted and/or applied by the supervisory authorities may have an adverse effect on the Group's business and operations. The manner in which the new framework of banking laws and 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 Group.

Basel III and the CRD IV Package

In December 2009, 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**"). The full implementation of Basel III is not expected before 2019.

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 LCR (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 would become a minimum standard starting from 1 January 2018, though the proposed amendments to the CRR envisaged a longer period.

On 7 December 2017 the Basel Committee endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms, which include revisions to the measurement of the leverage ratio and a leverage ratio buffer for G-SIBs, which will take the form of a Tier 1 capital buffer set at 50 per cent. of a G-SIB's additional risk-weighted capital buffer, will take effect from 1 January 2022.

In February 2018, the Basel Committee issued for consultation the updated framework of Pillar 3 requirements, which contains new or revised regulatory disclosure requirements. Such disclosure: (i) covers credit risk, operational risk, leverage ratio and credit valuation adjustment (CVA); (ii) benchmark a bank's risk-weighted assets (RWA) as calculated by its internal models with RWA calculated according to the standardised approaches; and (iii) provide an overview of risk management, key prudential metrics and RWA.

The 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 EU 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 harmonised manner throughout the European banking union. In this respect, on 14 March 2016 the ECB adopted Regulation (EU) 2016/445 on the exercise of options and discretions available under European Union law, published on 24 March 2016 and the ECB guide on options and discretions available under European Union law (the "**ECB Guide**"). This regulation specifies certain of the options and discretions conferred on competent authorities under European Union law concerning prudential requirements for credit institutions that

the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. Depending on the manner in which these options / discretions were so far exercised by the national competent authorities and on the manner in which 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 existing ECB Guide and Regulation (EU) 2016/445 published on 24 March 2016.

The Issuer is a "significant supervised entity" subject to direct supervision by the ECB. These 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 Government approved Legislative Decree No. 72 of 12 May 2015 implementing the CRD IV ("**Decree 72/2015**"). Decree 72/2015 entered into force on 27 June 2015. Decree 72/2015 impacted, *inter alia*, on:

- proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (Articles 23 and 91 of the CRD IV);
- supervisory measures and competent authorities' powers (Articles 64, 65, 102 and 104 of the CRD IV);
- reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 of the CRD IV); and
- administrative penalties and measures (Article 65 of the CRD IV).

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 – "**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.

Starting from 1 January 2014, Italian banks are required to comply with a minimum Common Equity Tier 1 (CET1) Capital ratio of 4.5 per cent., a minimum Tier 1 Capital ratio of 6 per cent., and a minimum 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 below and applicable to the Issuer 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: The countercyclical capital buffer applies starting from 1 January 2016. Pursuant to Article 160 of the CRD IV and the transitional regime granted by Bank of Italy for 2017, institutions' specific countercyclical capital buffer shall consist of

Common Equity Tier 1 capital capped to 1.25 per cent. of the total of the risk-weighted exposure amounts of the institution. As of 22 June 2018 the Bank of Italy set the counter-cyclical capital rate to 0 per cent. for the third quarter of 2018 with reference to the exposure towards Italian counterparties;

- Specific capital buffers are required for global systematically important institutions ("**G-SIIs**") and for other systematically important institutions at domestic level ("**O-SIIs**"). The Issuer is not included among either G-SIIs or O-SIIs.

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 I, 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 or Tier II capital instruments under the framework which the CRD IV Package has replaced and that no longer meet the minimum eligibility criteria for Tier I or Tier II capital instruments (respectively) under the CRD IV Package will have their capital recognition gradually phased out. Fixing the base at the nominal amount of all 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 Two, Chapter 14, Section 2 of Circular No. 285).

The new liquidity requirements introduced under the CRD IV Package are the Liquidity Coverage Ratio (the "**LCR**") and NSFR. The Liquidity Coverage Ratio Delegated Regulation (EU) 2015/61 was adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015. The LCR was subject to a gradual phase-in up to 100 per cent. starting from 1 January 2018, in accordance with the CRR Regulation. On the other hand, the EU Banking Reform 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 with a view to increasing 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 also introduced a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. 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. The EU Banking Reform 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).

Should the Issuer not to be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be

required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and limit the Issuer's growth opportunities.

In addition, 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.

Issuer may be unable to maintain minimum capital adequacy requirements

The rules on capital adequacy for banks define the prudential minimum capital requirements, the quality of capital resources, and risk mitigation instruments. Such rules are complex, and evolve regularly. In addition, the ECB, as well as the Bank of Italy, can and do impose on the Group additional requirements with respect to its capital, which may restrict Group's operational flexibility and may, should it fail to meet such requirements, subject the Group to additional measures imposed by the ECB or other regulators.

As at the date of this Base Prospectus, the institutions are required to comply with specific capital requirements, including various buffers (see "*Basel III and the CRD IV Package*" above). In addition, as part of its supervisory responsibilities, the ECB has authority to impose higher minimum capital ratio requirements than provided for in the applicable regulations. On an annual basis starting from 2014, the Issuer has been subject to the SREP conducted by the ECB.

Moreover, the Issuer's capital requirements have been calculated according to the provisions of CRR and related technical regulations, which are directly applicable in the national jurisdictions constituting the so-called "**Single Rulebook**". The rules in the Single Rulebook provide for a transitional regime for the progressive introduction of the phase-in. The transitional regime ended in the last quarter of 2017 and the grandfathering of the capital instruments will cease to have effect from 2022.

As of 1 October 2016, pursuant to Regulation (EU) 2016/445 of the ECB dated 14 March 2016 on the exercise of options and discretions under European Union law ("**Regulation 2016/445**"), it was no longer permitted to opt to include any unrealised profits or losses related to exposure to central governments in the "available-for-sale financial assets" ("**AFS**") if this treatment was applied before the entry into force of the CRR. According to a clarification provided by the Bank of Italy, following the entry into force of the Regulation 2016/445, major banks must include in, or deduct from, CET1 Capital the unrealised profits and losses, respectively, from exposures to central governments classified in the AFS category in accordance with the percentages required for the transition period: 60 per cent. for 2016 and 80 per cent. for 2017. The amounts remaining after the application of such percentages (i.e., 40 per cent. for 2016 and 20 per cent. for 2017) are not included in the calculation of own funds, and continue to be neutralised.

On 28 February 2017, the ECB launched a stress test, conducted at the European level by the European Banking Authority ("**EBA**"), in collaboration with the SSM (as defined below), the ECB, the

European Commission and the ESRB (as defined below), targeting banking book interest rate risk (**2017 Stress Test**), which it identified as one of the main risks to which the banks it supervises are exposed. The purpose of the 2017 Stress Test is to understand the sensitivity of assets and liabilities in response to six hypothetical interest rate shocks. The ECB's analysis of the Group's results in the 2017 Stress Test were used as part of its 2017 SREP.

In addition, as a result of the ongoing evolution of the regulatory framework, starting from 1 January 2018, the Issuer must satisfy the leverage ratio requirement, expressed as a ratio of Tier 1 Capital to total exposure, the latter being calculated as the sum of on- and off-balance sheet exposures not deducted from Tier 1 Capital.

The assessment of the level of capital adequacy is influenced by a series of variables, including the need to tackle the impacts of the new and more demanding regulatory requirements (e.g., the expected revision of internal models to measure the capital requirements required to address Basel Pillar 1 risks with respect to credit, operational and market risk that could be reflected, among other things, in a potentially significant increase in risk-weighted assets), the need to support new plans to foster a faster reduction in the amount of non-performing loans and/or the assessment of market contexts that are expected to be particularly challenging, and which will require the availability of adequate capital resources to support the Issuer's investment and activity levels.

Consequently, it is possible that the Issuer's capital ratios will decline in the future and that it will be required to adopt a capital conservation plan, and take measures to strengthen its capital in order to achieve the capital adequacy standards set out by the prudential regulations applicable at the time, including under a fully phased Basel III scenario. Such prudential level—which may be greater than the regulatory minimum requirements—will be determined taking into account the guidelines approved by the management of the Issuer, the Group's overall prospects in terms of business growth and the ability to absorb any hypothetical shocks and/or stress environmental conditions, as well as additional needs that may arise and/or specific guidelines issued by the competent supervisory authorities.

If the Issuer were unable to pay interest provided for by its outstanding instruments, this could cause difficulty for it and/or for the other Group companies in accessing the capital markets, resulting in a (possibly significant) increase in the cost of funding, and possibly having negative effects on its business, financial condition and results of operations. In addition, requests by supervisory authorities may have an impact on the Issuer's reputation, with potential adverse effects on its business, financial condition or results of operations. In addition, one or more rating agencies could downgrade the Issuer's ratings with a resulting increase in the cost of funding.

Furthermore, the SREP is carried out at least annually by the ECB, in addition to any other inspections it carries out in the ordinary course, and, therefore, there is a risk that, following future SREPs, the ECB may order the Issuer, among other things, to maintain capital adequacy standards greater than those currently applicable. In addition, based on future SREPs, the ECB could require the Issuer to take certain corrective measures that could have an impact on the Group's operations, including: (i) to maintain capital in excess of the regulatory level; (ii) measures aimed at enhancing systems, procedures and processes related to risk management, control mechanisms and the assessment of capital adequacy; (iii) limitations on the distribution of profits or other capital components, and, with respect to financial instruments includable in own funds, a prohibition on paying interest; and (iv) prohibitions on completing certain transactions, including those of a corporate nature, to contain the level of risks. Lastly, there is the risk that the Issuer may need to

apply the resolution instruments referred to in Legislative Decree 180/2015, which implemented the BRRD (see further *"The Issuer is subject to the provisions of the Bank Recovery and Resolution Directive"* below).

Finally, the completion of the Acquisition reduced Issuer's capital ratios since (i) as of the closing date of the Acquisition, the CET1 Ratio of the Target Bridge Institutions is below the CET1 Ratio of the Group and (ii) the Acquisition, from an accounting perspective, generates badwill (i.e., the difference between the consideration of €1 and the relevant shareholders' equity expressed at the fair value) and, in accordance with international accounting principles, this badwill should be allocated first to the balance sheet items of the acquired entities to adjust them to fair value with the remaining amount to be allocated to the income statement. Based on the Issuer's final estimates, as at the date of the Acquisition, the amount allocated to the income statement is Euro 640.8 million, as compared to the fair value of the shareholders' equity of the Target Bridge Institutions of Euro 995.3 million. The difference is affecting and will affect positively the income statements in subsequent financial years, mainly as a reduction of the expenses related to the value adjustment of the loans of the Target Bridge Institutions.

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 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 per cent. 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. Notwithstanding 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 the authorisation of all credit institutions in the Euro-zone; (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 also has the right to impose pecuniary sanctions.

National competent authorities will 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 Euro-zone, the EBA is developing a single supervisory handbook applicable to EU Member States.

The Issuer is a "significant supervised entity" subject to direct supervision by the ECB for prudential supervisory purposes. Following the SREP, the ECB has set the following requirements for 2018 that the Group has to comply with on a consolidated basis:

- a Common Equity Tier 1 ratio of 8.625 per cent.; and
- a Total Capital Ratio of 12.125 per cent.

The ECB could introduce higher prudential requirements including higher requirements on the Group capital buffer, should the ECB consider the Group's capital as inadequate.

The Group is also subject to stress tests carried out by regulators. As a consequence of such tests, the Group could be required to increase its capital or to take other appropriate actions to address matters raised in the assessments.

Results of future stress tests or further asset quality reviews

The SSM, which includes the ECB and the competent national authorities of the participating Member States, including the Bank of Italy, is responsible for the prudential supervision of all credit institutions in the participating Member States and ensures that the European Union's policy on prudential supervision of credit institutions is implemented in a consistent and effective manner.

In the context of this supervisory framework, the ECB is entrusted with the specific task of the prudential supervision of credit institutions which involves, *inter alia*, the possibility of carrying out, along with the EBA, stress tests to confirm whether the devices, strategies, processes and mechanisms set up by credit institutions, and the own funds held, allow sound management and the hedging of risks in the case of future adverse, but conceivable, events. Based on the results of these stress tests, the ECB has the right to impose specific obligations on the credit institutions with regard to their additional own funds, specific information and liquidity requirements, as well as other measures.

The results of these stress tests are, by their very nature, uncertain and only partly predictable by the financial institutions involved because the evaluation methods adopted by the ECB are aimed at adopting a standardised assessment of the risk within the member states of the European Union and, therefore, they may differ considerably from the evaluation methods of RWA adopted by the individual financial institutions involved.

On 28 February 2017, the ECB launched a stress test, conducted at the European level by the EBA, in collaboration with the SSM, the ECB, the European Commission and the European Systemic Risk Board ("**ESRB**"), targeting banking book interest rate risk ("**2017 Stress Test**"), which it identified as one of the main risks to which the banks it supervises are exposed.

The results, which were published only on an aggregate basis on 9 October 2017, were collected to be used as a tool in the 2017 SREP process, allowing the supervisory authorities to analyse the ability of individual banks to meet the minimum and additional requirements in a stress situation and to recalibrate the Pillar 2 guidance (which indicates to banks the adequate level of capital to be maintained in order to have sufficient capital as a buffer to withstand stressed situations).

On 31 January 2018, the EBA launched its 2018 EU-wide stress test ("**2018 Stress Test**") and released the macroeconomic scenarios. For the first time, the stress test incorporated IFRS 9 accounting standards. No pass-fail threshold has been included as the results of the exercise are designed to serve as an input to the SREP. The 2018 Stress Test methodology was published in November 2017 and is to be applied to the scenarios developed by the ESRB and ECB in close cooperation with the EBA, competent authorities and national central banks. The baseline scenario is in line with the December 2017 forecast published by the ECB, while the adverse scenario assumes the materialisation of four systemic risks, which are currently deemed by EBA to represent the most material threats to the stability of the EU banking sector, namely: (i) abrupt and sizeable repricing of risk premiums in global financial markets, (ii) adverse feedback loop between weak bank profitability and low nominal growth resulting from the decline in economic activity in the EU, (iii) public and private debt sustainability concerns, and (iv) liquidity risks in the non-bank financial sector. The EBA expects to publish the results of the 2018 Stress Test by 2 November 2018. The ECB's analysis of the Group's results in the 2018 Stress Test will be used as part of the SREP to be performed over the Group in 2018. In addition, the EBA, in conjunction with the other regulatory authorities, could, in the future, decide to recommend a new asset quality review of the major European banks, including the Issuer, with the aim of checking the classifications and measurements made by some of their credits in order to deal with the concerns surrounding the deterioration of the quality of the assets. This asset quality review exercise could also possibly stand alongside a further stress test conducted by the ECB in the context of a new comprehensive assessment.

If the ECB or other competent regulatory authorities were to undertake new comprehensive assessments, stress tests or asset quality reviews, no assurance can be given that the Issuer would satisfy the minimum parameters set by these exercises and that, therefore, if it fails to pass them, the Issuer would be subject to provisions by the ECB which may impose the implementation of new capital measures or other measures suitable for addressing any capital deficits discovered in the Issuer's own funds, as well as other, more onerous measures, with possible negative effects on its business, financial condition and results of operations.

The Issuer is under an obligation to make both ordinary and extraordinary contributions to the Deposit Guarantee Scheme and Single Resolution Fund

Following the crisis that affected many financial institutions from 2008, various risk-reducing measures have been introduced, both at European level and at individual Member State level. Their implementation involves significant outlays by individual financial institutions in support of the banking system.

As a result of: (i) Directive 2014/49/EU (Deposit Guarantee Schemes Directive ("**DGSD**")) of 16 April 2014; (ii) the BRRD (as defined below); and (iii) the SRM Regulation establishing the predecessor of the current Single Resolution Fund ("**Single Resolution Fund**" or "**SRF**", which until 2015 was called the "**National Resolution Fund**" or "**NRF**")), the Issuer is obligated to provide the financial resources necessary for funding the DGS and the SRF. These contribution obligations could have a significant impact on the Issuer's financial and capital position. The Issuer cannot currently predict the multi-year costs of any extraordinary contribution components which may be necessary for the management of any future banking crises.

In particular, with respect to the DGS, the Issuer has the following obligations for ordinary and extraordinary contributions:

(i) annual ordinary *ex ante* contribution to the DGS, from 2015 to 2024, aimed at the establishment of funds equal to 0.8% of the covered deposits at the target date. The contribution resumes when the funding capacity is below the target level, at least until the target level is reached. If, after the target level is reached for the first time, the financial means available have been reduced to less than two-thirds of the target level, the regular contribution is set at a level that allows the target level to be reached within six years; and

(ii) (*ex post*) payment commitment, in relation to any extraordinary contributions required if the financial means available are insufficient to repay the depositors; these extraordinary contributions cannot exceed 0.5% of the covered deposits for any calendar year, but in exceptional cases and with the consent of the competent authority, the DGS can also demand higher contributions.

Following this introduction, the Italian Bank Deposit Guarantee Fund ("**IBDGF**") has adapted its by-laws, through the shareholders' resolution of 26 November 2015 anticipating the introduction of an ex ante contribution mechanism (aimed at achieving the multi-year objective mentioned above with a target of 2024). For 2017, the Issuer contributed approximately €41.7 million to national DGS schemes.

The Issuer's contribution obligations to the SRF are as follows:

(a) annual ordinary *ex ante* contribution until 2023, aimed at the establishment of funds equal to 1% of the covered deposits by the end of 2023. The accumulation period can be extended by another four years if the financing mechanisms have made cumulative disbursements of more than 0.5% of the covered deposits. If, after the accumulation period, the financial means available go below the target level, the collection of contributions resumes until this level is restored. In addition, after reaching the target level for the first time and, if the financial means available fall below two-thirds of the target level, these contributions are set at the level that allows the target level to be reached within a period of six years. The contribution mechanism involves ordinary annual contributions aimed at distributing the costs for contributing banks evenly over a period of time. A transition stage of contributions to national compartments of the SRF is planned as well as their gradual mutualisation.; and

(b) (*ex post*) payment commitments, in relation to any additional extraordinary contributions requested, equal to a maximum of three times the planned annual contributions, where the financial means available are insufficient to cover the losses and the costs relating to the SRF's interventions.

In addition to being required to make regular contributions to these funds, the Issuer may also, from time to time, be required to make extraordinary contributions to such funds to support resolution or other measures that may be enacted to handle banking industry crises or otherwise requested by the Bank of Italy, as happened in 2016.

The Issuer and its subsidiaries have also joined the "voluntary scheme" (the "**Voluntary Scheme**") introduced by the IBDGF—operating as a representative of the national deposit guarantee scheme under DGSD. The Voluntary Scheme is provided with autonomous regulations, governance and resources, and provides supportive measures to assist crisis-affected banks.

The contributions required under the NRF, DGS and the Voluntary Scheme reduce the Group's profitability and have a negative impact on its capital resources. In addition, the amount of both ordinary and extraordinary contributions required from the Group members may increase significantly in the future and their timing cannot be predicted. Consequently, the Issuer and the Group may be required to record further extraordinary expenses which may have an adverse impact on the Group's business, financial condition and results of operations.

The Issuer is subject to the provisions of the 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. It was to be applied by Member States from 1 January 2015, except for the general bail-in tool (as defined below) which was to be applied from 1 January 2016. The BRRD provides competent authorities with comprehensive arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures. 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. The taking of any such actions (or the perception that the taking of any such action may occur) could adversely affect the value of any Notes and/or the rights of Noteholders.

The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States. Banks are required to prepare recovery plans to overcome financial distress. Authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If banks do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a specified hierarchy. Resolution authorities have the powers to implement plans to resolve failing banks in a way that preserves their most critical functions and avoids taxpayers having to bail them out.

The BRRD contains four resolution tools and powers which may be used alone (except for the asset separation tool) 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; (ii) bridge institution; (iii) asset separation –; and (iv) bail-in – which gives resolution authorities the power, inter alia, to write down certain claims of unsecured creditors of a failing institution and/or to convert certain unsecured debt claims (including Senior Notes and Subordinated Notes) into shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**General Bail-In Tool**"). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. Pursuant to the BRRD, resolution authorities also have the power, inter alia, to amend or alter the maturity and/or the amount or timing of interest payable under certain debt instruments including Senior Notes, Senior Non-Preferred Notes and Subordinated Notes.

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 as they fall due; or (d) it requires extraordinary public financial support (except in limited circumstances).

A Single Resolution Fund ("**SRF**") was set up under the control of the Single Resolution Board ("**SRB**"). It will ensure the availability of funding support while the bank is resolved. It is funded by contributions from the banking sector. The SRF can only contribute to resolution if at least 8 per cent. of the total liabilities and own funds of the bank have been bailed-in.

The BRRD requires all Member States to create a national, prefunded resolution fund, reaching a level of at least 1 per cent. of covered deposits within 10 years. The national resolution fund for Italy was created in November 2015 and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms, including the Issuer. In the European banking union, the national resolution funds set up under the BRRD were replaced by the SRF as of 1 January 2016 and those funds will be pooled together gradually. The SRF is financed by the European banking sector. The total target size of the Fund will equal at least 1 per cent. of the covered deposits of all banks in Member States participating in the European banking union. The SRF is to be built up over eight years, beginning in 2016, to the target level of €55 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the European banking union). Once this target level is reached, in principle, the banks will have to contribute only if the resources of the SRF are used up in order to deal with resolutions of other institutions.

Under the BRRD, the target level of the national resolution funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. As a consequence of this difference, when contributions will be paid based on a joint target level as of 2016, contributions of banks established in Member States with a lot of covered deposits will sometimes abruptly decrease, while contributions of those banks established in Member States with fewer covered deposits will sometimes abruptly increase. In order to prevent such abrupt changes, the draft proposal of the European Commission for a Council Implementing Act provides for an adjustment mechanism to remedy these distortions during the transitional period by way of a gradual phasing in of the SRM methodology.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools, including precautionary recapitalisation. 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 the case of precautionary recapitalisation EU state aid rules require that shareholders and junior bond holders contribute to the costs of restructuring. All other kinds of extraordinary public support have the consequence that an institution is deemed to be failing or likely to fail, and in such a case resolution is triggered.

In addition to the General Bail-In Tool and other resolution tools, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into shares or other instruments of ownership capital instruments at the point of non-viability and before any other resolution action is taken. Any shares or other instruments of ownership issued upon any such conversion into shares or other instruments of ownership may in turn be subject to the application of the General Bail-in Tool. In light of these principles (e.g. General Bail-In Tool and writing down

and conversion mechanism), under certain circumstances, the Notes may be subject to burden sharing in compliance with the insolvency ranking.

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

In Italy, the BRRD has been implemented 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 the BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on 16 November 2015 (1 January 2016 for the general bail-in tool) whereas 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.

It is important to note that, pursuant to Article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the write down/conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the General Bail-In Tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may, in specified exceptional circumstances, partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that pari passu ranking liabilities may be treated unequally. Accordingly, holders of Senior Notes, Senior Non-Preferred Notes and Subordinated Notes of a Series may be subject to write-down or conversion upon an application of the General Bail-In Tool while other Series of Senior Notes or, as appropriate, Subordinated Notes (or, in each case, other *pari passu* ranking liabilities) are partially or fully excluded from such application of the general bail-in tool.

Furthermore, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding-up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the general bail-in tool and therefore the holders of such claims receive a treatment which is more favourable than that received by holders of Senior Notes or Subordinated Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings. It should be noted also that certain categories of liability are subject to the mandatory exclusions from bail-in foreseen in Article 44(2) of the BRRD. For instance, most

forms of liability for taxes, social security contributions or to employees benefit from privilege under Italian law and as such are preferred to ordinary senior unsecured creditors in the context of liquidation proceedings.

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

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

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

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

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

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree no. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 comma 3, let. A), which will come into force on 1 July 2018. Amongst other things, the Decree amends the Legislative Decree no. 385/1993 (the "**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 meet at all times robust minimum requirements of own funds and liabilities eligible for bail-in expressed as a percentage of the total liabilities and own funds of the institution (i.e. "Minimum Requirement for Own Funds and Eligible Liabilities" – "**MREL**"). MREL requirement will be set by the competent resolution authority, after consultation with the relevant competent authority, also by requiring that a part of the MREL is met through "contractual bail-in instruments".

On 23 May 2016, the European Commission published a delegated regulation on MREL according to Article 45, par. 18 of the BRRD, which entered into force on 23 September 2016 (Commission Delegated Regulation (EU) 2016/1450).

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 the 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.

As from 1 January 2016, the resolution authority for the Issuer is the SRB and the Issuer will be subject to the authority of the SRB for the purposes of determination of its MREL requirement.

The Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism

After having reached an agreement with the Council, in April 2014, the European Parliament adopted, Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the "**SRM**"). The SRM became fully operational on 1 January 2016. Certain provisions, including those concerning the preparation of resolution plans and provisions relating to the cooperation of the SRB with national resolution authorities entered into force on 1 January 2015. On 23 November 2016, the European Commission published a proposal to amend certain provisions of the SRM as part of the EU Banking

Reform (see further "*Adverse regulatory developments*" above). In particular, the main objective of such proposal is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules by avoiding duplication by applying two parallel requirements.

The SRM, which complements the ECB Single Supervisory Mechanism, applies to all banks supervised by the ECB Single Supervisory Mechanism. It mainly consists of the SRB and the SRF (as defined above).

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

The SRF, 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 the contributions to the national deposit guarantee schemes) to national resolution funds that gradually started mutualising into the SRF starting 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 SSM.

The participating banks are required to finance the SRF. The Issuer is therefore required to pay contributions to the SRM in addition to contributions to the national deposit guarantee scheme. 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.

Adoption of IFRS 9

The Issuer is exposed to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from International Accounting Standards as endorsed and adopted in Europe). In particular, in the future the Issuer may need to revise the accounting and regulatory treatment of some existing assets, liabilities and transactions (and related income and expenses), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead to the Issuer having to restate financial data published previously.

In this regard, an important change occurred with the introduction, starting from 1 January 2018 of IFRS 9 "Financial Instruments" that, following the entry into force on 19 December 2016 of Regulation (EU) 2016/2067, replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduced:

- significant changes to the rules related to the classification and measurement of financial assets that are based on the management method ("business model") and on the characteristics of the cash flows of the financial instrument (SPPI criterion—Solely Payments of Principal and Interests) which could involve different classification and measurement methods for financial instruments compared with IAS 39;

- new impairment accounting model based on a "forward looking expected losses" impairment model rather than an incurred losses approach as in IAS 39 (calculated over a

12-month time horizon) and on the concept of a lifetime expected loss which could lead to a structural anticipation and increase of the value adjustments, particularly those on receivables;

- a "three stage impairment model" for impairment based on changes in credit risk of a financial asset since its initial recognition. These three stages then determine the amount of impairment to be recognized as expected credit losses:
    - in Stage 1 are allocated financial instruments (performing) that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these instruments 12-month expected credit losses ("ECL") are calculated;
    - Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) without objective evidence of impairment. For these financial instruments, lifetime ECL are calculated;
    - in Stage 3, financial assets with objective evidence of impairment at the reporting date are allocated. Lifetime ECL is also recognized for these instruments; and
- new rules for the designation of a hedge account and for checking its effectiveness with the aim of guaranteeing a better alignment between the accounting representation of the hedging and the underlying management logics.

Accounting standard IFRS 15, "Revenue from Contracts with Customers" has superseded, effective from 1 January 2018, standards IAS 18 "Revenue"[i].

IFRS 15 was published by the IASB on 28th May 2014 and its endorsement by the EU took place with the publication in the Official Journal of the European Union2 of Regulation (EU) No. 2016/1905 of 22 September 2016.

The new standard outlines a single comprehensive model of accounting for revenues arising from contracts with customers under which revenues are recognised when or as an entity transfers goods and services to a client at the amount the entity expects to be entitled to.

The UBI Banca Group implemented a special project to analyse the provisions of the standard in question and also the main types of revenue generated by contracts with customers in order to identify the impacts of the introduction of IFRS 15.

The impact analysis focused on the following matters:

- recognition of placement commissions for "asset management" business;
- revenues regarding current account and payment card activities and the treatment of the relative performance obligations.

[i] As well as and IAS 11 "Construction Contracts", as well as interpretations IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC 31 "Revenue - Barter Transactions Involving Advertising Services"

Consistent with the choices made regarding IFRS 9, the Group opted to recognise the possible impacts of the application of the standard retrospectively. The Group's financial statements as of 31 March 2018 were the first accounting report prepared in compliance with IFRS 9 (as well as IFRS 15) and therefore such interim financial statements reflect the qualitative and quantitative disclosures relating to the transition to IFRS 9 with particular regard to the overall impacts defined on First Time Application ("FTA").

The impact of the introduction of IFRS 9 on our net equity (Group and third parties), as of 1 January 2018, amounted to -786.8 €/million, net of tax effect, of which:

a) -853.5 related to the increase in funds based on the new impairment rules;

b) +262 related to the application of the new classification and measurement rules;

c) -192 related to the new "modification accounting" rules,

d) - € 3.4 million related to the tax impact.

With regard to "Hedge Accounting", UBI Banca decided to exercise the so-called opt-out option to continue applying IAS 39 accounting rules. The exercise of such option did not have any impact.

With regard to IFRS 15, the analysis performed found that the accounting treatment for these items was already compliant with the provisions of the new standard and as a consequence no impacts on Group equity were found following the introduction of IFRS 15.

Lastly, accounting standard IFRS 16 (Leases), published by the IASB on 13 January 2016 and endorsed by the European Commission on 9 November 2017, will supersede accounting standard IAS 17 (Leases) on 1 January 2019.

Specifically, the new standard introduces new accounting rules for leasing contracts for the lessees (i.e. the users of the goods under a contract for lease). These rules are based on the definition of 'lease' as a contract in which the right to control the use of an identified asset is granted for a specified period of time, in exchange for payment.

As a result of this definition, the lessee must recognise the right-of-use of the underlying asset as an asset on the balance sheet, and that asset will subsequently be subject to depreciation; the lessee must then also recognise the present value of lease payments (to be made over the full lifetime of the contract) as a liability.

The Group has conducted an analysis of new key elements introduced by the standard and it is now proceeding with a detailed analysis of the contracts stipulated as lessor/lessee, which may constitute a "Lease", according to the provisions of IFRS 16, followed by a subsequent design and implementation phase, to be completed by the end of the financial year 2018, in order to be compliant with the new standard starting from 1 January 2019.The quantitative impact related to the first adoption of IFRS 16 will be estimated in the future as the implementation project develops. Considering that the application of IFRS 16 may require, for UBI Banca and the other group companies, a revision in the accounting methods, applying IFRS 16 could lead to reviewing the previous periods and therefore change the opening capital balances at the respective dates.

In addition, it should be noted that the European Commission endorsed the following accounting principles and interpretations that are applicable starting from 2018 financial statements:

- Regulation (EU) No. 2017/1987 which adopts amendments to IFRS 15 "*Revenue from contracts with customers – Clarifications of IFRS 15*";

- Regulation (EU) No. 2017/1988 which adopts amendments to IFRS 4 "*Joint application of IFRS 9 Financial Instruments*" and IFRS 4 "*Insurance Contracts*".

- Regulation (UE) No. 2018/182 which adopts the "Annual *improvements to IFRS Standards 2014-2016 Cycle*";

- Regulation (UE) No. 2018/289 which adopts the "*Amendment to IFRS 2: Classification and Measurement of* Share-*based Payment Transactions*";

- Regulation (UE) No. 2018/400 which adopts the "*Amendment to IAS 40: Transfers of Investment Property* ";

- Regulation No. 2018/519 which adopts "*IFRIC 22: Foreign Currency Transactions and Advance Consideration*".

The assumptions, judgements and estimates Issuer uses to value its assets may prove inaccurate or unreliable

In compliance with IAS/IFRS (including, without limitation, IFRS 9), the Issuer makes assumptions, judgments and estimates that influence the application of those standards and affect the amounts of assets, liabilities, costs and revenues recorded in its financial statements. The estimates and assumptions underlying those estimates are based on the Issuer's prior experience and other factors considered reasonable under the circumstances and are used for those assets and liabilities whose carrying values cannot be easily determined from other sources, in particular, goodwill, intangible assets with a finite useful life, software and the fair value of financial instruments.

In the two-year period 2016-2017, following impairment tests, the Issuer did not recognise any impaired goodwill. The parameters and information used to verify the sustainability of goodwill (particularly the financial projections and discount rates used) are heavily influenced by the macroeconomic and market environment, which may undergo changes that cannot be predicted as at the date of this Prospectus. The effect of these changes, and of changes to corporate strategies, could lead the Issuer to revise the estimated cash flows pertaining to specific sectors of activity and the assumptions concerning the key financial figures (discount rates, expected growth rates, CET 1 ratio, etc.), which may affect future impairment test results, leading to possible additional impairments of goodwill and possibly significant effects the Issuer's business, financial condition and results of operations.

With respect to the fair value of financial instruments, in addition to the risks related to market valuations for listed instruments (partly with reference to the sustainability of values over time, including for reasons not strictly related to the intrinsic value of the asset itself), the uncertainty affecting estimates is generally inherent in the determination of the following items: (i) the fair value of over-the-counter derivatives; (ii) the fair value of equity securities not listed on active markets; (iii) the value of bond securities not listed on active markets; (iv) the value of units in private equity

funds and hedge funds; (v) the value of receivables and payables (generally from and to customers and banks); and (vi) the value of tangible assets held for investment purposes (generally land and real estate properties). Valuation of these items is mainly dependent upon a number of variables that are outside the Issuer's control such as: (i) national and international macroeconomic trends, which impact the Issuer's profitability and the solvency of its clients; (ii) performance of financial markets, which, in turn, impacts the fluctuation of interest and exchange rates, prices and assumptions based on actuarial estimates; (iii) the real estate market, with consequent effects on the value of the Group's real estate assets and those received as collateral; and (iv) any changes in law and regulation.

For complex or illiquid financial instruments, for which no prices or observed parameters can be found on active markets, it is necessary to use valuation models and parameters, the selection of which is subject to a certain amount of subjectivity. The fair value assessment of these assets is largely based on inputs other than the market values, which requires management to make estimates and assumptions. Thus, it cannot be ruled out that the selection of alternative models and parameters may have potentially significant negative effects on the Issuer's assets and operations, balance sheet and/or income statement (see further *"Credit and market risk"* above).

In addition to the factors described above, the quantification of values may also change as a result of changes in managerial decisions, both in the approach to valuation systems and following a revision of corporate strategies (including as a result of changed market and regulatory scenarios). In particular, the following items are affected by estimates of fair value made in preparing the financial statements: (i) financial assets held for trading; (ii) financial assets designated at fair value; (iii) financial assets held to collect and sell; (iv) financial liabilities held for trading; and (v) asset and liability hedging derivatives.

Any future changes in the fair value of the financial instruments and/or their classification, any need to liquidate assets not measured at fair value prior to their maturity, and/or any emergence of circumstances or events which may cause the valuations and the estimates to be no longer current, could have an adverse effects on the Issuer's assets, financial condition and results of operations.

The evaluation of the recoverability of intangible assets with an infinite useful life and equity investments is influenced by the selection of the parameters and assumptions used by management for the purposes of estimating value, with particular attention to the expected cash flows and discount rates used. This selection is particularly complex in view of the current macroeconomic and market context and the regulatory framework, which are characterised by considerable uncertainty. Furthermore, for equity investments subject to considerable influence, the estimate of recoverable value could be affected by uncertainty related to the unavailability of certain information necessary to estimate cash flows, given that the investee is subject to considerable influence, rather than exclusive control.

Deferred tax assets

Deferred tax assets ("**DTAs**") and liabilities are recognized in the consolidated financial statements of the Issuer according to accounting principle IAS 12 and, in particular:

- for deferred tax liabilities, the Issuer takes into account all temporary taxable differences with a few specific exceptions; and

- for deferred tax assets, the Issuer takes into account all temporary deductible differences if a likely taxable income is generated against which such temporary difference can be used. The effects of Articles 117 *et seq*. of the TUIR (Consolidated Income Tax Act) are also taken into consideration to determine taxable income.

When the Issuer performed the probability test under IAS 12 on DTAs for purposes of the Group's consolidated financial statements as at and for the period ended 31 March 2018, Convertible DTAs amounting to Euro 1,806.8 million as at 31 March 2018 (compared to Euro 1,817.8 million as at 31 December 2017) were treated separately from other DTAs.

Below is a brief description of the main deferred tax assets recorded in the Issuer's consolidated financial statements for the period ended 31 March 2018.

Convertible DTAs related to the impairment of loans, are deemed to decrease over time to zero in fiscal year 2025, as a result of their gradual conversion into current tax assets according to the time mechanism established in current tax regulations. This amount comes from the pre-existing tax treatment of the write-downs and losses on loans, which, until 2015, were deductible from taxable income only in relation to a small proportion of the balance sheet, and, in relation to the excess, could only be deducted in the quotas set by the tax provisions, which is different than in other countries, where such negative components were fully deductible in the year of recognition.

Currently, it is not expected that there will be any increase in tax-deferred assets arising solely from tax recognition of goodwill as a result of any acquisition of business divisions or similar long-term investments (the fact remains that, in any case, such DTAs would not be convertible).

Finally, the Issuer submitted a request for a tax-related ruling (*interpello*) to the Italian Revenue Agency regarding the possible reporting of tax losses generated by the Target Bridge Institutions as a part of the planned merger of these entities into the Issuer, and obtained a positive response from the tax administration. In this respect, the Acquisition Agreement contemplates a profit-sharing mechanism for the benefit of the Seller.

Changes in the Issuer's scope of consolidation and changes in accounting principles mean that the historical financial statements are not fully comparable between them and that the future financial statements will not be comparable to such historical financial statements

The completion of the Acquisition on 10 May 2017 impacted the Issuer's scope of consolidation and, consequently, the annual and interim financial statements relating to 2017 are only partially comparable to the audited consolidated annual financial statements of UBI Banca as at and for the year ended 31 December 2016.

In particular, the Issuer's consolidated income statement for the year ended 31 December 2017 reflects the operations of the Target Bridge Institutions starting from the quarter commencing on 1 April 2017 (therefore only for part of the fiscal year 2017), while the impact of the Acquisition on the balance sheet was only reflected in the interim unaudited consolidated financial information for the six months ended 30 June 2017. The Issuer does not include any pro-forma financial information in this Prospectus to reflect these, and certain other changes to its scope of consolidation that occurred during 2016 and 2017, and this may affect the comparability of the historical financial statements included in this Prospectus and the discussion of the Issuer's results of operations for the periods under review.

In addition, the Issuer's consolidated results as at 31 March 2018 reflect the first-time adoption of IFRS 9, "Financial Instruments", and consequently, contain significant differences in their preparation and presentation to the consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2017 and 31 December 2016. As a result, investors may have difficulty comparing the financial statements contained herein with each other or with those relating to future periods and should consider these differences when making their investment decision.

Significant variation in the Issuer's financial results between 2016 and 2017 and the three months ended 31 March 2018

There are significant variations in the Issuer's financial results and market conditions, as well as the limited comparability of its results due to changes in the scope of consolidation following the Acquisition. As at 31 December 2016, the Issuer's net loss was Euro 830.2 million. For the year ended 31 December 2017, the Issuer recorded a consolidated net income of €690.6. Both years included significant non recurring items, in relation to the Business Plan and to the Acquisition of the three Bridge Banks. For the three months ended 31 March 2018, the Issuer recorded a net income of Euro 117.7 million.

As at 31 December 2017, the Issuer's operating income was Euro 3,477 million, an increase of 16 per cent. over operating income for the year ended 31 December 2016 of €2,996 million. The Issuer's activities are particularly affected by changes in the macroeconomic situation in Italy, the performance of which is determined by, among other things, the stability perceived by investors, expected growth prospects of the economy and creditworthiness. Stagnation or limited GDP growth in Italy, an increase in unemployment and negative financial trends have created a lack of confidence with regard to the financial system and have resulted in a decline in investments, as well as an increase in non-performing loans and insolvencies, causing a general reduction in demand for the services provided by the Group.

Moreover, operational conditions in the banking system continue to be adversely affected due to low-to-moderate economic growth conditions. This has been accompanied by an aggressive expansionary monetary policy characterised by falling interest rates, which are already at minimal levels. These conditions have resulted in increased competition to provide loans within the system, even with access to funding governed by the ECB (TLTRO).

If adverse economic conditions and political uncertainty were to persist in Italy, this may result in an adverse effect on the Issuer's business, financial condition and results of operations. A continuation of the economic and financial crisis, as well as the uncertainty around any improvement in the general macroeconomic environment, could negatively affect the Group's future results by the need to record further write-downs of loans, equity investments, goodwill and investments in other financial assets, with adverse effects on its business, financial condition and results of operations. Consequently, following the Acquisition, the Issuer may not be able to record a trend reversal (positive to negative) of its financial results.

The continuation of a negative macroeconomic situation could have a negative impact on the solvency of the Group's customers and require the recording of additional loan write-downs. This scenario could also have a negative impact on the income and financial outlook of companies owned by the Group and used in the fundamental valuation model for the purposes of determining the related value-in-use, and as a result it may be necessary to record write-downs in relation to the equity investments the Issuer holds. Furthermore, income flows expected from the cash-generating

units to which goodwill and trademarks were allocated could decline, resulting in a reduction in the value in use of these units below their respective book values. This would make it necessary to record write-downs of such intangible assets with an indefinite useful life, with a potentially significant impact on the Issuer's balance sheet and operating results.

Large exposures as defined under EU regulations

The Issuer faces risks as a result of its large exposures to a single client or group of connected clients, and under the CRR, it is required to monitor and report the number of such exposures without reference to risk weighting, including inter-Group counterparties, having a nominal amount equal to or greater than 10 per cent. of own funds. "Exposures" means the sum of balance-sheet risk assets and off-balance sheet transactions (excluding those deducted from capital for regulatory purposes) in relation to a customer or group of related customers without the application of weighting factors. These reporting criteria result in the inclusion, in the financial statement reporting large risks, of those entities (with a weighting of 0 per cent.) that have an unweighted exposure equal to or greater than 10 per cent. of eligible capital for the purposes of large risks.

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

The credit ratings assigned to an issuer and its debt instruments by independent rating agencies represent that agency's assessment of the risk related to the issuer's ability to meet its debt obligations as they become due. The lower the rating assigned on the respective scale, the higher the risk assessed by the rating agency that an issuer will not meet its obligations or that such obligations will not be complied with in full and/or on time. The outlook indicates the expected trend in the near future concerning an issuer's ratings.

When determining the Issuer's ratings, the agencies take into consideration and continue to monitor various indicators relating to its creditworthiness, including profitability, liquidity, quality of the assets and the capacity to maintain capital ratios above certain levels, as well as the sovereign rating of Italy and the Italian macroeconomic environment, to which the Issuer is heavily exposed. If the Issuer and/or any of its subsidiaries to which a rating is assigned do not maintain one or more of these indicators at adequate levels, the rating assigned by the agencies could be downgraded. Such a downgrade could have an unfavourable effect on the Issuer's ability to gain access to various liquidity instruments and/or compete in the capital markets, with an increase in funding costs and a consequent adverse effect on its business, financial condition and results of operations.

The main current long-term and short-term ratings of the Issuer are, respectively, "BBB-" from Fitch, "Baa3" from Moody's, "BBB-" from S&P, "BBB" from DBRS and "F3" from Fitch, "Prime-2" from Moody's (Deposits Rating), "A-3" from S&P and "R-2 (high)" from DBRS, as further described under "UBI Banca and the UBI Banca Group - Ratings". Fitch, Moody's, S&P and DBRS are established in the European Union and are registered under the CRA Regulation. 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 have an adverse effect on the Issuer's financial condition and/or results of operations and, as a consequence, on the rating of the Notes.

Risks associated with recent ECB guidance on NPL provisioning

On 20 March 2017, the ECB 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.

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

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period, or during any period where there is an actual or perceived increased likelihood that the Notes may be redeemed (including where there are circumstances giving rise to a right to redeem for tax or regulatory reasons). 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.

Subordinated Notes subject to optional redemption for regulatory reasons

The intention of the Issuer is for Subordinated Notes to qualify on issue as Tier 2 capital for regulatory capital purposes. Although it is the Issuer's 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 the Subordinated Notes.

If Regulatory Call is specified as applicable in the Final Terms, upon the occurrence of a Capital Event (as defined in Condition 5(e)) (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*), the Issuer may (subject to the provisions of Condition 5(j)) (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes*), elect to redeem the Subordinated Notes. In the event of a redemption for regulatory reasons, there can be no assurance that an investor will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Subordinated Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time.

See also "*Notes subject to optional redemption by the Issuer*".

Notes subject to optional redemption for tax reasons

The Issuer may, at its option, redeem Notes for tax reasons in the circumstances described in, and in accordance with, Condition 5(d) *(Redemption, Purchase and Options – Redemption for Taxation Reasons*) (subject to the provisions of Condition 5(j) (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes*). In the event of a redemption for tax reasons, there can be no assurance that an investor will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time.

See also "*Notes subject to optional redemption by the Issuer*" above.

Early redemption and purchase of Subordinated Notes may be restricted

Any early redemption or purchase of Subordinated Notes is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Relevant Regulations at the relevant time and to the Issuer giving notice to the Competent Authority and the Competent Authority granting permission to redeem or purchase the relevant Subordinated Notes, as set out in Condition 5(j)(ii) (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes – Conditions to Early Redemption and Purchase of Subordinated Notes*).

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

On 1 January 2018, Italian law No. 205 of 27 December 2017 (so-called "*Legge di Bilancio 2018*") came into force introducing certain amendments to the Consolidated 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 Consolidated 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 must comply with the following requirements:

(i) the original maturity period must be at least twelve months;

(ii) they must not be 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 "**Consolidated Financial Act**") nor be linked to derivative securities, or include any characteristics of such derivative securities;

(iii) the minimum denomination must be at least equal to Euro 250,000;

(iv) the senior non-preferred securities may only may be offered 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 must expressly provide that payment of interests and reimbursement of principal due in respect thereof are subject to the provisions set forth in Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act.

According to Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated 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 Banking Act also provides that:

(A) the provisions set forth in Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated 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 Senior 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 Banking Act were 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 Senior Non-Preferred Notes are complex instruments that may not be suitable for certain investors

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

Senior Non-Preferred 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 Senior Non-Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non-preferred securities such as the Senior Non-Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non-Preferred Notes. If so, investors may incur losses in respect of their investments in the Senior Non-Preferred Notes.

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

If Issuer Call due to MREL Disqualification Event is specified as applicable in the relevant Final Terms, upon the occurrence of an MREL Disqualification Event (as defined in Condition 5(k) (*Redemption, Purchase and Options – Issuer Call due to MREL Disqualification Event*), the Issuer may (subject to the provisions of Condition 5(j) (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes*)), elect to redeem all, but not some only, of the relevant Senior Notes or relevant Senior Non-Preferred Notes. If Senior Notes or Senior Non-Preferred Notes are so redeemed, there can be no assurance that an investor will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes or Senior Non-Preferred Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time.

See also "*Notes subject to optional redemption by the Issuer*" above.

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

Any early redemption or purchase of Senior Notes and Senior Non-Preferred Notes is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Relevant Regulations at the relevant time, including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Senior Non-Preferred 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 Senior Non-Preferred Notes which qualify as eligible liabilities available to meet MREL Requirements is subject to the prior approval of the Competent Authority where applicable from time to time under the applicable laws and regulations. The EC Proposals state that the Competent Authority would approve an early redemption of the Senior Notes and Senior Non-Preferred Notes where any of the following conditions is met:

- on or before such early redemption or purchase of the Senior Notes or Senior Non-Preferred Notes, the Issuer replaces the Senior Notes or Senior Non-Preferred 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 Directive or the BRRD (or, in either case, any relevant provisions of Italian law implementing the CRD IV Directive or, as appropriate, the BRRD) or the CRR Regulation 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 Regulation and in the CRD IV Directive 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 Senior Non-Preferred Notes may be subject to substitution and modification without Noteholder consent

If at any time in relation to any Senior Notes or Senior Non-Preferred Notes, a MREL Disqualification Event occurs and is continuing, or in order to ensure the effectiveness and enforceability of Condition 18 (*Statutory Loss Absorption Powers*) and the relevant Final Terms for such Senior Notes or Senior Non-Preferred Notes specify that the Substitution or Variation of Notes is applicable, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority (without any requirement for the consent or approval of the holders of such Senior Notes or Senior Non-Preferred Notes), at any time either substitute all (but not some only) of such Senior Notes or Senior Non-Preferred Notes, or vary the terms of such Senior Notes or Senior Non-Preferred Notes so that they remain or, as appropriate, become, Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes (in each case as defined in Condition 10(e) (*Meetings of Noteholders, Modification, Waiver and Substitution – Substitution or Variation of Notes*)), 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 Senior Non-Preferred Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 18 (*Statutory Loss Absorption Powers*), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Senior Notes or Senior Non-Preferred 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.

Fixed Rate Notes

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

Inverse 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 LIBOR. The market values of such 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.

Fixed/Floating Rate Notes

Notes to which Condition 4(f) (*Interest and other calculations – Change of Interest Basis*) applies 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. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on such 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. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

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.

Conflicts of interest between the Calculation Agent and Noteholders

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as Calculation Agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Notes issued at a substantial discount or premium

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

The Issuer's obligations under Subordinated Notes are subordinated

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to any direct, unconditional, unsecured and unsubordinated indebtedness or payment obligations (or indebtedness or obligations which are subordinated but to a lesser degree than the obligations under the relevant Subordinated Notes) of the Issuer for money

borrowed or raised or guaranteed by the Issuer 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, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent. In addition, except where the Issuer is wound up or dissolved, holders of Subordinated Notes are not entitled to accelerate the maturity of their Subordinated Notes.

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

The Issuer's obligations under Senior Non-Preferred Notes will be unsecured, unsubordinated and non-preferred obligations and will rank junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to Senior Non-Preferred Notes. Although Senior Non-Preferred Notes may pay a higher rate of interest than comparable Notes which rank senior to the Senior Non-Preferred Notes, there is a real risk that an investor in Senior Non-Preferred Notes will lose all or some of his investment should the Issuer become insolvent. In addition, except where the Issuer is wound up or dissolved, holders of Senior Non-Preferred Notes are not entitled to accelerate the maturity of their Senior Non-Preferred Notes.

The Notes are not covered by the Italian Inter-Bank Fund for the Protection of Deposits

The obligations in respect of the Notes are not covered by the *Fondo Interbancario di Tutela dei Depositi* (Italian Inter-Bank Fund for the Protection of Deposits).

Uncertainty surrounding the UK's membership of the European Union

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 and the UK Government invoked Article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017. Under Article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement, or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances. 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. 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.

Risks related to Notes generally

The Notes have limited Events of Default and remedies

The Events of Default in respect of the Notes, being events upon which the Trustee (or, in certain circumstances, the Noteholders) may declare the Notes to be immediately due and repayable, are limited to circumstances in which the Issuer is subject to *Liquidazione Coatta Amministrativa* as

defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy (as amended from time to time). Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the Trustee (and the Noteholders) will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Modification, waivers and substitution

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

In addition, in order to ensure the effectiveness and enforceability of Condition 18 (*Statutory Loss Absorption Powers*), the Issuer may, if the relevant Final Terms for any Series of Notes specify that Substitution or Variation of Notes is applicable, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority (without any requirement for the consent or approval of the holders of the relevant Notes), at any time either substitute all (but not some only) of a Series of Notes, or vary the terms of such Notes so that they remain or, as appropriate, become, Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes or Qualifying Subordinated Notes (in each case as defined in Condition 10(e) (*Meetings of Noteholders, Modification, Waiver and Substitution – Substitution or Variation of 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. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied securities could be different for some categories of Noteholders from the tax and stamp duty consequences for holding the securities prior to such substitution or variation.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 10 (*Meetings of Noteholders, Modification, Waiver and Substitution*), of the Terms and Conditions of the Notes.

See also "*Senior Notes and Senior Non-Preferred Notes may be subject to substitution and modification without Noteholder consent*".

Change of law

Except for Condition 3(b) (*Status of the Notes – Senior Non-Preferred Notes*), Condition 3(c) (*Status of the Notes – Subordinated Notes*) and Condition 18 (*Statutory Loss Absorption Powers*) (each of which is governed by Italian law), the Terms and Conditions of the Notes are based on English law in

effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English or Italian law or administrative practice after the date of issue of the relevant Notes.

Integral multiples of less than the minimum Specified Denomination

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that the 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 Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

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

Waiver of set-off

In Condition 3(a) (*Status of the Notes – Senior Notes*), each holder of a Senior Note will unconditionally and irrevocably waive any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

In Condition 3(b) (*Status of the Notes – Senior Non-Preferred Notes*), each holder of a Senior Non-Preferred Note will unconditionally and irrevocably waive any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Senior Non-Preferred Note.

In Condition 3(c) (*Status of the Notes – 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.

In respect of any Notes issued with a specific use of proceeds, such as a 'Green Bond', "Social Bond" and "Sustainable Bond", there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor

The applicable Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that promote climate-friendly and other environmental purposes ("**Green Projects**") and / or that promote access to labour market and accomplishment of general interest initiatives ("**Social Projects**"). Prospective investors should have regard to the information in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer or the Dealers that

the use of such proceeds for any Green Projects and for any Social Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of, or related to, the relevant Green Projects or the relevant Social Projects). Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects or any Social Projects will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects and any Social Projects. As at the date of this Base Prospectus, the Issuer has not published a framework relating to an investment in Green Projects and in Social Projects although the Issuer intends to publish such framework prior to the issuance of any Notes which specify that the relevant proceeds will be used for Green Projects and for Social Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Notes and in particular with any Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "social", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects and to any Social Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or

admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects and/or Social Projects in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects and any Social Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally disbursed for the specified Green Projects and for the specified Social Projects. Nor can there be any assurance that such Green Projects or such Social Projects, will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure by the Issuer will not constitute an Event of Default under the Notes. Any such event or failure to apply the proceeds of any issue of Notes for any Green Projects and for any Social Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying, in whole or in part, with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Green Projects and to finance Social Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Risks related to the market generally

The secondary market generally

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 liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, liquidity may be limited if the Notes are offered to a limited number of investors.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may 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. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

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

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

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

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation has applied from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 have applied from 3 July 2016. The Benchmarks Regulation applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity,

commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

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

(i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted; and

(ii) the methodology or other terms of the "benchmark" related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing, increasing or affecting the volatility of the published rate or level of the relevant "benchmark", and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other reforms or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such "benchmarks". On 27 July 2017, the United Kingdom Financial Conduct Authority, 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 the LIBOR "benchmark" after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be 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. The potential elimination of the LIBOR "benchmark" or any other "benchmark", or changes in the manner of administration of any "benchmark", could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes referencing such "benchmark" (including but not limited to Floating Rate Notes and/or Inverse Floating Rate Notes whose interest rates are linked to LIBOR which may, depending on the manner in which the LIBOR benchmark is to be determined under the terms and conditions, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available). Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any such Notes.

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

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following information, which has been previously published or filed with the Central Bank:

(a) the audited consolidated financial statements of UBI Banca as at and for the financial year ended 31 December 2016, together with the audit report thereon;

http://www.ubibanca.it/contenuti/RigAlle/2016_Consolidated%20Report%20of%20UBI%20Banca%20Group_FINAL%20version.pdf;

(b) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2017, together with the audit report thereon;

http://www.ubibanca.it/contenuti/RigAlle/2017_Consolid%20Management%20Report%20and%20Consolid%20Notes%20to%20accounts.pdf;

(c) the unaudited consolidated quarterly financial statements of UBI Banca as at and for the three months ended 31 March 2018;

http://www.ubibanca.it/contenuti/RigAlle/UBI%20Banca_Cons%20Interim%20Financial%20Report_31st%20March%202018.pdf;

and

(d) the Terms and Conditions set out in the base prospectus dated 27 July 2017 relating to the Programme

http://www.ubibanca.it/contenuti/RigAlle/UBI%20EMTN_2017%20Update_Prospectus_FINAL.pdf .

Items (a) to (d) above are contained in the UBI Banca Report and Accounts 2016, the UBI Banca Report and Accounts 2017, the UBI Banca Quarterly Financial Report at 31 March 2018 and the base prospectus dated 27 July 2017 relating to the Programme, respectively, at the pages set out in the cross reference tables below.

Such information shall be incorporated in, and form part of, this Base Prospectus, save that any statement contained in information which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Any documents themselves incorporated by reference in the information incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Copies of documents containing information incorporated by reference in this Base Prospectus may be obtained from the registered office of the Issuer and the Issuer's website following the links above. The consolidated financial statements referred to above, together (where applicable) with the audit reports thereon, are available both in the Italian language original and in English. The English language versions represent a direct translation from the Italian language documents. In the event

that there are any inconsistencies or discrepancies between the Italian language versions and the English translations thereof, the original Italian language versions shall prevail. For ease of reference, the table below sets out the relevant page references for the information contained in the financial statements referred to above, which is incorporated in and forms part of this Base Prospectus. Any information not listed in the cross reference table below but included in the publication in which information incorporated by reference appears, does not form part of this Base Prospectus as it is either not relevant for prospective investors in the Notes or is covered elsewhere in this Base Prospectus. Any websites referred to in this Base Prospectus ad not incorporated by reference herein do not form part of this Base Prospectus.

Audited consolidated financial statements of UBI Banca as at and for the year ended 31 December 2017

UBI Banca Group: branch network as at 31st December 2017	Page 9
Human resources	Pages 64-67
The scope of the consolidation	Pages 68-73
Reclassified consolidated financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules	Pages 74-82
The consolidated income statement	Pages 83-94
General banking business with customers: funding	Pages 95-103
General banking business with customers: lending	Pages 104-114
The interbank market and the liquidity position	Pages 115-118
Financial activities	Pages 119-135
Equity and capital adequacy	Pages 136-141
Consolidated companies: the principal figures	Pages 148-157
Auditors' Report	Pages 186-194
Consolidated Balance Sheet	Page 196
Consolidated Income Statement	Page 197
Consolidated Statement of Comprehensive Income	Page 198
Statement of Changes in Consolidated Equity	Pages 199-200
Consolidated Statement of Cash Flows	Pages 201-202
Notes to the Consolidated Financial Statements	Pages 203-525

Audited consolidated financial statements of UBI Banca as at and for the year ended 31 December 2016

Unaudited quarterly consolidated financial statements as at and for the three months ended 31 March 2018

The consolidated income statement	Pages	83 -90
General banking business with customers: funding	Pages	91 -98
General banking business with customers: lending	Pages	99 - 105
The interbank market and the liquidity position	Pages	106- 109
Financial activities	Pages	110-117
Equity and capital adequacy	Pages	118-123
Consolidated companies: the principal figures	Pages	124-126
Consolidated Balance Sheet	Pages	138-139
Consolidated Income Statement	Page	140
Consolidated Statement of Comprehensive Income	Page	141
Statement of Changes in Consolidated Equity	Pages	142-143
Consolidated Statement of Cash Flows	Page	144
Notes	Pages	145-148

Base Prospectus dated 27 July 2017

Terms and Conditions of the Notes ..... Pages 50-90

SUPPLEMENTARY PROSPECTUSES

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to Article 16 of the Prospectus Directive, the Issuer will prepare and make available an appropriate supplement to this Base Prospectus as required by the Central Bank and Article 16 of the Prospectus Directive.

UBI Banca has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes whose inclusion in, or removal from, this Base Prospectus is necessary, for the purpose of enabling an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall notify the Dealers on or before the next following issue of Notes, prepare and deliver an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus on or before the next following issue of Notes and shall supply to each Dealer such number of copies of such amendment, supplement or replacement Base Prospectus as such Dealer may reasonably request.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, save for this text in italics and subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these terms and conditions (i) to the "**Issuer**" are to Unione di Banche Italiane S.p.A.; and (ii) to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by the Amended and Restated Trust Deed dated 30 July 2018 (as further amended, restated or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. The Amended and Restated Agency Agreement dated 30 July 2018 (as further amended, restated or supplemented from time to time, the "**Agency Agreement**") has been entered into in relation to the Notes among the Issuer, the Trustee, Citibank, N.A., London branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders (the "**Couponholders**") of the interest coupons (the "**Coupons**") appertaining to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") relating to Notes in bearer form are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Final Terms and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("**Registered Notes**") or in bearer form

exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") in each case in the Specified Denomination(s) shown hereon, provided that (i) the minimum Specified Denomination of each Note which is specified hereon 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 specified hereon as being a Senior Non-Preferred Note shall be Euro 250,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination, provided that (i) the minimum Specified Denomination of each Note which is specified hereon 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 specified hereon as being a Senior Non-Preferred Note shall be Euro 250,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Reset Note, a Floating Rate Note, an Inverse Floating Rate Note or a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2*(c)*, each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in these Conditions, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) *Exchange of Exchangeable Bearer Notes*

Subject as provided in Condition 2*(f)*, Exchangeable Bearer Notes may be exchanged for the same aggregate nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 6*(b) (Payments and Talons – Registered Notes)*) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) *Transfer of Registered Notes*

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available to any Noteholder upon request.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes*

In the case of an exercise of the Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person

who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Conditions 2*(a)*, *(b)* or *(c)* shall be available for delivery within three business days of receipt of the request for exchange, form of transferor Exercise Notice as defined in Condition 5*(g)* (*Redemption, Purchase and Options – Redemption at the Option of Noteholders*) or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2*(d)*, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Exchange Free of Charge*

Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5*(f)* *(Redemption, Purchase and Options – Redemption at the Option of the Issuer)*, (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. Status of the Notes

(a) *Senior Notes*

This Condition 3*(a)* is applicable in relation to Notes specified hereon as being Senior Notes (and, for the avoidance of doubt, does not apply to Senior Non-Preferred Notes).

The Senior Notes and the Coupons relating to them constitute unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons relating to them shall at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer (other than, for the avoidance of doubt, Senior Non-Preferred Notes), present and future, subject to any applicable legislation that permits or requires certain such indebtedness or obligations to rank either junior or senior to 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.

(b) *Senior Non-Preferred Notes*

This Condition 3*(b)* is applicable in relation to Notes specified hereon as being Senior Non-Preferred Notes (and, for the avoidance of doubt, does not apply to Senior Notes).

The Senior Non-Preferred Notes (being notes intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-*bis* of Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended (the "**Banking Act**") and the Coupons relating to them constitute unsecured, unsubordinated (*debito chirografario*) and non-preferred obligations of UBI Banca and rank *pari passu* and without any preference among themselves and otherwise in accordance with the paragraph immediately below. UBI Banca has covenanted in the Trust Deed, in relation to each Series of Senior Non-Preferred Notes, that it will treat all Senior Non-Preferred Notes of such Series equally among themselves and that all amounts paid by UBI Banca in respect of principal and interest thereon will be paid *pro rata* on all Senior Non-Preferred Notes of such Series.

In the event of the bankruptcy, dissolution, liquidation or winding up of UBI Banca (including *Liquidazione Volontaria* or an order for *Liquidazione Coatta Amministrativa*), the payment obligations of UBI Banca under the Senior Non-Preferred Notes and the Coupons relating to them shall 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 Senior Non-Preferred 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 Senior Non-Preferred Notes; and

(iii) in priority to any subordinated instruments and to the claims of shareholders of UBI Banca, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Banking Act, as amended from time to time.

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

(c) *Subordinated Notes*

This Condition 3(c) is applicable in relation to Notes specified hereon as being Subordinated Notes.

The Subordinated Notes and the Coupons relating to them constitute unsecured obligations of UBI Banca and rank *pari passu* and without any preference among themselves and otherwise in accordance with the paragraph immediately below. UBI Banca has covenanted in the Trust Deed, in relation to each Series of Subordinated Notes, that it will treat all Subordinated Notes of such Series equally among themselves and that all amounts paid by UBI Banca in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.

In the event of the bankruptcy, dissolution, liquidation or winding up of UBI Banca (including *Liquidazione Volontaria* or an order for *Liquidazione Coatta Amministrativa*), the payment obligations of UBI Banca under the Subordinated Notes and the Coupons relating to them shall rank in right of payment in priority to those subordinated obligations expressed by their terms to rank lower than Subordinated Notes and the payment obligations of UBI Banca under the Subordinated Notes and the Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of UBI Banca and any subordinated obligations of UBI Banca that rank or are expressed by their terms to rank senior to Subordinated Notes but *pari passu* with all other present and future subordinated obligations of UBI Banca that are not expressed by their terms to rank or which do not rank junior or senior to the Subordinated Notes and in priority to the claims of shareholders of UBI Banca.

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.

4. Interest and other calculations

(a) *Definitions*

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

"**Accrual Period**" means, in relation to Day Count Fraction below, the actual number of days in the relevant period from and including the Start Date to but excluding the Interest Payment Date.

"**Actual Calculation Period**" means, in relation to Day Count Fraction below, the actual number of days from and including one Interest Period Date to but excluding the next Interest Period Date.

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centres or, if no currency is indicated, generally in each of the Business Centres so specified.

"**Change of Interest Basis**" means, if applicable, the change of Interest Basis of the Notes as specified in the relevant Final Terms and in accordance with the provisions set out in Condition 4(*f*) (*Interest and other calculations – Change of Interest Basis*).

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the "**Calculation Period**"):

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

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation 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 hereon, the actual number of days in the Calculation Period divided by 360;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - YM_1)] + (D_2 - D_1)}{360}$$

where:

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

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

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

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

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

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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 D_2 will be 30; and

(viii) if "**Actual/Actual – ICMA**" is specified hereon, (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Periods normally ending in any year

where:

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date; and

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**Euro-zone**" means the region comprising Member States of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Basis**" means (i) with respect to Notes to which Condition 4(b) (*Rate of Interest and Accrual on Fixed Rate Notes*) applies, the Fixed Rate specified in the applicable Final Terms; (ii) with respect to Notes to which Condition 4(c) (*Interest on Reset Notes*) applies, the Reset Rate specified in the applicable Final Terms; (iii) with respect to Notes to which Condition

4(d) (*Interest on Floating Rate Notes and Inverse Floating Rate Notes*) and 4(e) (*Rate of Interest for Floating Rate Notes and Inverse Floating Rate Notes*) apply, the Floating Rate or the Inverse Floating Rate specified in the applicable Final Terms; and (iv) with respect to Notes to which Condition 4(g) (*Zero Coupon Notes*) applies, the Notes shall be specified to be Zero Coupon in the applicable Final Terms.

"**Interest Commencement Date**" means the date of issue of the Notes (the "**Issue Date**") or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Payment Date**" means the date on which Interest in respect of the Notes is payable, as specified hereon.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**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 Calculation Agent or as specified hereon.

"**Reference Rate**" means EURIBOR or LIBOR, as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified hereon or, if none is so specified, the currency in which the Notes are denominated.

"**Start Date**" means, in relation to Day Count Fraction above, the date from which interest for the relevant period begins to accrue.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(b) *Rate of Interest and Accrual on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4*(j)*.

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7 (*Taxation*)).

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

(c) *Interest on Reset Notes*

(i) Rates of Interest and Interest Payment Dates

Each Reset Note bears interest:

(a) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the Initial Rate of Interest;

(b) 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 applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(c) 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 4*(b)*.

For the purposes of the Conditions:

"**First Margin**" means the margin specified as such in the applicable Final Terms;

"**First Reset Date**" means the date specified in the applicable 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 applicable Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 4*(c)(ii)*, 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 applicable 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 applicable 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 4*(c)(ii)*, either:

(a) if Single Mid-Swap Rate is specified in the applicable 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

(b) if Mean Mid-Swap Rate is specified in the applicable 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 applicable Final Terms;

"**Subsequent Margin**" means the margin specified as such in the applicable Final Terms;

"**Subsequent Reset Date**" means the date or dates specified in the applicable 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 4*(c)(ii)*, 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.

(ii) 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 4*(c)(ii)* "**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.

(d) *Interest on Floating Rate Notes and Inverse Floating Rate Notes*

(i) Interest Payment Dates

Each Floating Rate Note and Inverse Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4*(j)*. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (a) such date shall be brought forward to the immediately preceding Business Day and (b) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(e) *Rate of Interest for Floating Rate Notes and Inverse Floating Rate Notes*

(i) Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

A. ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

B. Screen Rate Determination for Floating Rate Notes

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

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question 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 of such offered quotations.

(y) If the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of 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 if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) 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, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels 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, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such 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 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, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in

the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, 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 or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual 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 hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period, provided however, that if there is no rate available for the 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.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(ii) Inverse Floating Rate Notes

The Rate of Interest in respect of Inverse Floating Rate Notes for each Interest Accrual Period shall be determined as follows:

Rate of Interest = Fixed Rate – Inverse Rate

where:

"**Fixed Rate**" has the meaning specified hereon; and

"**Inverse Rate**" means the relevant Reference Rate or ISDA Rate (as the case may be) specified hereon and calculated in accordance with the provisions of Condition 4*(e)(i)* as though references therein to "Floating Rate Notes" were to "Inverse Floating Rate Notes".

(f) *Change of Interest Basis*

If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 4(*b*) or Condition 4*(d)*, each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 15 (*Notices*) and delivering such notice to the Paying Agent and the Calculation Agent 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 Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable 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 applicable 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 applicable Final Terms provided that any date specified in the applicable 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 by the Issuer pursuant to this Condition and in accordance with Condition 15 (*Notices*) prior to the relevant Switch Option Expiry Date.

(g) *Zero Coupon Notes*

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the

Maturity Date shall be the Early Redemption Amount of such Note as determined in accordance with Condition 5*(b) (Redemption, Purchase and Options – Early Redemption of Zero Coupon Notes)*. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5*(b)*(ii) *(Redemption, Purchase and Options – Early Redemption of Zero Coupon Notes)*).

(h) *Accrual of Interest*

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7 (*Taxation*)).

(i) *Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding*

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods, or (z) in relation to one or more Reset Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods or Reset Periods, in the case of (y) or (z), calculated, in each case, in accordance with Condition 4*(b)* or Condition 4(*c*) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Japanese yen, which shall be rounded down to the nearest Japanese yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(j) *Calculations*

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest

Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(k) *Determination and publication of Rates of Interest, Interest Amounts, First Reset Date of Interest, Subsequent Reset Rate of Interest and Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts*

(i) The Calculation Agent shall, as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, including, in respect of Reset Notes, the calculation of the First Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate, in respect of Reset Notes, the First Reset Rate of Interest, any Subsequent Reset Rate of Interest, and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the rules of any stock exchange on which the Notes are listed or the rules of any other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, (including in respect of the calculation of the First Reset Rate of Interest and in respect of a Reset Period, the calculation of the Interest Amount payable on each Interest Payment Date falling in such Reset Period), the fourth Business Day after such determination.

(ii) Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4*(d)(ii)*, the Interest Amount and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires.

(iii) The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(l) *Calculation Agent*

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption or Optional Redemption Amount as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5. Redemption, Purchase and Options

(a) *Final Redemption*

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount in the relevant Specified Currency. With the exception of Zero Coupon Notes, subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at par or above par.

(b) *Early Redemption of Zero Coupon Notes*

(i) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 5*(d) (Redemption, Purchase and Options – Redemption for Taxation Reasons)*, Condition 5*(e) (Redemption, Purchase and Options – Redemption for Regulatory Reasons),* (in respect of Senior Notes and Senior Non-Preferred Notes only) Condition 5*(k) (Issuer Call due to MREL Disqualification Event)* or upon it becoming due and payable as provided in Condition 9 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(ii) Subject to the provisions of sub-paragraph (iii) below, the "**Amortised Face Amount**" of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5*(d) (Redemption, Purchase and Options – Redemption for Taxation Reasons)*, Condition 5*(e) (Redemption, Purchase and Options – Redemption for Regulatory Reasons),* (in respect of Senior Notes and Senior Non-Preferred Notes only) Condition 5*(k) (Issuer Call due to MREL Disqualification Event)* or upon it becoming due and payable as provided in Condition 9 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4*(g) (Interest and other calculations – Zero Coupon Notes)*.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(c) *Early Redemption of Other Notes*

The Early Redemption Amount payable in respect of any Note (other than Notes described in 5*(b)* above), upon redemption of such Note pursuant to Condition 5*(d) (Redemption,*

Purchase and Options – Redemption for Taxation Reasons), Condition *5(e) (Redemption, Purchase and Options – Redemption for Regulatory Reasons),* (in respect of Senior Notes and Senior Non-Preferred Notes only) Condition 5*(k) (Issuer Call due to MREL Disqualification Event)* or upon it becoming due and payable as provided in Condition 9 (*Events of Default*), shall be the Final Redemption Amount unless otherwise specified hereon.

(d) *Redemption for Taxation Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, (subject to the provisions of Condition 5*(j)* (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes*)) on any Interest Payment Date (if this Note is either a Floating Rate Note or an Inverse Floating Rate Note), or at any time (if this Note is neither a Floating Rate Note nor an Inverse Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount as described in Conditions 5*(b)* and 5*(c)* above (together, if appropriate, with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (ii) 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 5*(d)*, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(e) *Redemption for Regulatory Reasons*

This Condition 5(e) is applicable only in relation to Notes specified hereon as being Subordinated Notes.

In respect of any Series of Subordinated Notes, if Regulatory Call is specified hereon, upon the occurrence of a Capital Event, the Issuer may (subject to the provisions of Condition 5*(j)* (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes*)), on any Interest Payment Date (if this Note is either a Floating Rate Note or an

Inverse Floating Rate Note), or at any time (if this Note is neither a Floating Rate Note nor an Inverse Floating Rate Note), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all (but not some only) of the Notes then outstanding at any time at their Early Redemption Amount as described in Conditions 5*(b)* and 5*(c)* above together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption.

For the purpose of the Conditions:

a "**Capital Event**" is deemed to have occurred if, as a result of any amendment to, or change in, the Relevant Regulations which are in effect at the Issue Date, the Subordinated Notes are or are likely to be fully or partially excluded from the Tier 2 Capital of the Issuer and/or the Group;

"**Competent Authority**" means the European Central Bank in conjunction with the national competent authority, the Bank of Italy and/or any successor or replacement entity to either, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer;

"**Group**" means the Issuer and its consolidated subsidiaries;

"**Relevant Regulations**" 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 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); and

"**Tier 2 Capital**" has the meaning given to it by the Competent Authority from time to time.

(f) *Redemption at the Option of the Issuer*

If Call Option is specified hereon, the Issuer may (subject to the provisions of Condition 5*(j)* (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes*)), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date (subject to, in the case of Subordinated Notes, the Optional Redemption Date not being earlier than the fifth anniversary of the Issue Date). Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued, if appropriate, to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(g) *Redemption at the Option of Noteholders*

This Condition 5(g) is applicable only in relation to Notes specified hereon as being Senior Notes or Senior Non-Preferred Notes.

In respect of any Series of Senior Notes or Senior Non-Preferred Notes, if Put Option is specified hereon, the Issuer shall (subject to the provisions of Condition 5*(j)* (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes*)), at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(h) *Purchases*

The Issuer and any of its Subsidiaries (as defined in the Trust Deed) may subject as set out below and to the provisions of Condition 5*(j)* (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Notes*), purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

Subordinated Notes may only be purchased by the Issuer or any of its Subsidiaries, unless and to the extent permitted by the Relevant Regulations at the relevant time the Subordinated 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 Subordinated Notes which qualify 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.

(i) *Cancellation*

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries either (i) shall (subject, in the case of the cancellation of Subordinated Notes purchased by the Issuer or any of its Subsidiaries pursuant to the second paragraph of Condition 5(h) above, to the prior permission of the Competent Authority) be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and upon such surrender shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith) or (ii), if purchased in the ordinary course of a business of dealing in securities, may be resold or held by the Issuer or any such Subsidiary. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged. Any Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders or for the purposes of Condition 10 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

(j) *Conditions to Early Redemption and Purchase of Notes*

(A) Conditions to Early Redemption and Purchase of Senior Notes and Senior Non-Preferred Notes

Any redemption or purchase of Senior Notes or Senior Non-Preferred Notes in accordance with Conditions 5(d), (f), (g), (h) or (k) is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Relevant Regulations at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Senior Non-Preferred Notes at such time as eligible liabilities available to meet MREL Requirements).

(B) Conditions to Early Redemption and Purchase of Subordinated Notes

Any redemption or purchase of Subordinated Notes in accordance with Conditions 5(d), (e), (f) or (g) is subject to:

(i) the Issuer giving notice to the Competent Authority and the Competent Authority granting permission to redeem or purchase the relevant Subordinated Notes (in each case to the extent, and in the manner, required by the Relevant Regulations (as defined in Condition 5(e) (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*)) including Articles 77(b) and 78 of 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 Regulation**");

(ii) in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Relevant Regulations (a) in the case of redemption pursuant to Condition 5(d) (*Redemption, Purchase and Options – Redemption for Taxation Reasons*), the Issuer having demonstrated to the satisfaction of the Competent Authority that the relevant change or amendment is material and was not reasonably foreseeable as at the Issue Date or (b) in the case of redemption pursuant to Condition 5(e) (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*), the Issuer having demonstrated to the satisfaction of the Competent Authority that the Capital Event was not reasonably foreseeable as at the Issue Date and the Competent Authority considering such Capital Event to be sufficiently certain; and

(iii) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the Relevant Regulations for the time being.

(k) *Issuer Call due to MREL Disqualification Event*

This Condition 5(*k*) is applicable only in relation to Notes specified hereon as being Senior Notes or Senior Non-Preferred Notes.

In respect of any Series of Senior Notes or Senior Non-Preferred Notes, if Issuer Call due to MREL Disqualification Event is specified hereon, the Issuer may (subject to the provisions of Condition 5(j)) on any Interest Payment Date (if this Note is either a Floating Rate Note or an Inverse Floating Rate Note), or at any time (if this Note is neither a Floating Rate Note nor an Inverse Floating Rate Note), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all (but not some only) of the Notes then outstanding at any time at their Early Redemption Amount as described in Conditions 5(b) and 5(c) above together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption, if the Issuer determines that an MREL Disqualification Event has occurred and is continuing.

As used in these Conditions:

"**BRRD**" is as defined in Condition 18 (*Statutory Loss Absorption Powers*);

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

"**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of June 26, 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 Regulation**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended or replaced from time to time;

"**EC Proposals**" means the amendments proposed to the CRD IV Directive, the CRR Regulation 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;

"**Group Entity**" is as defined in Condition 18 (*Statutory Loss Absorption Powers*);

"**Loss Absorption Power**" is as defined in Condition 18 (*Statutory Loss Absorption Powers*);

"**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 Senior Notes or Senior Non-Preferred 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 Senior Non-Preferred 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 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 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 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 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;

"**Relevant Resolution Authority**" is as defined in Condition 18 (*Statutory Loss Absorption Powers*);

"**Resolution Power**" is as defined in Condition 18 (*Statutory Loss Absorption Powers*); and

"**SRM Regulation**" is as defined in Condition 18 (*Statutory Loss Absorption Powers*).

6. Payments and Talons

(a) *Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 6*(f)*(v) (*Payment and Talons – Unmatured Coupons and Unexchanged Talons*) or Coupons (in the case of interest, save as specified in Condition 6*(f)*(ii) (*Payment and Talons – Unmatured Coupons and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States or its possessions by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank.

"**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) *Registered Notes*

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in sub-paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency in which such payments are due by cheque drawn on a Bank subject

as provided in paragraph (a) above, and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and, subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) *Payments in the United States*

Notwithstanding the foregoing, if any Bearer Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments Subject to Fiscal Laws*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 7 (*Taxation*). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) such other agents as may be required by any stock exchange on which the Notes may be listed, in each case as previously approved in writing by the

Trustee, and (vi) a Paying Agent with a specified office in a European Union Member State other than Italy.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in US dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Unmatured Coupons and Unexchanged Talons*

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8 (*Prescription*)).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or an Inverse Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender, if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity

Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8 (*Prescription*)).

(h) *Non-Business Days*

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in Euro) which is a TARGET Business Day.

(i) *Definition of the Euro*

References in these Conditions to the Euro are to the currency which was introduced at the start of the third stage of European Economic and Monetary Union pursuant to Article 109(4) of the Treaty on the Functioning of the European Union, as amended from time to time.

7. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or by the application or official interpretation thereof. In that event, the Issuer shall pay such additional amounts in respect of principal and interest in the case of Senior Notes or Senior Non-Preferred Notes (if permitted by the MREL Requirements), or interest only in the case of Subordinated Notes, as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required The requirement to pay such additional amounts shall not apply:

(a) in respect of any Note or Coupon presented for payment:

(i) by or on behalf of a Noteholder or Couponholder who is:

(x) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or

(y) liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note or Coupon; or

(ii) more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or

(b) in relation to any payment or deduction of any interest, premium or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended from time to time; or

(c) in respect of any Note or Coupon where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30 September 1983, converted into Law No. 649 of 25 November 1983 as amended from time to time; or

(d) in respect of any Note or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 (*Interest and other calculations*) or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

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

the avoidance of doubt, the Issuer shall be entitled to withhold and deduct any amounts required to be deducted or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to (i) any regulations thereunder or official interpretations thereof, or (ii) an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, or (iii) any law implementing such an intergovernmental agreement (any such withholding or deduction, a "**FATCA Withholding**"), and no person shall be required to pay any additional amounts in respect of a FATCA Withholding.

8. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

9. Events of Default

(a) The Trustee at its discretion may, and if so requested by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount together, if appropriate, with accrued interest if the Issuer is subject to *Liquidazione Coatta Amministrativa* as defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy (as amended from time to time).

(b) The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or in relation to the Notes, provided that the Issuer shall not by virtue of the institution of any such proceedings, other than proceedings for the winding-up or dissolution of the Issuer or any proceedings which under the laws of Italy have an analogous effect to any of the foregoing (otherwise than for the purposes of any amalgamation, liquidation, merger or reconstruction on terms previously approved by the Trustee), be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. The Trustee shall not in any event be bound to take any of the actions referred to in this paragraph unless (1) it shall have been so directed in writing by the holders of Notes holding at least one-fifth of the principal amount of the Notes outstanding or by an Extraordinary Resolution and (2) it shall have been indemnified to its satisfaction.

(c) No remedy against the Issuer other than as specifically provided by this Condition 9(a) or in the Trust Deed shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes under the Trust Deed or in respect of any breach by the Issuer of any of its obligations under the Trust Deed or in relation to the Notes or otherwise.

10. Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amount on the Notes, (ii) to reduce or cancel the nominal amount of or any premium payable on

redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to direct the Trustee to give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at the Final Redemption Amount of the Notes as provided in Condition 9*(a)* and Condition 9*(b)* or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Agency Agreement and the Trust Deed that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Agency Agreement and the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agency Agreement and the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, such modification shall be notified to the Noteholders as soon as practicable.

(c) *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but

without the consent of the Noteholders or the Couponholders, to the substitution of any other company in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes the Coupons, the Talons and/ or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

(e) *Substitution or Variation of Notes*

With respect to (i) any Series of Senior Notes or Senior Non-Preferred Notes, if at any time a MREL Disqualification Event occurs, and if Substitution or Variation of Notes is specified hereon, or (ii) all Notes, if Substitution or Variation of Notes is specified hereon, in order to ensure the effectiveness and enforceability of Condition 18 (*Statutory Loss Absorption Powers*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Trustee and the holders of the Notes of that Series (or such other notice period as may be specified hereon), 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 Senior Non-Preferred 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 Senior Notes**" means securities issued by the Issuer that:

(i) other than in respect of the effectiveness and enforceability of Condition 18 (*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 that 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 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) are assigned (or maintain) the same credit ratings as were assigned to the Senior Notes immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 18 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this sub-clause (e) shall be to such credit rating prior to such amendment); and

(ii) are listed on a recognised stock exchange if the Senior Notes were listed immediately prior to such variation or substitution.

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

(i) other than in respect of the effectiveness and enforceability of Condition 18 (*Statutory Loss Absorption Powers*), have terms not materially less favourable to a holder of the Senior Non-Preferred Notes (as reasonably determined by the Issuer) than the terms of the Senior Non-Preferred Notes, and that 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 Non-Preferred Notes; (C) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Non-Preferred Notes; (D) have the same redemption rights as the Senior Non-Preferred Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Senior Preferred Notes immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 18 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this sub-clause (e) shall be to such credit rating prior to such amendment); and

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

"**Qualifying Subordinated Notes**" means securities issued by the Issuer that:

(i) other than in respect of the effectiveness and enforceability of Condition 18 (*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 that also (A) comply with the then-current requirements of the Relevant Regulations in relation to Tier 2 Capital, (B) have a ranking at least equal

to that of the Subordinated Notes; (C) have 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) are assigned (or maintain) the same credit ratings as were assigned to the Subordinated Notes immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 18 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this sub-clause (e) shall be to such credit rating prior to such amendment); and

(ii) are listed on a recognised stock exchange if the Subordinated Notes were listed immediately prior to such variation or substitution.

11. Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in London (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

12. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

13. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding and (b) it shall have been indemnified, or if it so requires, secured (whether by way of advance payment or otherwise) to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, (i) fails to do so within a reasonable time , or (ii) is unable for any reason to do so, and such failure or inability is continuing.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including provisions relieving it from any obligation to take proceedings to enforce payment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

15. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

16. Contracts (Rights of Third Parties) Act 1999

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

17. Governing Law and Jurisdiction

(a) *Governing Law*

The Trust Deed, the Notes, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law, except for Condition 3(*b*) (*Status of the Notes* -

Senior Non-Preferred Notes), Condition 3*(c) (Status of the Notes – Subordinated Notes)* and Condition 18 (*Statutory Loss Absorption Powers*) each of which is governed by, and shall be construed in accordance with, Italian law.

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) *Service of Process*

The Issuer has in the Trust Deed irrevocably appointed Hackwood Secretaries Limited, One Silk Street, London EC2Y 8HQ as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

18. Statutory Loss Absorption Powers

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

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

The exercise of the Loss Absorption Power by the Relevant Resolution Authority with respect to the Notes shall not constitute and 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.

As used 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;

"**Group Entity**" means the Issuer or any legal person that is part of the 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 any Group Entities can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person;

"**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 or any other entities of the Group, 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.

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USE OF PROCEEDS

The net proceeds of the sale of each Tranche of Notes will be used by the Issuer, as indicated in the applicable Final Terms relating to the relevant Tranche of Notes, either:

a. for general funding purposes and to improve the regulatory capital structure of the UBI Banca Group; or

b. to finance or refinance, in whole or in part, Green Eligible Projects and Social Eligible Projects (as defined below).

According to the definition criteria set out by the International Capital Market Association ("**ICMA**") Green Bond Principles ("**GBP**"), only Tranches of Notes financing or refinancing Green Eligible Projects (above mentioned at (b)) will be denominated "Green Bonds".

According to the definition criteria set out by ICMA Social Bond Principles ("**SBP**"), only Tranches of Notes financing or refinancing Social Eligible Projects (above mentioned at (b)) will be denominated "Social Bonds".

According to the definition criteria set out by ICMA Sustainability Bond Guidelines, only Tranches of Notes financing or refinancing Green Eligible Projects and Social Eligible Projects (above mentioned at (b)) will be denominated "Sustainable Bonds".

Definitions:

"**Green Eligible Projects**" means financings of renewable energy, energy efficiency, sustainability mobility, sustainability water, circular economy and green buildings projects and assets which meet a set of environmental criteria.

"**Social Eligible Projects**" means small and medium-sized enterprises financing and financing of non-profit and civil economy to support access to essential services which meet a set of social criteria.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper 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 satisfaction of the Eurosystem eligibility criteria.

Global notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may (if indicated in the relevant Final Terms) also be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(a) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme — Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(b) otherwise, in whole or in part upon certification as to non-US beneficial ownership substantially in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

In relation to any issue of Notes which are represented by a Temporary Global Note which is expressed to be exchangeable for definitive Bearer Notes at the option of Noteholders, such Notes shall be tradable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and multiples thereof.

2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes", in part for Definitive Notes or, in the case of paragraph 4 below, Registered Notes:

(a) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; or

(b) otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3 Permanent Global Certificates

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2*(b) (Exchange of Exchangeable Bearer Notes and Transfers of Registered Notes –Transfer of Registered Notes)* may only be made in part:

(a) if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(b) if principal in respect of any Notes is not paid when due; or

(c) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing.

5 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be, or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent

Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

6 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or, in the case of an exchange for Registered Notes, five days, or, in the case of failure to pay principal in respect of any Notes when due, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

7 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is an overview of certain of those provisions:

8 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-US beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 6*(e)*(vi) (*Payments and Talons - Appointment of Agents*) and Condition 7*(e)* (*Taxation*) will apply to the Definitive Notes only. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure by the relevant clearing system to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 6*(h)* (*Payments and Talons - Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment,

where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

9 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7 (*Taxation*)).

10 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit for the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

11 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

12 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its Subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

13 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures 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) or any other Alternative Clearing System (as the case may be).

14 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

15 NGN Nominal Amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

16 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

17 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

18 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes

outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum (as provided for in the Trust Deed) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Note or Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "**commercially reasonable evidence**" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

OVERVIEW OF FINANCIAL INFORMATION OF THE ISSUER

The following tables present:

(i) the mandatory and reclassified consolidated balance sheet and income statement information of the Issuer as approved by the Issuer's Supervisory Board as at and for the years ended 31 December 2016 and 31 December 2017; and

(ii) the mandatory and reclassified consolidated interim balance sheet and income statement information of the Issuer as at and for the three month period ended 31 March 2018,

prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular No. 262 of 22 December 2005 (as amended from time to time) and related transitional regulations in Italy (IFRS). All figures are in thousands of euro unless otherwise stated.

The information set out in the tables below should be read in conjunction with and is qualified in its entirety by reference to, the full financial statements referred to above, in each case together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Base Prospectus.

UBI Banca Group: Consolidated balance sheet
- mandatory statement -

ASSETS *(Figures in thousands of euro)*	**31.12.2017**	**31.12.2016**
10. Cash and cash equivalents	811,578	519,357
20. Financial assets held for trading	924,475	729,616
30. Financial assets designated at fair value	92,290	188,449
40. Available-for-sale financial assets	9,861,978	9,613,833
50. Held-to-maturity investments	5,937,872	7,327,544
60. Loans and advances to banks	7,836,002	3,719,548
70. Loans and advances to customers	92,338,083	81,854,280
80. Hedging derivatives	169,907	461,767
90. Fair value change in hedged financial assets (+/-)	(2,035)	23,963
100. Equity investments	243,165	254,364
110. Technical reserves of reinsurers	347	-
120. Property, plant and equipment	1,811,743	1,648,347
130. Intangible assets	1,728,328	1,695,973
of which:		
- goodwill	*1,465,260*	*1,465,260*
140. Tax assets:	4,170,387	3,044,044
a) current	1,497,551	435,128
b) deferred	2,672,836	2,608,916
- of which pursuant to Law No. 214/2011	1,817,819	1,956,572
150. Non current assets and disposal groups held for sale	962	5,681
160. Other assets	1,451,059	1,297,151
Total assets	**127,376,141**	**112,383,917**

LIABILITIES AND EQUITY *(Figures in thousands of euro)*	**31.12.2017**	**31.12.2016**
10. Due to banks	16,733,006	14,131,928
20. Due to customers	68,434,827	56,226,416
30. Debt securities issued	26,014,943	28,939,597
40. Financial liabilities held for trading	411,653	800,038
50. Financial liabilities at fair value	43,021	-
60. Hedging derivatives	100,590	239,529
80. Tax liabilities:	223,397	232,866
a) current	68,565	59,817
b) deferred	154,832	173,049
90. Liabilities associated with disposal groups held for sale	-	-
100. Other liabilities	2,742,088	1,962,806
110. Post employment benefits	350,779	332,006
120. Provisions for risks and charges:	536,265	457,126
a) pension and similar obligations	137,213	70,361
b) other provisions	399,052	386,765
130. Technical reserves	1,780,701	-
140. Valuation reserves	(114,820)	(73,950)
170. Reserves	3,209,460	3,664,366
180. Share premiums	3,306,627	3,798,430
190. Share capital	2,843,177	2,440,751
200. Treasury shares (-)	(9,818)	(9,869)
210. Non-controlling interests(+/-)	79,688	72,027
220. Profit (loss) for the year (+/-)	690,557	(830,150)
Total liabilities and equity	**127,376,141**	**112,383,917**

UBI Banca Group: Consolidated income statement - mandatory statement -

	Items *(Figures in thousands of euro)*	**31.12.2017**	**31.12.2016**
10.	Interest and similar income	2,261,451	2,161,121
20.	Interest expense and similar	(610,213)	(663,230)
30.	**Net interest income (expense)**	**1,651,238**	**1,497,891**
40.	Fee and commission income	1,744,216	1,508,992
50.	Fee and commission expense	(197,425)	(173,959)
60.	**Net fee and commission income**	**1,546,791**	**1,335,033**
70.	Dividends and similar income	13,684	9,678
80.	Net trading income	122,368	69,947
90.	Net hedging income (loss)	(419)	415
100.	Income from disposal or repurchase of:	130,432	91,770
	a) loans and receivables	(47,056)	(31,482)
	b) available-for-sale financial assets	134,996	149,014
	c) held-to-maturity investments	55,937	-
	d) financial liabilities	(13,445)	(25,762)
110.	Net income (loss) on financial assets and liabilities designated at fair value	12,722	(8,421)
120.	**Gross income**	**3,476,816**	**2,996,313**
130.	Net impairment losses on:	(862,306)	(1,695,584)
	a) loans and receivables	(728,343)	(1,565,527)
	b) available-for-sale financial assets	(165,624)	(111,643)
	d) other financial transactions	31,661	(18,414)
140.	**Net financial income**	**2,614,510**	**1,300,729**
150.	Net insurance premiums	155,128	-
160.	Other income/expense of insurance operations	(173,384)	-
170.	**Net income from banking and insurance operations**	**2,596,254**	**1,300,729**
180.	Administrative expenses	(2,619,278)	(2,570,182)
	a) staff costs	(1,542,463)	(1,599,717)
	b) other administrative expenses	(1,076,815)	(970,465)
190.	Net provisions for risks and charges	(9,009)	(42,885)
200.	Net impairment losses on property, plant and equipment	(87,971)	(80,823)
210.	Net impairment losses on intangible assets	(68,713)	(125,197)
220.	Other net operating income/(expense)	319,825	306,541
230.	**Operating expenses**	**(2,465,146)**	**(2,512,546)**
240.	Profits of equity investments	23,391	24,136
265.	Negative consolidation difference	640,810	-
270.	Profits on disposal of investments	859	22,969
280.	**Pre-tax profit (loss) from continuing operations**	**796,168**	**(1,164,712)**
290.	Taxes on income for the year from continuing operations	(79,176)	319,619
300.	**Post-tax profit (loss) from continuing operations**	**716,992**	**(845,093)**
320.	**Profit (loss) for the year**	**716,992**	**(845,093)**
330.	(Profit) loss attributable to non-controlling interests	(26,435)	14,943
340.	**Profit (loss) for the year attributable to the Parent**	**690,557**	**(830,150)**

UBI Banca Group: Reclassified consolidated balance sheet

(Figures in thousands of euro)		31.12.2017	31.12.2016 *Aggregate*	Changes	% changes
	ASSETS				
10.	Cash and cash equivalents	811,578	3,219,180	(2,407,602)	(74.8%)
20.	Financial assets held for trading	924,475	881,457	43,018	4.9%
30.	Financial assets designated at fair value	92,290	218,743	(126,453)	(57.8%)
40.	Available-for-sale financial assets	9,861,978	13,516,860	(3,654,882)	(27.0%)
50.	Held-to-maturity investments	5,937,872	7,327,544	(1,389,672)	(19.0%)
60.	Loans and advances to banks	7,836,002	4,820,974	3,015,028	62.5%
70.	Loans and advances to customers	92,338,083	93,769,311	(1,431,228)	(1.5%)
80.	Hedging derivatives	169,907	466,715	(296,808)	(63.6%)
90.	Fair value change in hedged financial assets (+/-)	(2,035)	39,398	(41,433)	(105.2%)
100.	Equity investments	243,165	254,384	(11,219)	(4.4%)
110.	Technical reserves of reinsurers	347	369	(22)	(6.0%)
120.	Property, plant and equipment	1,811,743	1,844,592	(32,849)	(1.8%)
130.	Intangible assets	1,728,328	1,719,950	8,378	0.5%
	of which: goodwill	*1,465,260*	*1,468,808*	*(3,548)*	(0.2%)
140.	Tax assets	4,170,387	4,393,975	(223,588)	(5.1%)
150.	Non-current assets and disposal groups held for sale	962	5,681	(4,719)	(83.1%)
160.	Other assets	1,451,059	1,645,992	(194,933)	(11.8%)
	Total assets	**127,376,141**	**134,125,125**	**(6,748,984)**	**(5.0%)**
	LIABILITIES AND EQUITY				
10.	Due to banks	16,733,006	14,458,089	2,274,917	15.7%
20.	Due to customers	68,434,827	70,989,458	(2,554,631)	(3.6%)
30.	Debt securities issued	26,014,943	32,268,779	(6,253,836)	(19.4%)
40.	Financial liabilities held for trading	411,653	861,478	(449,825)	(52.2%)
50.	Financial liabilities designated at fair value	43,021	40,329	2,692	6.7%
60.	Hedging derivatives	100,590	279,455	(178,865)	(64.0%)
80.	Tax liabilities	223,397	243,771	(20,374)	(8.4%)
100.	Other liabilities	2,742,088	2,520,157	221,931	8.8%
110.	Post-employment benefits	350,779	422,230	(71,451)	(16.9%)
120.	Provisions for risks and charges:	536,265	751,965	(215,700)	(28.7%)
	a) pension and similar obligations	137,213	145,373	(8,160)	(5.6%)
	b) other provisions	399,052	606,592	(207,540)	(34.2%)
130.	Technical reserves	1,780,701	1,675,012	105,689	6.3%
140.+170.+180. +190.+ 200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,234,626	11,393,077	(2,158,451)	(18.9%)
210.	Non-controlling interests	79,688	82,644	(2,956)	(3.6%)
220.	Profit (loss) for the period/year	690,557	(1,861,319)	2,551,876	n.s.
	Total liabilities and equity	**127,376,141**	**134,125,125**	**(6,748,984)**	**(5.0%)**

UBI Banca Group: Reclassified consolidated income statement

	(Figures in thousands of euro)	31.12.2017 A	31.12.2016 * B	Changes A-B	% changes A/B
10.-20.	Net interest income	1,626,615	1,497,891	128,724	8.6%
70.	Dividends and similar income	13,090	9,678	3,412	35.3%
	Profits of equity-accounted investees	23,391	24,136	(745)	(3.1%)
40.-50.	Net fee and commission income	1,546,263	1,335,033	211,230	15.8%
	of which performance fees	*22,894*	*26,349*	*(3,455)*	*(13.1%)*
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	252,613	153,711	98,902	64.3%
150.+160.	Net income from insurance operations	12,369	-	12,369	-
220.	Other net operating income/expense	104,140	99,050	5,090	5.1%
	Operating income	**3,578,481**	**3,119,499**	**458,982**	**14.7%**
180.a	Staff costs	(1,480,942)	(1,275,306)	205,636	16.1%
180.b	Other administrative expenses	(787,630)	(734,654)	52,976	7.2%
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(158,463)	(143,506)	14,957	10.4%
	Operating expenses	**(2,427,035)**	**(2,153,466)**	**273,569**	**12.7%**
	Net operating income	**1,151,446**	**966,033**	**185,413**	**19.2%**
130.a	Net impairment losses on loans	(728,343)	(1,565,527)	(837,184)	(53.5%)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(133,963)	(130,057)	3,906	3.0%
190.	Net provisions for risks and charges	(9,009)	(42,885)	(33,876)	(79.0%)
240.+270.	Profits (losses) from the disposal of equity investments	859	22,969	(22,110)	(96.3%)
	Pre-tax profit (loss) from continuing operations	**280,990**	**(749,467)**	**1,030,457**	**n.s.**
290.	Taxes on income for the period/year from continuing operations	(120,367)	182,388	(302,755)	n.s.
330.	(Profit) loss for the period/year attributable to non-controlling interests	(27,023)	1,267	(28,290)	n.s.
	Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts	**133,600**	**(565,812)**	**699,412**	**n.s.**
180.a	Redundancy expenses net of taxes and non-controlling interests	(41,093)	(207,783)	(166,690)	(80.2%)
210.	Impairment losses on brands net of taxes and non-controlling interests	-	(37,936)	37,936	100.0%
180.b	Single Bank Project expenses net of taxes and non-controlling interests	(6,615)	(15,541)	(8,926)	(57.4%)
200.	Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(2,908)	(3,078)	(170)	(5.5%)
180.b	Bridge Bank Project expenses net of taxes and non-controlling interests	(33,237)	-	(33,237)	-
265.	Negative consolidation difference	640,810	-	640,810	-
340.	**Profit (loss) for the period/year attributable to the shareholders of the Parent**	**690,557**	**(830,150)**	**1,520,707**	**n.s.**

* The Consolidated financial information as at 31.12.2016 is not comparable with that as at 31.12.2017 because 2016 refers to the UBI Banca Group before the acquisition, concluded on 10 May 2017, of the 3 new Banks (the so-called Stand Alone UBI Banca Group)

Defaulted and problem loans

The classification of the problem loan portfolio complies with the official regulations and can be summarised as follows:

- "unlikely to pay" loans (*inadempienze probabili, previously termed "impaired" and "restructured" loans*);
- bad loans (*crediti in sofferenza, previously termed "non performing loans"*);
- loans past due and/or continously in arrears (*esposizioni scadute e/o sconfinanti*); and
- unguaranteed loans to countries at risk *(crediti soggetti a rischio paese*).

"Unlikely to pay" loans

These portfolio of loans includes both positions for which it is considered that the temporary situation of objective difficulty can be overcome in a very short period of time and positions for which, on the contrary, it is felt best to disengage from the account with credit recovery out of court over a longer period of time.

Bad loans

Bad loans are loans in relation to which the relevant borrower is in a state of insolvency (whether or not insolvency proceedings have been commenced). A subjective test is used by the relevant lending bank to determine whether the borrower is in a state of insolvency.

Past due Loans

Loans past due include loans in respect of which both of the following conditions apply:

(i) repayment is in arrears for more than 90 continuous days;[ii] and

(ii) other than in the case of loans secured by real estate, repayment is in arrears for an amount equal to or higher than 5 per cent. of the total exposure.

Loans secured by real estate in respect of which repayment is in arrears for more than 90 continuous days are classified as past due without any reference to the 5 per cent. threshold stated above.

Unguaranteed loans to countries at risk

"Country risk" relates to problems of solvency in countries where there are difficulties surrounding the service of debt. There are seven categories of risk. Italian banks must monitor the percentage of devaluation (0-15-20-25-30-40-60 per cent.) which has to be applied to loans in each of these categories which are not specifically guaranteed against political or economic risk. Italian banks must report monthly to the Bank of Italy on their positions for each country.

The following table shows a breakdown of the UBI Banca Group's loans as at 31 December 2017 and as at 31 December 2016.

		Gross	%	Impairment	Carrying amount	%	
Non performing exposures		12,652,004	13.0%	(4,491,261)	8,160,743	8.8%	
	Bad	7,343,564	7.6%	(3,307,950)	4,035,614	4.4%	
	Unlikely to pay	5,142,704	5.3%	(1,172,769)	3,969,935	4.3%	
	Past-Due	165,736	0.2%	(10,542)	155,194	0.2%	
Performing exposures		84,588,483	87.0%	(411,143)	84,177,340	91.2%	
Total		97,240,487	100.0%	(4,902,404)	92,338,083	100.0%	

[ii] As a result of new regulations implemented by the Bank of Italy.

	Loans to customers as at 31 December 2016				
	Gross exposure	%	Impairment losses	Carrying amount	%
	(Figures in thousands of Euro)				
Non performing exposures	**12,521,432**	**14.44**	**4,465,824**	**8,055,608**	**9.84**
Bad loans	7,260,761	8.37	(3,273,458)	3,987,303	4.87
"Unlikely to pay" loans	5,119,194	5.91	(1.184,283)	3,934,911	4.81
Past due loans	141,477	0.16	(8,083)	133,394	0.16
Performing loans	**74,177,541**	**85.56**	**(378,869)**	**73,798,672**	**90.16**
Total	**86,698,973**	**100.00**	**(4,844,693)**	**81,854,280**	**100.00**

Perimeter of the portfolio inspected by the ECB

In 2017, the ECB conducted a credit file review of the UBI Banca Group's (UBI Banca, UBI Leasing and UBI Factor) corporate portfolio (specialised lending, corporates business lending, large corporates, small businesses, with the exclusion of retail business). The credit file review was conducted on the positions as at 30 June 2017 and covered:

Euro 4.4 billion of gross non-performing loans (NPLs) (91% of Euro 4.9 billion total perimeter); and

Euro 5.7 billion of gross performing loans (the riskier part of the performing loan book) on a total perimeter of Euro 30.9 billion.

Funding (consolidated)

The following table presents the sources of the UBI Banca Group's funding from customers as at 31 December 2017.

	Direct funding from customers		
	31 December 2017		
		%	
Due to customer	68,434,827	72.5%	
Securities in issue	26,014,943	27.5%	
of which EMTN	4,552,668	4.8%	
Total direct funding	94,449,770	100.0%	

Financial assets/liabilities of the UBI Banca Group

The book value of securities portfolios (net of liabilities) of the UBI Banca Group amounted to approximately Euro 16.4 billion as at 31 December 2017 and 17.1 billion as at 31 December 2016. The securities portfolios have been classified into IFRS categories as follows:

Financial assets held for trading	924,475
Financial assets designated at fair value	92,290
Available-for-sale financial assets	9,861,978
Held-to-maturity investments	5,937,872
Financial assets	16,816,615
Financial liabilities held for trading	411,653
Financial liabilities at fair value	43,021
Net financial assets	16,361,941

The interbank position of the UBI Banca Group

As at 31 December 2017, Loans and advances to banks amounted to Euro 7.8 billion and Interbank funding amounted to approximately Euro 16.7 billion.

As at 31 December 2016, Loans and advances to banks amounted to Euro 3.7 billion and Interbank funding amounted to approximately Euro 14.1 billion.

Financial information as at and for the three months ended 31 March 2018

On 10 May 2018 the Management Board of UBI Banca approved the consolidated results for the first quarter of 2018, which ended with a profit of Euro 117.7 million compared to Euro 67.0 million achieved in the same period of 2017 and to Euro 42.1 million achieved in the same period of 2016.

The Issuer makes use of the incorporation regime by means of reference to the document indicated above pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation (EC) 809/2004.

Consolidated balance sheet (Mandatory financial statements)

Figures in thousands of euro		31.3.2018	31.12.2017 restated
ASSETS			
10.	Cash and cash equivalents	612,826	811,578
20.	Financial assets measured at fair value through profit or loss	1,541,428	1,972,209
	a) financial assets held for trading	445,130	887,153
	b) financial assets designated as at fair value	10,974	11,271
	c) other financial assets mandatorily measured at fair value	1,085,324	1,073,785
30.	Financial assets measured at fair value through other comprehensive income	12,645,089	12,369,616
40.	Financial assets measured at amortised cost	102,740,393	102,648,875
	a) loans to banks	8,143,013	7,821,132
	b) loans to customers	94,597,380	94,827,743
50.	Hedging derivatives	67,656	169,907
60.	Fair value change in hedged financial assets (+/-)	(181)	(2,035)
70.	Equity investments	248,267	243,165
80.	Technical reserves of reinsurers	331	347
90.	Property, plant and equipment	1,799,070	1,811,743
100.	Intangible assets	1,723,921	1,728,328
	of which: goodwill	*1,465,260*	*1,465,260*
110.	Tax assets	4,017,911	4,170,387
	a) current	1,435,353	1,497,551
	b) deferred	2,582,558	2,672,836
	- of which pursuant to Law No. 214/2011	*1,806,782*	*1,817,819*
120.	Non-current assets and disposal groups held for sale	995	962
130.	Other assets	1,165,674	1,451,059
Total Assets		**126,563,380**	**127,376,141**

Consolidated balance sheet (Mandatory financial statements)

Figures in thousands of euro		31.3.2018	31.12.2017 restated
LIABILITIES AND EQUITY			
10.	Financial liabilities measured at amortised cost	111,520,617	111,182,776
	a) due to banks	17,308,468	16,733,006
	b) due to customers	68,944,514	68,434,827
	c) debt securities issued	25,267,635	26,014,943
20.	Financial liabilities held for trading	367,105	411,653
30.	Financial liabilities designated as at fair value	59,019	43,021
40.	Hedging derivatives	98,872	100,590
50.	Fair value change in hedged financial liabilities (+/-)	27,825	-
60.	Tax liabilities	271,990	223,397
	a) current	78,578	68,565
	b) deferred	193,412	154,832
70.	Liabilities associated with assets held for sale	-	-
80.	Other liabilities	2,035,487	2,694,744
90.	Provision for post-employment benefits	336,807	350,779
100.	Provisions for risks and charges:	584,088	583,609
	a) commitments and guarantees granted	77,284	47,344
	b) pension and similar obligations	135,190	137,213
	c) other provisions for risks and charges	371,614	399,052
110.	Technical reserves	1,901,000	1,780,701
120.	Valuation reserves	8,946	(54,901)
150.	Reserves	3,034,254	3,149,541
160.	Share premiums	3,306,627	3,306,627
170.	Share capital	2,843,177	2,843,177
180.	Treasury shares (-)	(9,818)	(9,818)
190.	Minority interests (+/-)	59,724	79,688
200.	Profit for the period/year (+/-)	117,660	690,557
TOTAL LIABILITIES AND EQUITY		**126,563,380**	**127,376,141**

Consolidated income statement (Mandatory financial statements)

Figures in thousands of euro		1Q 2018	1Q 2017 restated
10.	Interest and similar income	550,221	479,115
	of which: interest income calculated with effective interest method	475,575	-
20.	Interest and similar expense	(94,710)	(131,928)
30.	**Net interest income**	**455,511**	**347,187**
40.	Fee and commission income	458,950	399,292
50.	Fee and commission expense	(51,275)	(48,431)
60.	**Net fee and commission income**	**407,675**	**350,861**
70.	Dividends and similar income	5,265	2,045
80.	Net trading income	12,256	23,950
90.	Net hedging loss	(1,529)	(2,089)
100.	Income from disposal or repurchase of:	23,835	40,501
	a) financial assets measured at amortised cost	(564)	(721)
	b) financial assets measured at fair value through other comprehensive income	26,710	44,031
	c) financial liabilities	(2,311)	(2,809)
110.	Net income (loss) from other financial assets and liabilities measured at fair value through profit or loss	(756)	2,998
	a) financial assets and liabilities designated as at fair value	(262)	2,998
	b) other financial assets mandatorily measured at fair value	(494)	-
120.	**Gross income**	**902,257**	**765,453**
130.	Net impairment losses for credit risk relating to:	(124,088)	(173,704)
	a) financial assets measured at amortised cost	(119,515)	(134,802)
	b) financial assets measured at fair value through other comprehensive income	(4,573)	(38,902)
140.	Losses from contractual modifications without derecognition	(8,660)	-
150.	**Net financial income**	**769,509**	**591,749**
160.	Net insurance premiums	129,220	-
170.	Other income/expenses of insurance operations	(129,481)	-
180.	**Net income from banking and insurance operations**	**769,248**	**591,749**
190.	Administrative expenses	(646,668)	(549,432)
	a) staff costs	(375,281)	(320,579)
	b) other administrative expenses	(271,387)	(228,853)
200.	Net provisions for risks and charges	9,650	15,300
	a) commitments and guarantees granted	11,063	22,760
	b) other net provisions	(1,413)	(7,460)
210.	Depreciation and net impairment losses on property, plant and equipment	(21,196)	(18,920)
220.	Amortisation and net impairment losses on intangible assets	(19,377)	(15,464)
230.	Other net operating income/expense	83,612	82,170
240.	**Operating expenses**	**(593,979)**	**(486,346)**
250.	Profits of equity investments	7,261	3,809
280.	Profits on disposal of investments	793	116
290.	**Pre-tax profit from continuing operations**	**183,323**	**109,328**
300.	Taxes on income for the period from continuing operations	(59,708)	(36,237)
310.	**Post-tax profit from continuing operations**	**123,615**	**73,091**
330.	**Profit for the period**	**123,615**	**73,091**
340.	Profit for the period attributable to minority interests	(5,955)	(6,054)
350.	**Profit for the period attributable to the shareholders of the Parent**	**117,660**	**67,037**

Reclassified consolidated balance sheet

Figures in thousands of euro		31.3.2018	1.1.2018	changes	% changes
	ASSETS				
10.	Cash and cash equivalents	612,826	811,578	(198,752)	(24.5%)
20.	Financial assets measured at fair value through profit or loss	1,541,428	1,979,802	(438,374)	(22.1%)
	1) loans and advances to banks	*14,900*	*14,755*	145	1.0%
	2) loans and advances to customers	*340,800*	*362,426*	*(21,626)*	*(6.0%)*
	3) securities and derivatives	*1,185,728*	*1,602,621*	*(416,893)*	*(26.0%)*
30.	Financial assets measured at fair value through other comprehensive income	12,645,089	12,435,307	209,782	1.7%
	1) loans and advances to banks	-	-	-	0.0%
	2) loans and advances to customers	-	-	-	0.0%
	3) securities	*12,645,089*	*12,435,307*	*209,782*	*1.7%*
40.	Financial assets measured at amortised cost	102,740,393	101,833,189	907,204	0.9%
	1) loans and advances to banks	*8,142,802*	*7,814,811*	*327,991*	*4.2%*
	2) loans and advances to customers	*91,575,231*	*90,980,959*	*594,272*	*0.7%*
	3) securities	*3,022,360*	*3,037,419*	*(15,059)*	*(0.5%)*
50.	Hedging derivatives	67,656	169,907	(102,251)	(60.2%)
60.	Fair value change in hedged financial assets (+/-)	(181)	(2,035)	(1,854)	(91.1%)
70.	Equity investments	248,267	243,165	5,102	2.1%
80.	Technical reserves of reinsurers	331	347	(16)	(4.6%)
90.	Property, plant and equipment	1,799,070	1,811,743	(12,673)	(0.7%)
100.	Intangible assets	1,723,921	1,728,328	(4,407)	(0.3%)
	of which: goodwill	*1,465,260*	*1,465,260*	-	0.0%
110.	Tax assets	4,017,911	4,184,524	(166,613)	(4.0%)
120.	Non-current assets and disposal groups held for sale	995	962	33	3.4%
130.	Other assets	1,165,674	1,451,059	(285,385)	(19.7%)
	Total assets	**126,563,380**	**126,647,876**	**(84,496)**	**(0.1%)**
	LIABILITIES AND EQUITY				
10.	Financial liabilities measured at amortised cost	111,520,617	111,182,776	337,841	0.3%
	a) due to banks	*17,308,468*	*16,733,006*	*575,462*	*3.4%*
	b) due to customers	*68,944,514*	*68,434,827*	*509,687*	*0.7%*
	c) debt securities issued	*25,267,635*	*26,014,943*	*(747,308)*	*(2.9%)*
20.	Financial liabilities held for trading	367,105	411,653	(44,548)	(10.8%)
30.	Financial liabilities designated as at fair value	59,019	43,021	15,998	37.2%
40.	Hedging derivatives	98,872	100,590	(1,718)	(1.7%)
50.	Fair value change in hedged financial liabilities (+/-)	27,825	-	27,825	0.0%
60.	Tax liabilities	271,990	240,908	31,082	12.9%
70.	Liabilities associated with assets held for sale	-	-	-	0.0%
80.	Other liabilities	2,035,487	2,694,744	(659,257)	(24.5%)
90.	Provision for post-employment benefits	336,807	350,779	(13,972)	(4.0%)
100.	Provisions for risks and charges:	584,088	624,612	(40,524)	(6.5%)
	a) commitments and guarantees granted	*77,284*	*88,347*	*(11,063)*	*(12.5%)*
	b) pension and similar obligations	*135,190*	*137,213*	*(2,023)*	*(1.5%)*
	c) other provisions for risks and charges	*371,614*	*399,052*	*(27,438)*	*(6.9%)*
110.	Technical reserves	1,901,000	1,780,701	120,299	6.8%
120.+150.+160. +170.+180.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,183,186	8,447,847	735,339	8.7%
190.	Minority interests (+/-)	59,724	79,688	(19,964)	(25.1%)
200.	Profit for the period/year (+/-)	117,660	690,557	(572,897)	(83.0%)
	Total liabilities and equity	**126,563,380**	**126,647,876**	**(84,496)**	**(0.1%)**

Reclassified consolidated income statement

Figures in thousands of euro		1st Quarter 2018 IFRS 9 A	4th Quarter 2017 IAS 39 B	changes A-B	% changes A/B
10.-20.-140.	Net interest income	437,794	478,943		
	of which: TLTRO II	*12,554*	*68,806*		
	of which: IFRS9 credit components	*25,663*	-		
	of which: IFRS9 contractual modifications without derecognition components	*(8,660)*	-		
70.	Dividends and similar income	5,137	2,723	2,414	88.7%
	Profits of equity-accounted investees	7,261	6,845	416	6.1%
40.-50.	Net fee and commission income	407,338	395,031	12,307	3.1%
	of which performance fees	*1,744*	*13,295*	(11,551)	(86.9%)
80.+90. +100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	33,742	67,492		
160.+170.	Net income from insurance operations	5,455	3,662	1,793	49.0%
230.	Other net operating income/expense	28,367	28,460	(93)	(0.3%)
	Operating income	**925,094**	**983,156**		
190. a)	Staff costs	(375,534)	(384,268)	(8,734)	(2.3%)
190. b)	Other administrative expenses	(205,914)	(209,757)	(3,843)	(1.8%)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(41,617)	(43,521)	(1,904)	(4.4%)
	Operating expenses	**(623,065)**	**(637,546)**	**(14,481)**	**(2.3%)**
	Net operating income	**302,029**	**345,610**		
130	Net impairment losses for credit risk relating to:	(124,088)	(338,453)		
130. a)	- financial assets measured at amortised cost: loans to banks	(1,725)	-		
130. a)	- financial assets measured at amortised cost: loans to customers	(117,671)	(310,663)		
130. a)	- financial assets measured at amortised cost: securities	(119)	-		
130. b)	- financial assets measured at fair value through other comprehensive income	(4,573)	(27,790)		
200. a)	Net provisions for risks and charges - commitments and guarantees granted	11,063	24,190		
200. b)	Net provisions for risks and charges - other net provisions	(1,413)	1,452		
250.+280.	Profits (losses) from the disposal of equity investments	793	(221)	1,014	n.s.
290.	**Pre-tax profit from continuing operations**	**188,384**	**32,578**		
300.	Taxes on income for the period from continuing operations	(61,351)	(8,173)	53,178	650.7%
340.	Profit for the period attributable to minority interests	(6,009)	(8,186)	(2,177)	(26.6%)
	Profit for the period before the Business Plan and other impacts	**121,024**	**16,219**		
190. a)	Redundancy expenses net of taxes and minority interests	164	(37,500)	37,664	n.s.
190. b)	Business Plan Project expenses net of taxes and minority interests	(3,528)	(12,239)	(8,711)	(71.2%)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	-	(2,908)	(2,908)	(100.0%)
275.	Negative consolidation difference	-	24,570	(24,570)	(100.0%)
350.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**117,660**	**(11,858)**	**129,518**	**n.s.**

UBI Banca Quarterly Financial Report at 31 March 2018 constitutes the first accounting report prepared in compliance with provisions of IFRS 9 and of IFRS 15 drawn up on the basis of the Circular of the Bank of Italy no. 262/2005 of 22 December 2005 as introduced by the 5th update of 22 December 2017 which innovated the schemes mainly to incorporate the introduction of the international accounting standard IFRS 9 "*Financial Instruments*", which replaced IAS 39 "*Instruments financial statements: recognition and measurement* " starting from 1 January 2018.

As a result of this, the Issuer points out the substantial impossibility of comparing the data as at 31 March 2018 with the previous periods ended on 31 December 2017 and 31 December 2016 as they were prepared in compliance with accounting standards no longer applicable. It should also be noted that, where specified, the accounting records as at 31 December 2016 relate to the UBI Group before the acquisition of the 3 new banks and, therefore, are also not comparable.

For any further details, please make reference to the section headed "*The transition to IFRS 9 in the UBI Banca Group*" set forth under the UBI Banca Quarterly Financial Report at 31 March 2018

The figures as at 31 December 2017 are compared with the previous periods that represent the UBI Banca Group without the contribution of the new banks and, therefore, are not fully comparable with each other. In order to enable a comparison between the balance sheet and income statement, reclassified statements have been prepared. In particular, with reference to the figures as of 31 December 2017, the reclassified Income Statement has been prepared with effects on the 2017 Income Statement of the PPA process relating to new banks (allocation of badwill).

From a financial point of view, the reclassified statement as at 31 December 2017 is presented with the "aggregate" comparative column as at 31 December 2016 (to take into account data referring to new banks) and allow a homogeneous examination of the balance sheet items on an annual basis.

UBI BANCA AND THE UBI BANCA GROUP

Unione di Banche Italiane S.p.A. ("**UBI Banca**") is the entity resulting from the merger by incorporation of Banca Lombarda e Piemontese S.p.A. into Banche Popolari Unite S.c.p.A. ("**BPU**") (the "**Merger**"). The Merger became legally effective on 1 April 2007, with the surviving entity, BPU, changing its name to UBI Banca. UBI Banca is the parent company of the UBI Banca group (the "**UBI Banca Group**"). On 12 October 2015, UBI Banca was the first Italian *banca popolare* to become a Joint Stock Company (S.p.A.).

The Head Office and General Management of UBI Banca are located at Piazza Vittorio Veneto 8, 24122 Bergamo (Italy) and the telephone number is +39 035392111. UBI Banca's fiscal code, VAT number and registration number in the Company Registry of Bergamo is 03053920165. UBI Banca is registered under number 5678 in the Bank of Italy's Bank Registry and under number 3111.2 in the Bank of Italy's Banking Groups' Registry. UBI Banca operates under the laws of the Republic of Italy. The duration of UBI Banca's corporate life is until 31 December 2100, but may be extended.

Ratings

The following ratings have been assigned to UBI Banca by S&P, Moody's, Fitch and DBRS:

S&P	
Short-term Issuer Credit Rating	*A-3*
Long-term Issuer Credit Rating	*BBB-*
Stand Alone Credit Profile (SACP)	*bbb-*
Short-term Resolution Counterparty Rating	*A-2*
Long-term Resolution Counterparty Rating	*BBB*
Outlook (Long-term Issuer Credit Rating)	*Stable*
Moody's	
Long-term Bank Deposits Rating	*Baa2*
Short-term Bank Deposits Rating	*Prime-2*
Baseline Credit Assessment	*ba2*
Long-term Issuer Rating	*Baa3*
Long-term Counterparty Risk Rating	*Baa2*
Short-term Counterparty Risk Rating	*Prime-2*
Long-term Counterparty Risk Assessment	*Baa2 (cr)*
Short-term Counterparty Risk Assessment	*Prime-2 (cr)*
Outlook for Long-term Bank Deposits Rating	*Stable*

Outlook for Long-term Issuer Rating	*Negative*
Fitch	
Short-term Issuer Default Rating	*F3*
Long-term Issuer Default Rating	*BBB-*
Viability Rating	*bbb-*
Support Rating	*5*
Support Rating Floor	*No Floor*
Outlook for Long-term Issuer Default Rating	*Negative*

- ***DBRS***

Long term Issuer rating	*BBB*
Short term Issuer rating	*R -2 (high)*
Long-term Senior Debt	*BBB*
Short-term Debt	*R -2 (high)*
Intrinsic Assessment (IA)	*BBB*
Support Assessment	*SA3*
Long-term Critical Obligations Rating	*A (low)*
Short-term Critical Obligations Rating	*R-1 (low)*
Long-term Deposits	*BBB*
Short-term Deposits	*R-2 (high)*
Trend (all ratings)	*Stable*

S&P, Moody's, Fitch and DBRS are established in the European Union and are registered under the CRA Regulation.

The UBI Banca Group

UBI Banca, the parent bank of the UBI Banca Group, is a company listed on the Italian Stock Exchange and included in the FTSE MIB index.

The consolidated figures of the UBI Banca Group as at 31 December 2017 were as follows:

- a domestic network of 1,838 branches;
- 21,414 employees actually in service (*Dipendenti effettivi in servizio*);
- approximately 4.3million customers;

- direct funding[iii] from customers of Euro 94.4 billion;
- loans and advances to customers of Euro 92.3 billion;
- total assets of Euro 127.4billion; and
- sound capital ratios[iv]: phases in Common Equity Tier 1 ratio of 11.56 per cent., Tier 1 of 11.56 per cent., Total Capital ratio of 14.13 per cent.

The UBI Banca Group's distribution structure is as follows (with, in each case, market share in relation to branches given as at 31 December 2017[v]):

- a strong presence in some of the wealthiest regions of Italy, namely Lombardy (13.0 per cent. market share), Piedmont (7.6 per cent. market share) and Marches (27.9 per cent. market share);
- leadership in the reference provinces: Bergamo (23.7 per cent. market share), Brescia (22.4 per cent. market share), Varese (24.5 per cent. market share) and Cuneo (21.0 per cent. market share); and
- a market share equal to or greater than 10 per cent. in other 24 provinces: and a significant presence in the provinces of Milan (8.7 per cent. market share) and of Rome (6.3 per cent. market share).

The Parent Bank – UBI Banca S.p.A.

UBI Banca performs commercial activity directly through its branch network. It also supports the activities of product companies in their core business, drawing up their budget and consolidated Business Plan. UBI Banca ensures that business initiatives and commercial policies are consistent, coordinates the development and management of the range of products and services, manages group finances centrally and supervises the lending policies of the UBI Banca Group.

Until 2016, the UBI Banca Group had a federal organisational model, where UBI Banca, as parent company, centralised governance, control, coordination and support functions. Until November 2016, the UBI Banca Group distribution network included seven network banks (Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Regionale Europea, Banca di Valle Camonica, Banca Popolare di Ancona and Banca Carime) (together, the "**Network Banks**"). The Network Banks operated in their original local markets with the objective of consolidating and broadening customer relations and maximising the economic value and the quality of the services

iii Sum of:
- Total amounts due to customers: Euro 68.4 billion (item 20 Liabilities – consolidated balance sheet)
- Total debt securities issued: Euro 26 billion (item 30 Liabilities – consolidated balance sheet)

iv Calculated according to the prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1st January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.

v Market share information sourced from Bank of Italy regulatory registers and lists, "*https://infostat.bancaditalia.it/giava-inquiry-public/flex/Giava/GIAVAFEInquiry.html#*.

they provide at local level. In June 2016, the Supervisory Board of UBI Banca approved the 2019 - 2020 Business Plan, which included the adoption of a simpler and more efficient baseline operating structure. Subsequently, the Supervisory Board of UBI Banca and the Boards of Directors of the Network Banks passed resolutions approving the Single Bank Project. Banca Popolare Commercio e Industria and Banca Regionale Europea were merged into UBI Banca on 21 November 2016 and all the remaining five banks (Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare di Ancona, Carime and Banca di Valle Camonica) were merged into UBI Banca on the following 20 February.

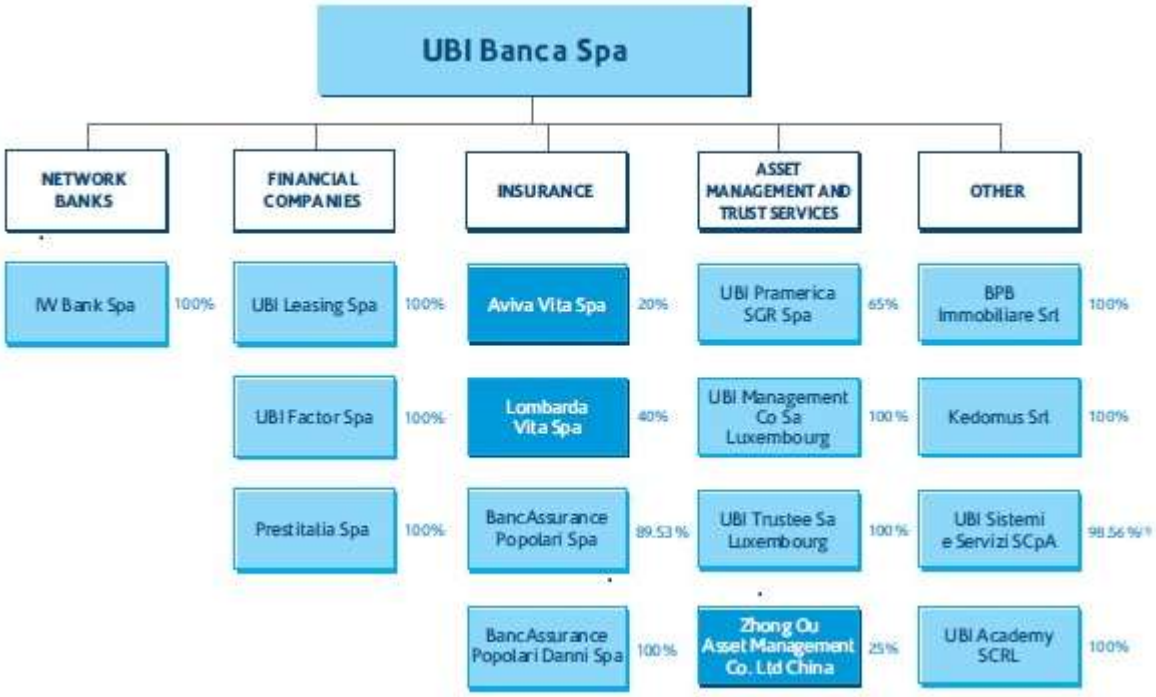
On 10 May 2017, UBI Banca concluded the acquisition from the Italian National Resolution Fund of 100 per cent. of the share capital of Nuova Banca delle Marche S.p.A., Nuova Banca dell'Etruria e del Lazio S.p.A.and Nuova Cassa di Risparmio di Chieti S.p.A. (the "**Acquisition**") pursuant the terms and conditions provided in the purchase and sale agreement entered into on 18 January 2017 with the Bank of Italy, in its capacity as the manager for and on behalf of the Italian National Resolution Fund, following the bid made by UBI Banca on 11 January 2017. These Banks operated mainly in the regions of Marches, Abruzzo, Lazio, Umbria and Tuscany.

On 11 May 2017 the Management Board and the Supervisory Board of UBI Banca approved the merger into UBI Banca of Nuova Banca delle Marche S.p.A., Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Banca Federico del Vecchio S.p.A. and Cassa di Risparmio di Loreto S.p.A. The mergers by incorporation into UBI Banca were concluded as follows: Nuova Banca delle Marche S.p.A. and Cassa di Risparmio di Loreto S.p.A on the 23rd of October 2017, Nuova Banca dell'Etruria e del Lazio S.p.A. and Banca Federico del Vecchio S.p.A. on 27th November 2017, and Nuova Cassa di Risparmio di Chieti S.p.A. on 26 February 2018.

As a result, from February 2018 UBI Banca is a single bank which performs commercial activity directly through its branches.

Product Companies

- UBI Banca is active, through its product companies, in a number of different specialist sectors (often in partnership with third party operators), namely asset management, life bancassurance, salary-backed loans, leasing, factoring and online trading. The product companies' role is to optimise the quality, breadth of range and value for money of their products and services, concentrating and rationalising the specialist expertise of the UBI Banca Group. The product companies distribute their services mainly through the UBI Banca network.



(1) The remaining 1.44 % is held by Cargeas Assicurazioni Spa (the former UBI Assicurazioni Spa).

The percentages relate to the total interests held (direct and indirect) by the Group in the entire share/quota capital.

UBI Banca Group Companies and Operations

The UBI Banca Group structure may be summarised as follows:

(a) UBI Banca, the parent company of the UBI Banca Group, operates through its 1,838 branch network. The network, deeply rooted in the local regional markets, is focused on the development of commercial and lending activities with a client base consisting mainly of retail customers and small and medium sized businesses;

(b) a trading Bank, IW Bank Private Investments S.p.A., based in Milan, the result of the integration, effective 25 May 2015, of the Group's on-line bank, IW Bank S.p.A., and UBI Banca Private Investment S.p.A., a network of private bankers and financial advisers;

(c) various product companies operating mainly in the areas of asset management, life bancassurance, salary-backed loans, factoring and leasing;

(d) a consortium company, UBI Sistemi e Servizi S.c.p.A., based in Brescia, providing services (mainly IT) and products to the other group's companies; and

(e) various service companies.

The UBI Banca Group international presence is as follows:

(i) three foreign branches in France (at Nice, Menton and Antibes), one branch in Germany (Munich) and one in Spain (Madrid);

(ii) representative offices in San Paolo of Brazil, Hong Kong, Mumbai, Shanghai, Moscow, New York, Dubai and Casablanca;

(iii) one branch of UBI Factor S.p.A. in Krakow in Poland; and

(iv) other equity investments as per the above chart.

With effect from 1 November 2017, UBI Banca International S.A. (with headquarters in Luxembourg) was sold to EFG International AG.

Banking Activities

The financial information hereafter provided is extracted from the financial statements as at 31 December 2017.

Asset Management

UBI Pramerica Sgr S.p.A. ("**UBI Pramerica**"), the asset management company of the Group, is a joint venture between UBI Banca and Prudential International Investments Corporation., USA ("**Prudential**"), with 65 per cent. of its capital held by the UBI Banca Group and 35 per cent. held by Prudential.

UBI Pramerica offers a wide range of products, from mutual funds to discretionary asset management.

As at 31 December 2017, total assets under management of UBI Pramerica totalled Euro 34.8 billion and the company's net profit for the year amounted to Euro 74.1 million.

Bancassurance

In the life bancassurance sector, UBI Banca holds 20 per cent. of Aviva Vita S.p.A.

The existing commercial distribution agreements in force will expire on 31st December 2020. In 2017, in relation to the 20 per cent. of capital owned by UBI Banca, Aviva Vita S.p.A. contributed to UBI's result from equity investments with Euro 8.2 million.

UBI Banca has also a stake of 40 per cent. in Lombarda Vita S.p.A., active in the sector of life bancassurance: the existing commercial distribution agreements in force will expire on 31 December 2020. As concerns the stake owned by UBI Banca, in 2017 Lombarda Vita S.p.A. contributed to UBI Banca's result from equity investments with Euro 8.5 million.

Following the acquisition of Nuova Banca dell'Etruria e del Lazio S.p.A., UBI Banca now also owns 89.53 per cent. of BancAssurance Popolari S.p.A. and 100 per cent. of BancAssurance Popolari Danni S.p.A., active respectively in the life and a non-life business sectors.

In the non-life bancassurance business, UBI Banca has an exclusive distribution agreement with Cargeas Assicurazioni S.p.A., which will expire in 2034.

UBI Banca also has a partnership for non-life business with the broker MAG-JLT S.p.A.. This partnership focuses exclusively on non-standard products for UBI Banca Corporate customers. The partnership will expire at the beginning of 2023.

Leasing

The Group presently offers leasing products through UBI Leasing S.p.A. UBI Leasing S.p.A. is 100 per cent controlled by UBI Banca.

As at 31 December 2017 UBI Leasing S.p.A. had total outstanding loans amounting to Euro 6.9 billion and reported net loss of Euro 0.8 million.

Factoring

UBI Factor S.p.A. is wholly owned by UBI Banca. As at 31 December 2017 the company had outstanding loans amounting to Euro 2.5 billion and a net profit of Euro 2.2million.

Prestitalia

Prestitalia is the salary backed loans specialist of the Group. It is wholly owned by UBI Banca. As at 31 December 2017 the company had outstanding loans amounting to Euro 1.3 billion and a net profit of Euro 10.6 million.

IW Bank

IW Bank Private Investments S.p.A. ("**IW Bank**"), based in Milan is the result of the integration, effective from 25 May 2015, of the Group's on-line bank, IW Bank S.p.A., and UBI Banca Private Investment S.p.A., a network of private bankers and financial advisers (758 people as at 31 December 2017). IW Bank, 100 per cent. owned by UBI Banca, closed the financial year with a loss of Euro 5.4 million.

The Issuer's share capital

As at 31 December 2017, the issued share capital of the Issuer amounted to Euro 2,843,177,160.24, consisting of 1,144,285,146 ordinary shares.

Recent Developments

The annual update of the Strategic Non-Performing Loan Plan

In compliance with the provisions of ECB documents, starting in 2017 the UBI Banca Group formulated guidelines for the management of problem loans set out in the document entitled "RAF - Credit risk management policy", which it also introduced risk-based monitoring and a strategic NPL plan (the "**Plan**") submitted to the supervisory authority for the first time on 17 March 2017. The targets set in the document were initially reviewed as part of the update of the 2017-2020 Business Plan in order to include the new banks acquired, but this could not be considered an update of the Plan submitted to the ECB partly because of the different time frame involved.

The annual update of the Plan required by the guidelines and relating to the new perimeter of the Group, was submitted to the supervisory authorities in April 2018. The Plan not only confirmed the priority of the strategy for the internal management of credit recovery but also the strategy to dispose of non-performing exposures. In fact the sale of a significant portfolio of non-performing loans has been approved in order to accelerate the achievement of a percentage of gross non-performing loans below 10% between 2019 and 2020. That provision has been appropriately factored into future scenarios considered for the purposes of estimating expected credit losses on first time adoption of the new IFRS 9 accounting standard.

At same time, UBI Banca is carefully monitoring regulatory changes in progress made by the ECB, European Commission and EBA. Any estimate of the possible impact of these for the Group is premature at this stage.

Developments in Group governance

On 12 December 2017 the Supervisory Board approved guidelines for the revision of governance which involves the adoption of a single tier governance model because it would be: (i) more easily recognisable in consideration of its widespread use internationally; (ii) more efficient from an organisational viewpoint; and (iii) able to maintain a strong focus within the board on the control

function, with its consequent participation in strategic decision-making and in the management of the Bank.

The Management Board and the Supervisory Board approved a draft version of the new articles of association, for those matters that concern them. This draft is currently subject to the issue of the required authorisations by the supervisory authorities and once authorised, it will be submitted to the Extraordinary Shareholders' Meeting for approval. The process, which will also involve a revision of policies and internal procedures, should be concluded by the time of the 2019 Annual General Meeting, which will be called upon to appoint board members for the following three-year term of office.

UBI Banca share capital with option rights increase

On 8 June 2017, the Management Board of UBI Banca, after having obtained the prior authorisation from the Supervisory Board, set the final conditions for the share capital increase in execution of the mandate granted by the Shareholders' Meeting held on 7 April 2017 and it set the timetable for the offering to existing shareholders by way of pre-emptive subscription rights in connection with the newly issued shares. More specifically, it set that UBI Banca would issue a maximum of 167,006,712 new ordinary shares of UBI Banca, with no par value, of the same class of the UBI Banca ordinary shares outstanding and with normal dividend entitlement, to be offered, pursuant to transferable pre-emptive subscription rights granted to existing shareholders of UBI Banca, at a ratio of six newly issued shares for every 35 shares held, at a subscription price of Euro 2.395 for each new share, all being share capital. On 9 June 2017, CONSOB approved the Italian Registration Document, the Italian Information Note and the Italian Summary Note (which, together, constitute the "**Italian Prospectus**") relating to the rights issue and to the admission to trading on the MTA (*Mercato Telematico Azionario*, organised and managed by Borsa Italiana S.p.A.) (the "**MTA**") of the newly issued shares of the company deriving from the rights issue. The pre-emptive rights entitling to the subscription of the newly issued shares of the company had to be exercised from 12 June 2017 to 27 June 2017 (the "**Subscription Period**"). The pre-emptive rights were traded on the MTA from 12 June 2017 to 21 June 2017, inclusive. On 11 June 2017, UBI Banca appointed Banca IMI (Intesa Sanpaolo Group), Banco Santander and Mediobanca as additional underwriters and co-bookrunners. The co-bookrunners adhered to the underwriting agreement previously entered into on 8 June 2017 with Credit Suisse, acting as sole global coordinator and bookrunner.

On 27 June 2017, the rights offering was concluded. During the subscription period, 967,529,640 option rights were exercised for the subscription of 165,862,224 shares, accounting for 99.31 per cent. of the total shares offered for a consideration of Euro 397,240,026.48. The remaining 6,676,180 option rights not exercised during the subscription period, which gave the right to subscribe 1,144,488 shares, corresponding to 0.69 per cent. of the total shares offered, for a consideration of Euro 2,741,048.76, were offered on the stock market by UBI Banca, through IW Bank Private Investments, in the trading session of 30 June 2017.

As final result of the operation, 167,006,652 shares had been subscribed during the Subscription Period, corresponding to over 99.99 per cent. of newly issued UBI Banca ordinary shares, for a countervalue of Euro 399,980,931.54. In accordance with the terms of the underwriting agreement, Credit Suisse, Banca IMI (Intesa Sanpaolo Group), Banco Santander and Mediobanca, in their capacity as underwriters, subscribed the remaining 60 shares, deriving from 350 rights not exercised, for a countervalue of Euro 143.70. The overall amount of the capital increase, Euro 399,981,075.24 deriving from the issuance of 167,006,712 UBI Banca ordinary shares, were stated entirely as share capital. On 14 July 2017, the new share capital, which amounts to Euro 2,843,075,560.24 consisting of 1,144,244,506 ordinary shares with no nominal value, was filed with the Company Registrar of Bergamo. (For further details, please see the press releases published in June and July by UBI Banca, available on the website *http://www.ubibanca.it/pagine/Press-Releases-EN-2.aspx*.

Merger by incorporation of Banca Adriatica S.p.A. and Cassa di Risparmio di Loreto S.p.A.

On 17 October 2017 the Issuer announced that – with reference to the project for the merger by incorporation of Banca Adriatica S.p.A. ("**Banca Adriatica**"), Banca Tirrenica S.p.A., Banca Teatina S.p.A., Cassa di Risparmio di Loreto S.p.A. ("**CARILO**") and Banca Federico del Vecchio S.p.A. – the deed pursuant to Article 2504 of the Italian Civil Code for the merger by incorporation into the Issuer, signed on 16 October 2017, was filed with the competent companies' register. The merger of Banca Adriatica and CARILO into the Issuer became effective and enforceable on 23 October 2017 (the "**Date of Effect**"), and for accounting and tax purposes on 1 October 2017.

The share capital of Banca Adriatica and CARILO was cancelled with effect from the Date of Effect. UBI Banca has not issued any share as a result of the incorporation of Banca Adriatica, since the share capital of Banca Adriatica was wholly owned by UBI Banca.

The merger of CARILO involved the issue of 40,640 shares of UBI Banca (the "**New UBI Banca Shares**") which were issued in exchange for 64,000 shares of CARILO held by the sole minority shareholder. The exchange ratio of UBI Banca shares to each CARILO share was equal to 0.635, with a consequent increase of Euro 101,600.00 in the share capital of UBI Banca. No settlement of cash balances has taken place as part of the share exchange.

As a consequence of the incorporation of CARILO, the articles of association of UBI Banca, have been amended on the Date of Effect in order to incorporate the new number of shares (1,144,285,146 shares) and the new amount of the share capital (Euro 2,843,177,160.24). No further amendments are foreseen for the mergers of Banca Adriatica and Carilo.

The New UBI Banca Shares have been made available on the Date of Effect and are managed in centralised and dematerialised form by Monte Titoli S.p.A. and listed on the Mercato Telematico Azionario (electronic stock exchange) operated by Borsa Italiana S.p.A. according to the shares already outstanding at the time of the issuance.

As a result of the aforementioned merger, the Issuer's share capital increased to Euro 2,843,177,160.24.

On 24 October 2017, the Issuer announced that the migrations of Banca Adriatica and its subsidiary CARILO onto UBI Banca's IT platform have been successfully completed.

The IT migrations concerned a total of 285 branches and customer facilities, 2,673,213 customer files, 579,224 current accounts and 137,257 custody accounts, and involved approximately 2,600 employees both in the preparatory stage and post-migration

Merger of Banca Teatina

The merger of Banca Teatina (former Carichieti) into UBI Banca took place on 26 February 2018. All the branches migrated became fully operational right from the very first day with no material inconveniences for customers. The migration involved 58 branches and operating facilities, 682,166 customer registrations, 73,395 current accounts, 30,762 securities custody deposits and it required the work of around 1,100 employees at the preparatory and post-migration stages. This operation concluded the Group's reorganisation process which started in November 2016 with the launch of the integration of UBI Banca's 7 network banks, concluded 4 months ahead of schedule in February 2017, and continued with the rapid integration of the 3 banks acquired in May 2017.

Closing of the contract for the sale of UBI Banca International S.A. to EFG International A.G:

On 2 November 2017, the Issuer announced that, within a progressive review programme on the UBI Banca Group's core activities, an agreement for the sale of the 100 per cent. of the share capital of UBI Banca International S.A. to EFG International AG, a global private banking group, had been finalised. The sale includes approximately Euro 0.9 billion of direct funding and approximately Euro 3 billion of indirect funding; the sale, effective as of 1 November 2017, had no impact on UBI Banca Group's capital ratios.

Commercial relationships with counterparties located in Sanctioned Countries

The Issuer has clients and partners who are located in various countries around the world and/or who are active players in markets on a global basis. Some of the countries or territories in which such customers and partners are located and/or otherwise operate are subject or the target of sanctions administered or enforced by the U.S. Government (including, without limitation, those adopted by Office of Foreign Assets Control of the U.S. Department of the Treasury, by the U.S. State Department, and including, without limitation, the designation as a "specially designated national" or "blocked person", and any other agency of the U.S. government), the United Nations Security Council, the European Union, Her Majesty's Treasury or the United Kingdom or other relevant sanctions authority (collectively, "**Sanctions**"), including, as of the date of this Prospectus, Russia, Belarus, Burma, Cote d'Ivoire, Cuba, Iraq, Lebanon, Liberia, Libya, South Sudan, Sudan, Ukraine, Yemen, Zimbabwe (**Sanctioned Countries**).

The Issuer has consistently adopted stringent sanctions compliance procedures to meet its obligations under the laws and regulations that apply to its operations and to ensure that violations of sanctions laws and regulations do not occur. Such procedures include enhanced due diligence on third parties as well as on goods which fall within the scope of import or export restrictions. The Issuer has also hired specialized counsels to provide specific advice on sanctions compliance matters.

As of the date of this Base Prospectus, the Issuer has undertaken and continues to undertake commercial relationships (including both the processing of payments and activities entailing the use of Issuer's own resources, such as bank guarantees, bonds, letters of credit, supplier credits and buyer credits) with counterparties located in Sanctioned Countries or related to the same Sanctioned Countries, involving companies or individuals which were not, the time of the dealing or transaction, the subject or the target of Sanctions. Such commercial transactions have all been, and are, carried out in full compliance with Sanctions laws and regulations as applicable to the Issuer and are not believed to have caused any person or entity to violate any Sanctions, nor they are expected to result in the Issuer nor the UBI Banca Group becoming the subject of Sanctions.

The relevant revenues generated by the Issuer from business related to Sanctioned Countries currently represent a small portion (less than 0.5%) of the UBI Banca Group's total revenues (*commissioni del Gruppo*). The Issuer does not maintain any physical presence in Sanctioned Countries, with the exception of a registered representative office (not operational) in Moscow..

Capital Ratios[vi]

As at 31 December 2017, the Group's phased in capital ratios, were as follows: Common Equity Tier 1 ratio of 11.56 per cent., Tier 1 ratio of 11.56 per cent. and a Total Capital ratio of 14.13 per cent.

Following the Supervisory Review and Evaluation Process (SREP), in December 2017 the ECB set the minimum capital requirement in terms of CET1 that the Group has to respect in 2018, which is 8.62 per cent..
As at 31 March 2018, the Group's phased in capital ratios, were as follows: Common Equity Tier 1 ratio of 12 per cent., Tier 1 ratio of 12per cent. and a Total Capital ratio of 14.47 per cent.

UBI Banca's Management and Supervisory Bodies

UBI Banca has adopted a "two-tier" governance system consisting of a Supervisory Board and a Management Board.

Supervisory Board

According to Article 36 of UBI Banca's Articles of Association, the Supervisory Board is presently composed of 15 members with a three-year term of office. All its members must satisfy the requirements of personal, professionalism and independence required by the legislation currently in force and at least three of them must be chosen from among persons enrolled in the *Registro dei Revisori Legali* (register of auditors) who have practised as legal certifiers of accounts for a period of not less than three years.

[vi] Calculated according to the prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1 January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.

Furthermore, the Articles of Association require strengthened professional standards with respect to those envisaged by current regulations and an age limit for the assumption of office.

The members of the Supervisory Board cannot be appointed as members of the Management Board as long as they continue to hold that office.

Persons who have occupied the position of Chairman or Senior Deputy Chairman for the three preceding terms of office may not be appointed to the relevant position.

The current Supervisory Board of UBI Banca is composed as follows:

Name	Position	Positions held in other listed companies (*) banking, financial, insurance or large companies
Andrea Moltrasio	Chairman	Chairman of the Board of Directors of ICRO Didonè S.p.A. Member of the Board of Icro Coatings S.p.A. Member of the Board of Associazione Bancaria Italiana
Mario Cera	Senior Deputy Chairman	Member of the Board of Associazione Bancaria Italiana
Pietro Gussalli Beretta	Deputy Chairman	Chairman and CEO of Beretta Holding S.p.A. Deputy Chairman and CEO of Fabbrica d'Armi Pietro Beretta S.p.A. Deputy Chairman and CEO of Benelli Armi S.p.A. Deputy Chairman of Beretta U.S.A. Corp. Chairman of Benelli U.S.A. Corp. CEO of Arce Gestioni S.p.A. Member of the Board of Lucchini RS S.p.A. Chairman of Beretta-Benelli Iberica S.A. Chairman of Humbert CTTS S.a.S

		Member of the Board of LLC Russian Eagle Member of the Board of Artic Freezing Docks S.p.A Member of the Board of Outdoor Entreprise SA Member of the Board of Land Finance Corp. Chairman of Steiner Eoptics Inc. Member of the Board Upifra Agricole SA Member of the Board of Upifra SA Member of the Board of Beretta Australia Pty Ltd. Member of the Board of Cougar Corp.
Armando Santus	Deputy Chairman	Member of the Board of Edizioni Studium srl
Francesca Bazoli	Board Member	Member of the Board of Editoriale Bresciana S.p.A. Member of the Board of Panaria Group Industrie Ceramiche S.p.A. Member of Pistacchio S.p.A. Chairman of Morcelliana S.r.l.
Letizia Bellini Cavalletti	Board Member	N/A
Pierpaolo Camadini	Board Member	Chairman of Editoriale Bresciana S.p.A. Member of the Board Organizzazione Pubblicità Quotidiani S.r.l. Member of the Board of Vincenzo Foppa S.r.l. Società Cooperativa Sociale - ONLUS Member of the Board of Finanziaria di Valle Camonica S.p.A. Member of the Board of ANSA – Agenzia Nazionale

		Stampa Associata Soc. Coop. Member of the Board of Gold Line S.p.A.
Ferruccio Dardanello	Board Member	Chairman of the Board of Agroqualità S.p.A. Member of the executive committee of Unioncamere nazionale Chairman of Unioncamere Piemonte Single Administrator of EUROCIN Geie Chairmain of Centro Alpi del Mare Member of the national board of Confcommercio President of Confcommercio of Cuneo district
Alessandra Del Boca	Board Member	N/A
Giovanni Fiori	Board Member	Chairman of the Board of Statutory Auditors of Pfizer Holding Italia S.p.A. Chairman of the Board of Statutory Auditors of International Studios & Services S.p.A. Chairman of the Board of Statutory Auditors of Elettra 1938 Chairman of the Board of Statutory Auditors of Italo Treno Chairman of the Board of Statutory Auditors of Luxottica Group SpA Chairman of the Board of Statutory Auditors of Astaldi S.p.A. Chairman of the Board of Statutory Auditors of Italconsult S.p.A. Chairman of the Board of Statutory Auditors of Aska

		News S.p.A. Chairman of the Auditors Board of Fondazione Telecom Italia Member of the Auditors Board of S.I.A.E. S.p.A. Member of the Auditors Board of Fondazione Lars Magnus Ericsson
Michela Patrizia Giangualano	Board Member	Member of the Board of Arnoldo Mondadori Editore S.p.A. (*)
Paola Giannotti	Board Member	Member of the Board of TERNA S.p.A. Member of Telecom Italia SpA (*) Member of IFC Group SpA Member of EPS Equita PEP Spac 2 S.p.A.
Lorenzo Renato Guerini	Board Member	Chairman of the Board of Directors of 035 Investimenti S.p.A. Chairman of the Board of Directors of Quenza S.r.l.
Giuseppe Lucchini	Board Member	Chairman of the Board of Directors Lucchini RS S.p.A. Chairman of the Board of Directors Sinpar S.p.A. Chairman of the Board of Directors of Gilpar S.p.A. Member of the General Council of Federacciai Member of the Board of Beretta Holding S.p.A. Chairman of the Lucchini Industries S.r.l.
Sergio Pivato	Board Member	Chairman of the Board of Statutory Auditors SMA S.p.A. Chairman of the Board of Statutory Auditors of E-Novia S.p.A. Member of the Board of Statutory Auditors Auchan

		S.p.A.

The business address of the Supervisory Board is the Issuer's registered office at Piazza Vittorio Veneto 8, 24122 Bergamo.

The Supervisory Board also establishes from among its members the four committees provided for under Article 41 of UBI Banca's Articles of Association:

- the Appointments Committee, with responsibility for selecting and proposing appointments to the Supervisory Board;
- the Remuneration Committee, with responsibility for proposing and consulting on remuneration in accordance with applicable law and the Articles of Association;
- the Internal Audit Committee, with responsibility for proposing, consulting and enquiring on matters attributed to the Supervisory Board regarding internal controls, risk management and the ICT and accounting system; and
- the Risk Committee, for the purpose of supporting the Supervisory Board by performing assessments, furnishing advice and submitting proposals in those areas overseen by the Supervisory Board in its capacity as the strategic supervisory body in accordance with regulatory requirements as may be in force from time to time.

The Supervisory Board also sets up an internal related parties and connected persons committee ("*Comitato Parti Correlate e Soggetti Collegati*"), made up of three members, in compliance with the provisions of: (i) UBI Banca "Regulations for related-party transactions" adopted pursuant to Article 2391-*bis* of the Italian Civil Code and CONSOB regulations on related parties transactions adopted with Resolution No. 17221/2010 and subsequent amendments; (ii) "UBI Banca Regulations for transactions with parties connected to the UBI Banca Group", adopted pursuant to Title V, Chapter 5 of Bank of Italy Circular No. 263 of 27 December 2006 - 9th amendment of 12 December 2011; and "New regulations for the prudential supervision of banks", containing measures concerning "risk assets and conflicts of interest with connected parties".

Management Board

The Management Board is composed of seven members elected with a three-year mandate by the Supervisory Board, on the proposal of the Appointments Committee.

Two members of the Management Board shall be selected from among the senior management of the Bank. Furthermore, in compliance with the provisions of Law No. 120 of 12th July 2011, a balance between genders is ensured for the period.

The Supervisory Board also appoints the Chairman and the Deputy Chairman of the Management Board. The Management Board appoints the Chief Executive Officer from among its members, upon the proposal of the Supervisory Board, after having consulted the Appointments Committee.

The members of the Management Board must be in possession of the requirements of personals integrity, professionalism or any other requirement provided for in the relevant legislation and regulations, in force, also with regard to the specific limits on the number of directorships prescribed by internal regulations. However, at least one member of the Management Board must satisfy the requirements of independence set forth in Article 148, paragraph three of Legislative Decree No. 58 of 24 February 1998.

Furthermore, the Articles of Association require strengthened professional standards in respect to those envisaged by current regulations and an age limit for the assumption of office.

The Management Board, which is convened at least once a month, is responsible for the management of the company in observance of the general strategic policies and programmes approved by the Supervisory Board.

The main powers of the Management Board are as follows:

- the definition of the general programmes and strategic policies and the drawing up of the industrial and/or financial plans of the Bank and the Group to be submitted for the approval of the Supervisory Board;
- the appointment and dismissal of the General Management and the definition of its functions and responsibilities, and also the appointment of the senior management of the Group; and
- the preparation of the draft Individual Company Financial Statements and of the draft Consolidated Financial Statements.

Accepting the proposal put forward by the Appointments Committee, on 14 April 2016 the Supervisory Board appointed the members and also the Chairman and Deputy Chairman of the Management Board and submitted a proposal to appoint Victor Massiah as CEO. On 15 April 2016, the Management Board confirmed the appointment of Victor Massiah as CEO and General Manager.

The Management Board is currently composed by:

Name	Position	Principal activities performed outside the UBI Banca Group
Letizia Brichetto Arnaboldi Moratti	Chairman	Aon Italia S.r.l. – Member of the Board of Directors Fondazione E4Impact – Chairman of the Board of Directors Securfin Holdings Srl – Chairman of the Board of Directors

		Associazione Bancaria Italiana – Board Member Bracco S.p.A. – Board Member
Flavio Pizzini	Deputy Chairman	Novaradio S.r.l – Member of the supervisory Board not involved in the financial statements audits Immobiliare Due Febbraio S.r.l. –Member of the Management Board Fondazione Lambriana –Member of the Management Board Fondazione Borghesi Buroni – Chairman of the management Board UBI Sistemi e Servizi Scpa (**) – Chairman of the Board of Directors Impresa Tecnoeditoriale Lombarda S.r.l. – Statutory Auditor engaged with audit of financial statements Fondazione Ebis – Statutory Auditor engaged with audit of financial statements Brevivet S.p.A. – Statutory Auditor Fondazione Achille e Giulia Boroli – Statutory Auditor engaged with audit of financial statements Bosa S.r.l. in liquidazione – Liquidator Fondazione E4Impact – Statutory Auditor engaged with audit of financial statements Ist. Super. Degli studi religiosi Beato Paolo VI – Chairmain of the Board of Auditors
Victor Massiah	CEO and General Manager	Associazione per lo sviluppo degli Studi di Banca e Borsa – Chairman Associazione Bancaria Italiana (ABI) – Board Member Fondo Interbancario di Tutela dei Depositi – Board Member Schema volontario di intervento FITD – Board Member
Silvia Fidanza	Board Member	Befado S.p. zo.o. (Polonia) – Chairman of the

		Supervisory Board
Osvaldo Ranica	Board Member	ABI Commissione Regionale Lombardia – Chairman UBI Leasing S.p.A (**) – Deputy Chairman of the Board of Directors Fondazione Unione Banche Italiane Varese Onlus – Board Member
Elvio Sonnino	Board Member and Senior Deputy General Manager	IW Bank S.p.A. (**) – Vice Chairman of the Board of Directors UBI Academy SCRL. – (**) Board Member UBI Sistemi e Servizi S.c.p.a. (**) – CEO Associazione Bancaria Italiana – Board Member
Elisabetta Stegher	Board Member	==

(**) Member of Gruppo UBI Banca

The business address of the Management Board is the Issuer's registered office at Piazza Vittorio Veneto 8, 24122 Bergamo.

The members of the Management Board shall remain in office for three financial years. Their term of office shall expire on the date of the Supervisory Board meeting convened to approve the financial statements of UBI Banca as at and for the year ending 31 December 2018.

General Management

Name	Position
Victor Massiah	General Manager
Elvio Sonnino	Senior Deputy General Manager
Rossella Leidi	Deputy General Manager
Frederik Geertman	Deputy General Manager

Conflicts of Interest

There are no potential conflicts of interest between the duties of the members of the Supervisory Board and the Management Board of UBI Banca and their private interests or other duties.

Significant Legal Proceedings

As at the date of this Base Prospectus, there are legal proceedings (which may include disputes of a commercial nature, investigations and other contentious issues of a regulatory nature) pending with regard to UBI Banca and other companies belonging to the Group. These cases include criminal proceedings, administrative proceedings brought by supervisory authorities or investigators and/or rulings for which the amount of any claims for compensation and/or potential liabilities that the Group is responsible for is not and cannot be determined according to the claims presented and/or the nature of the actual proceedings. In such cases, until it is impossible to reliably predict the outcome, no provisions are set aside. On the other hand, where it is possible to reliably estimate the scale of any losses suffered and where such loss is considered probable, provisions are set aside in the balance sheet in an amount considered suitable given the circumstances and in accordance with IAS.

As at 31 December 2017, in order to meet the claims received, the Group made Euro 117.1 million of appropriate provisions on the basis of a reconstruction of the amounts potentially at risk and an assessment of the risk in terms of the degree of the "probability" to suffer losses as defined in the accounting standard IAS 37.

The estimate of the above-mentioned obligations which could reasonably arise as well as the extent of the above-mentioned provision are based on the information available at the date the financial statements or the interim financial position are approved, as the case may be, but also, as a result of the many uncertainties arising from legal proceedings, involve a significant degree of assessment. More specifically, sometimes it is not possible to produce a reliable estimate, as in cases in which the proceedings have not yet begun or where there are legal or factual uncertainties that make any estimate unreliable. Therefore, it cannot be ruled out that in the future the provisions could be insufficient to fully cover the charges, expenses, fines and claims for compensation and payment of costs connected to pending cases and/or that the Group may, in the future, be obliged to deal with expenses from claims for compensation or refunds not covered by the provisions, with possible negative effects on the operating results and capital and/or financial position of the and/or the Group.

During the course of its normal activities, the Group is subject to structured regulations and supervision by various supervisory authorities, each according to their respective area of responsibility.

In exercising their supervisory powers, the ECB, Bank of Italy, CONSOB and other supervisory authorities subject the Group to inspections on a regular basis, which could lead to the demand for measures of an organisational nature and to strengthen safeguards aimed at remedying any shortcomings that may be discovered, with possible adverse effects on the operating results, capital and/or financial position of the Group.

Although it is difficult to predict the outcome of such claims, proceedings and inspections with certainty, UBI Banca believes that liabilities related to such claims are unlikely to have, in the aggregate, significant effects on the financial position or profitability of UBI Banca or the UBI Banca Group.

Information relating to certain specific proceedings

- On the question of the proceedings opened by the **Consob** with a letter dated 30 April 2014, in accordance with Art. 195 of the Consolidated Finance Law (concerning possible infringement of Art. 149 of the Consolidated Finance Law relating to aspects of the disclosures made in corporate governance reports published from 2009 until 2013), on the conclusion of which in October 2015 the supervisory authority decided to impose administrative fines in an amount equal to or close in percentage terms to the minimum penalty allowed on those members of the Supervisory Board who were in office in the year 2009 or who were appointed to the board in subsequent years, but were members of the Management Board in 2009: UBI Banca, as jointly liable, and the individuals concerned, lodged separate appeals against the Consob decision. With ruling No. 879/2017 of 17 May 2017, published on the 19th June 2017, the Brescia Court of Appeal annulled the Consob fine, finding under a variety of aspects that no objective evidence existed of the infringement. More specifically, the judgement found, amongst other things, that: 162 – the "equal partnership principle", expressly provided for in the Articles of Association (until 10 May 2014) is of a programme-based nature; – the Memorandum of Intent signed before UBI Banca was established, attached to the merger project and the merger deed, cannot be considered as one of those external agreements forbidden by the Articles of Association; – no inconsistencies exist between the Articles of Association and the Regulations of the Appointments Committee and the existence of circumstances which might lead the market to believe that those regulations were no longer current must be excluded; – the version of the Regulations of the Appointments Committee disclosed to the market in 2007 was sufficiently adequate to allow the procedures for the functioning of the committee to be understood. Therefore the members of the Supervisory Board, cannot be considered to have failed in their duty to supervise with regard to the absence of relevant information pursuant to Art. 13 bis of the Consolidated Finance Law in Corporate Governance Reports from 2009 to 2013, because the market had already been informed of the rules contained in the Regulations mentioned). On 14 November 2017, UBI Banca received notification that Consob was appealing court ruling No. 879/2017 with the Supreme Court of Cassation, and promptly submitted a counter-appeal.

- On conclusion of the investigations commenced in 2014 by the **Public Prosecutor's Office of Bergamo**, in November 2016 a "Notice of conclusion of the preliminary investigations – Concomitant notification of investigation and right to defence – articles 369, 369 bis and 415 bis of the Italian Code of Criminal Procedure" was notified to current senior officers of UBI Banca in which the crimes of "Hindrance of the Public Supervisory Authorities in the exercise of their duties" (Art. 2638 of the Italian Civil Code and Art. 170 bis of the Consolidated Finance Law) and "Illicit influence on a shareholders meeting" (article 2636 of the Italian Civil Code) in relation to the meeting held in April 2013, were alleged against various suspects on various grounds. Altogether this notification was addressed to 39 persons, including 28 directors and interim senior managers of the UBI Banca Group and senior officers of UBI Leasing. At the same time, the Public Prosecutor also notified UBI Banca of the conclusion of preliminary investigations alleging that the Institution has an 'administrative' liability under Legislative Decree No. 231/2001, in relation to the offence of "hindrance of the public supervisory authorities in the exercise of their duties" (article 2638 of the Italian Civil Code) and "illicit influence on a shareholders' meeting" (article 2636 of the Civil Code). As part of the proceedings in question, on 1 August 2017 UBI Banca received a notification of committal for trial and consequent notification of the date set for the preliminary hearing on 10th November 2017 for the administrative violations provided

for by article 25 ter, letter q) and letter s) of Legislative Decree No. 231/2001. The Public Prosecutor's Office of Bergamo asked in particular for committal to trial for the administrative violations mentioned in relation to the offences pursuant to articles 2636 and 2638 of the Italian Civil Code for which charges have been brought against, amongst others, some senior officers currently in office; these officers received subpoenas for preliminary hearings to begin on 10 November 2017. The preliminary hearings concluded on 27 April 2018. In these preliminary hearings, the only application to join the proceedings as a plaintiff that was admitted by the judge is the one submitted by Consob, and only with respect to those accused of violations of article 2638 of the Civil Code. UBI Banca has not been charged as a civilly liable party. UBI Banca stresses that it has conducted itself properly and is confident that its compliance with the provisions of the law and with organisational regulations will be confirmed in the courts at all levels, as already clearly demonstrated by the decision reached on 19 June 2017 by the Court Appeal of Brescia which recognised UBI Banca's proper conduct and that of its senior officers in their relations with the supervisory authorities and with the market As of today the decision of the Court Appeal of Brescia is the only ruling on the merits made by a Judicial authority on the facts addressed by the proceedings On 27 April 2018 the Preliminary Hearing Judge of Bergamo ordered the indictment of both UBI Banca - for the administrative offenses provided by Articles. 25 ter, lett. q) and lett. s) of Legislative Decree 231/01 - and some members currently in charge in relation to the offenses referred to under Articles. 2636 and 2638 of the Italian civil code. The decision to commit to trial is of a procedural nature and does not regard the grounds underlying the charge. The charges made do not include any conduct by senior officers of UBI Banca with an intent to defraud said bank of its assets.

- a provision of 15 May 2017 with which the *Autorità Garante della Concorrenza e del Mercato* (**AGCM** - Italian Competition Authority) ruled that no penalties should be imposed on the Italian Banking Association and 11 Banks (including UBI Banca) involved in the origination and definition of an interbank agreement for the service named "Sepa Compliant Electronic Database Alignment" (SEDA), due to the non-serious nature of the violation relating to a presumed agreement restricting competition. This was also in view of the regulatory and economic framework in which the conduct occurred (see previous financial reports for greater details on the proceedings). The final provision of the proceedings ruled that the parties involved should in any event cease their conduct, abstain in future from similar conduct and present a special report to give an account of the measures adopted by 1 January 2018. Compliance with the provision was ensured by revising the interbank agreement in question and making changes to the remuneration provided for in it, in order to change to a different system, previously already agreed upon with the AGCM, based on the application of multilateral interchange fees (MIF) linked to costs. Implementation of the new general contract, co-ordinated by the Italian Banking Association, which supervised the various stages with its circulars, involved the implementation of a set of changes to the structure of the contracts with customers and to the software apps, and this required, amongst other things, the termination of all existing contracts and the need for the banks that held contractual agreements for the delivery of the beneficiary side of the SEDA service (i.e. the alignment PSP) to sign new contracts with customers who wanted to continue to use the service under the new conditions. The new system came into operation on 1 January 2018; all the activities carried out were promptly reported to the AGCM in a report prepared by the Italian Banking Association, to which UBI Banca adhered. As already reported, UBI Banca appealed against the provision of 15 May 2017 before the administrative courts,

disputing the entire basis of the existence of an agreement to restrict competition. A date has not yet been set at present for the hearing to debate the case before the TAR (regional administrative tribunal) of Lazio.

Significant litigation (claims of greater than or equal to €5 million) for which the probable risk has been estimated by Group banks and companies are as follows:

(i) "revocation" bankruptcy clawback actions against UBI Banca (former Banca Popolare di Ancona), brought by Napoli Calcio Spa;

(ii) an action brought against UBI Banca involving a claim for damages for contractual liability, resulting from withdrawal from a contract concerning the development of software. A ruling was issued against the UBI Banca as jointly liable with another bank summoned for an amount less than the existing provision made. The relative decision has become final and therefore the position is closed;

(iii) an action brought against UBI Banca (former Banca Popolare di Ancona) disputing various matters concerning loan transactions and damages for contractual and noncontractual liability;

(iv) an arbitration proceedings initiated by a company operating in the naval sector involving a dispute over a derivatives transaction concluded with the UBI Banca (former Banco di Brescia), with a claim for the return on the one hand of the negative differentials paid by the customer and on the other hand the "implicit costs". The board of arbitrators has set the date of 26th May 2018 as the deadline for issuing its decision. The award, provided on 21 May 2018 and partially unfavorable, sentenced UBI Banca to the payment of the sum of $ 11,633,726.22 (equal to Euro 10,041,193 on the basis of the exchange rate as at 29 May 2018), equal to about 50% of the *petitum*, for non-fulfillment of the information undertakings pursuant to art. 21 of the Financial Act and the obligations of correctness and good faith in the performance of the contract. UBI Banca will promote the appeal procedure of the award at the Brescia Court of Appeal of Brescia;

(v) an action with a party transferring receivables brought against UBI Factor relating to a request for the transfer of receivables carried out in 2006 to be ineffective or unenforceable due to the absence of advances or the non-existence of a connection between the advances made and the documents relating to the transfer of the receivables. A consequent request for the return of the amounts collected against the receivables transferred and revocation of the payments made by the transferor from April 2011. The proceedings are currently before the court of first instance.

Tax Disputes

The Group is involved in tax-related proceedings, as well as tax inspections by the competent authorities in the countries in which the Group operates. As at 31 December 2017, the Issuer and other Group companies were involved in approximately 60 pending tax disputes. For the year ended 31 December 2017, no *provisions* were made for risks and charges to cover the liabilities that may arise from the pending tax disputes, which are included in the sub-line item "other provisions" of the Group's general provisions for risk and charges.

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.

This overview also assumes that each transaction with respect to Notes is at arm's length.

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 and in the United Kingdom 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.

1 Italian Taxation

Tax treatment of Notes issued by the Issuer

Legislative Decree No. 239 of 1 April 1996 ("**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**"). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not less than that therein indicated and (ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer. 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) above 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 relating to the Notes if the Notes are included in a long-term savings account (*piano individuale 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 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 *("Società di investimento a capitale fisso")* or a SICAV ("*Società di investimento a capitale variabile*") established in Italy (together, the "**Fund**") and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, 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, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**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:

(a) 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 and supplemented by Ministerial Decree of 23 March 2017 and possibly further amended by future decrees issued pursuant to Article 11(4)(c) of Decree No. 239 (the "**White List**"); or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

(d) an "institutional investor", whether or not subject to tax, which is established in a State included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

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:

(a) 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

(b) 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, as subsequently amended.

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 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 26 withholding tax, on interest 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 above mentioned 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:

(a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are 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 the capital losses realized from 1 January 2012 to 30 June 2014.

(b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity, 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.

(c) 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 be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 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:

(a) resident in a State included in the White List; or

(b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;

(c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

(d) an "institutional investor", whether or not subject to tax, which is established in a 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:

(a) 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;

(b) 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

(c) 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) 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 200.00 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 14,000.00 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.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on 24 May 2012, the stamp duty applies to any investor who is a client – regardless of the fiscal residence of the investor – (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on 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.

United Kingdom Taxation

UK Withholding Tax

Payments of interest on the Notes that does not have a United Kingdom source may be made without deduction or withholding for or on account of United Kingdom income tax.

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 "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. 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.

FORM OF FINAL TERMS

[**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.][vii]

MIFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of each of the 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")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

[Notification under Section 309B(1)(c) of the [Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") – [*To insert notice if classification of the Notes are not "prescribed capital markets products", pursuant to Section 309B of the SFA or "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products*)]".][viii]

Final Terms dated [●]

Unione di Banche Italiane S.p.A.

Legal entity identifier (LEI): 81560097964CBDAED282

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the Euro [15,000,000,000] Debt Issuance 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 supplemental prospectus dated [●] which

[vii] 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".

[viii] Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

[together] constitute[s] a base prospectus [for the purposes of Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive][ix] and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [In the case of Notes admitted to trading on the [regulated market of Euronext Dublin], [t][T]he Base Prospectus [and the supplemental prospectus] [is] [are] available for viewing at *www.centralbank.ie* and] during normal business hours copies may be obtained from Unione di Banche Italiane S.p.A., Piazza Vittorio Veneto, 8, 24122 Bergamo, Italy.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") contained in the Trust Deed dated [original date] and set forth in the Base Prospectus dated 27 July 2017 and the supplemental prospectus dated [17 August 2017, 19 January 2018, 27 February 2018, 16 March 2018 and 30 May 2018 and incorporated by reference into the Base Prospectus dated [current date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. 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 dated [current date] [and the supplemental prospectus dated [●]].[In the case of Notes admitted to trading on the [regulated market of Euronext Dublin], [t][T]he Base Prospectus [and the supplemental prospectus] [is] [are] available for viewing at *www.centralbank.ie* and] during normal business hours copies may be obtained from Unione di Banche Italiane S.p.A., Piazza Vittorio Veneto, 8, 24122 Bergamo, Italy.

1.	Issuer:	Unione di Banche Italiane S.p.A.
2.	[(i)] Series Number:	[●]
	[(ii) Tranche Number:]	[●]
	[(ii) Date on which the Notes will become fungible]	[The Notes will be consolidated and will form a single Series with [identify earlier Tranche] [(*insert number of the Series and ISIN Code*)] [●] on [the Issue Date (*insert date*)]/[Not Applicable]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	[●]
	[(i)] Series:	[●]

[ix] The language included in square brackets shall be removed where exempt offers are made under this Base Prospectus.

		[(ii) Tranche:]	[●]
5.		Issue Price:	[●] per cent. of the Aggregate *Nominal* Amount [plus accrued interest from [●]]
6.	(A)	Specified Denominations:	[●] (*N.B. Senior Notes and Subordinated Notes must have a minimum denomination of €100,000 (or equivalent*). *In the case of Senior Non-Preferred Notes, such 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):	[●]
7.		[(i)] Issue Date:	[●]
		[(ii)] Interest Commencement Date:	[●]
8.		Maturity Date:	[●] (*N.B. Unless otherwise permitted by then current laws, regulations and directives, Senior Non-Preferred Notes must have a maturity of not less than twelve months and Subordinated Notes must have a maturity of not less than five years*.)
9.		Interest Basis:	[[●] per cent. Fixed Rate] [●] per cent. to be reset on [●] [and [●]] and every [●] anniversary thereafter] [[LIBOR/EURIBOR] +/[●] per *cent*. Floating Rate][Inverse Floating Rate] [Zero Coupon]
10.		Redemption Basis:	Subject to any purchase and cancellation or early redemption, the *Notes* will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
11.		Change of Interest Basis:	[Applicable/Not Applicable] [*If applicable, specify the date when any fixed to floating rate or vice-versa change occurs or refer to paragraphs 14 and 16*

		below and identify there/Not Applicable]
	(a) 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 15 (Notices) on or prior to the relevant Switch Option Expiry Date*) (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(b) Switch Option Expiry Date:	[●]
	(c) Switch Option Effective Date:	[●]
12.	Put/Call Options:	[Investor Put] *(N.B. Only relevant in the case of Senior Notes or Senior Non-Preferred Notes)* [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 Senior Non-Preferred Notes)* [Not Applicable]
13.	[(i)] Status of the Notes:	[Senior/Senior Non-Preferred/Subordinated]
	[(ii)] [Date [Board] approval for issuance of Notes obtained:	[●] [and [●], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Note Provisions:**	[Applicable]/[Not Applicable]/(*if a Change of Interest Basis applies*): [Applicable for

		the period starting from [*and* including] [●] ending on [but excluding] [●]])
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi annually/ quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date *falling* [in/on] [●]
	(v) 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]
	(vi) Determination Dates:	[●] in each year / [Not Applicable]
15.	**Reset Note Provisions:**	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[●] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii) First Margin:	[+/-][●] per cent. per annum
	(iii) Subsequent Margin:	[[+/-][●] per cent. per annum] [Not Applicable]
	(iv) Interest Payment Date(s):	[●] [and [●]] in each *year* up to and including the Maturity Date [until and excluding [●]]
	(v) Fixed Coupon Amount up to (but excluding) the First Reset Date:	[[●] per *Calculation* Amount][Not Applicable]

	(vi) Broken Amount(s):	[[●] per Calculation *Amount* payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
	(vii) First Reset Date:	[●]
	(viii) Second Reset Date:	[●]/[Not Applicable]
	(ix) Subsequent Reset Date(s):	[●] [and [●]]
	(x) Relevant Screen Page:	[ISDAFIX1]/[ISDAFIX2]/[ISDAFIX3]/ [ISDAFIX4]/[ISDAFIX5]/[ISDAFIX6]/[●]/[Not Applicable]
	(xi) Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
	(xii) Mid-Swap Maturity	[●]
	(xiii) 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]
	(xiv) Determination Dates:	[●] in each year
	(xv) Business Centre(s):	[●]
	(xvi) Calculation Agent:	[●]
16.	**Floating Rate Note Provisions:**	[Applicable]/[Not Applicable]/(*if a Change of Interest Basis applies*): [Applicable for the period starting from [and including] [●] ending on [but excluding] [●])]
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]

(iii) First Interest Payment Date:	[●]
(iv) Interest Period Date:	[●]
(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi) Business Centre(s):	[●]
(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Calculation Agent]):	[●]
(ix) Screen Rate Determination:	
– Reference Rate:	[LIBOR/EURIBOR]
– Interest Determination Date(s):	[●]
– Relevant Screen Page:	[●]
(x) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(xi) Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period *shall* be calculated using Linear Interpolation]
(xii) Margin(s):	[+/–][●] per cent. per annum
(xiii) Minimum Rate of Interest:	[●] per cent. per annum
(xiv) Maximum Rate of Interest:	[●] per cent. per annum
(xv) 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]
17.	**Inverse Floating Rate Note Provisions:**	[Applicable/Not Applicable]
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[●]
	(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day *Convention*/Modified Following Business Day Convention/Preceding Business Day Convention]
	(v) Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Calculation Agent]):	[●]
	(viii) Screen Rate Determination:	
	– Reference Rate:	[LIBOR/EURIBOR]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
	(ix) ISDA Determination:	

	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	(x) Fixed Rate	[●] per cent.
	(xi) Minimum Rate of Interest:	[[●] per cent. per annum/Not Applicable]
	(xii) Maximum Rate of Interest:	[[●] per cent. per annum/Not Applicable]
	(xiii) 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]
18.	**Zero Coupon Note Provisions:**	[Applicable/Not Applicable]
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
	(iii) Day Count Fraction in relation to Early Redemption Amount:	[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]

PROVISIONS RELATING TO REDEMPTION

19.	**Call Option:**	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	Optional Redemption Amount of each Note:	[●] per Calculation Amount
	(ii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iii) Notice period:	[●]
20.	**Regulatory Call:**	[Applicable/Not Applicable]
	(i) Notice period:	[●]
21.	**Put Option:**	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	Optional Redemption Amount of each Note:	[●] per Calculation Amount
	(ii) Notice period:	[●]
22.	**Issuer Call due to MREL Disqualification Event:**	[Applicable/Not Applicable]
	(i) Notice period:	[●]
23.	**Final Redemption Amount of each Note:**	[●] per Calculation Amount
24.	**Early Redemption Amount**	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on redemption for regulatory reasons or on redemption due to MREL Disqualification Event or on event of default or other early redemption:	[[●] per Calculation Amount/as specified in Condition 5*(b)/(c)(Redemption, Purchase and Options – Early Redemption of Zero Coupon Notes / Early Redemption of Other Notes*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	**Form of Notes:**	
		Bearer Notes:
		[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
		[Temporary Global Note exchangeable for Definitive Notes]
		[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
		Registered Notes:
		[Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and *Clearstream*, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
	New Global Note:	[Yes][No]
26.	Financial Centre(s):	[Not Applicable/[●]]
27.	Talons for future Coupons to be attached to Definitive Notes:	[Yes/No]
28.	U.S. Selling Restrictions:	[Reg S Compliance Category 1; TEFRA C/TEFRA D/TEFRA not applicable]
29.	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, and no key information document will be prepared, "Applicable" should be specified.)*
30.	[Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable]

(*N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*]

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

THIRD PARTY INFORMATION

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

Signed on behalf of the Issuer:

By:.....
Duly authorised

PART B – OTHER INFORMATION

1	**LISTING**		
	(i)	Listing	[Official List of Euronext Dublin /Other]/[Not Applicable]
	(ii)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of Euronext Dublin with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of Euronext Dublin with effect from [●].] (Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)
	(iii)	Estimate of total expenses related to admission to trading:	[●]
2	**RATINGS**		
		Ratings:	The Notes to be issued [will not be rated] / [have been] / [are *expected* to be] rated: [S&P: [●]] [Moody's: [●]] [Fitch: [●]] [DBRS: [●]] The credit ratings included or referred to in these Final Terms [have been issued by S&P, Moody's, Fitch and/or DBRS] [each of]which is established in the European Union and is registered under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 and Regulation(EU) No. 462/2013 on credit rating agencies (the "**CRA Regulation**") as set out in the

list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information please visit the European Securities and Markets Authority webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).]

3 **REASONS FOR THE OFFER**

[Reasons for the offer: [General funding purposes [and to improve the regulatory capital structure of the UBI Banca Group]] / [The net *proceeds* from the issue of the Notes will be used to finance or refinance Green Eligible Projects or Social Eligible Projects (as defined in the "*Use of Proceeds" section)].

[Further details on Green Eligible Projects and Social Eligible Projects are included in the [Issuer Green Bond Framework], made available on the Issuer's website in the investor relations section at [.]]

(*See "Use of Proceeds" wording in Base Prospectus*)

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

[Save for the fees [of [*insert relevant fees disclosure*]] 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*]

5 **[Fixed Rate Notes only – YIELD**

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not

an indication of future yield.]

6 **OPERATIONAL INFORMATION**

(i)	ISIN:	[●]
(ii)	Common Code:	[●]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/[●]]
(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 registered in the name of a nominee of one of the ICSDs acting 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 [(and registered in the name of a nominee of one of the ICSDs acting 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.]]

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in an Amended and Restated Programme Agreement dated 30 July 2018 (as amended, restated or supplemented from time to time) (the "**Programme Agreement**") among the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform 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. Any such short positions could adversely affect future trading prices of the Notes. 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.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold, and shall not offer or sell, any Notes constituting part of its allotment within the United States except as permitted by the Programme Agreement. The Notes are

being offered and sold outside the United States in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents within the United States is prohibited.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) 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 specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed 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 (a) to (c) above 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, and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) 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 (b) 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 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;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 such Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented, warranted and agreed that Notes are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Base Prospectus nor any other document in relation to any offering of such Notes (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in Section 1:1 of the Dutch Financial Supervision Act, provided that these parties acquire the relevant Notes for their own account or that of another qualified investor.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document 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 Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and 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 (i) or (ii) above 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 Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September, 1993, as amended (the "**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, as applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Dealer has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 Exchang 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.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in

Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(c) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(d) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Section 309B(1)(c) of the SFA – Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a

"**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

General

Each Dealer has acknowledged no representation has been made by the Issuer or any other Dealer that any action has been taken in any jurisdiction by the Issuer or any Dealer that would permit a public offering of the Notes, or possession or distribution of this Base Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, or any other offering material, in all cases at its own expense.

GENERAL INFORMATION

(1) The Base Prospectus has been approved by the Central Bank, as 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. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on Euronext Dublin 's regulated market and to be listed on the Official List. Euronext Dublin's regulated market is a regulated market for the purposes of MiFID II.

Notes may be issued under the Programme which are not listed or admitted to trading, as the case may be, on Euronext Dublin or any other stock exchange or market.

(2) The amendment and restatement of the Programme was authorised by a resolution of the Management Board of UBI Banca passed on 8 February 2018.

(3) There has been no significant change in the financial or trading position of the UBI Banca Group since 31 March 2018 and no material adverse change in the prospects of UBI Banca since 31 December 2017.

(4) Except as disclosed in this Base Prospectus under the paragraph headed "*Significant Legal Proceedings*" within the "*UBI Banca and the UBI Banca Group*" section and in the UBI Banca Report and Accounts 2016, the UBI Banca Report and Accounts 2017 and the UBI Banca Quarterly Financial Report at 31 March 2018, neither UBI Banca nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which UBI Banca is aware) during the 12 months preceding the date of this Base Prospectus which, according to the information currently available, may have, or have had in the recent past, significant effects on the financial position or profitability of UBI Banca or the UBI Banca Group.

(5) Each Bearer Note having a maturity of more than one year, and each Coupon and Talon will bear the following legend: "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."

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

(7) The address of Euroclear Bank is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any other applicable clearing system will be set out in the relevant Final Terms.

(8) The issue price and the amount of the relevant Notes will be determined at the time of the offering of each Tranche based on then prevailing market conditions.

(9) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available in hard copy (in English translation where necessary) during usual

business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer and the specified office of the Paying Agent in London:

(i) the Trust Deed (which includes the forms of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

(ii) the Agency Agreement;

(iii) the by-laws (Statuto) of UBI Banca with certified English translation;

(iv) the audited consolidated financial statements of UBI Banca for the financial years ended 31 December 2016 and 31 December 2017;

(v) the unaudited quarterly consolidated financial statements of UBI Banca for the three months ended 31 March 2018;

(vi) each Final Terms; and

(vii) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus and any other documents incorporated herein or therein by reference.

(Deloitte & Touche S.p.A. are the auditors of UBI Banca for the period 2012 to 2020, pursuant to article 13, first paragraph and 17, first paragraph, of Legislative Decree No. 39 of 2010. Deloitte & Touche S.p.A., with registered office in Milan, Via Tortona No. 25, are registered in the Register of Certified Auditors (*Registro dei Revisori Legali*) held by the Ministry for Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the Ministerial Decree No. 145 of 20 June 2012. Deloitte & Touche S.p.A. is also member of Assirevi, the Italian association of auditing firms. Deloitte & Touche S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the two years ended 31 December 2016 and 31 December 2017.

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Directive.

Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions (including the provision of loan facilities and/or securitisation transactions) and other related transactions with, and may perform advisory, financial and/or non-financial services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of business the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans and/or ABS securities or similar securities) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the

Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "**affiliates**" also includes parent companies. Unione di Banche Italiane S.p.A. acts as Issuer and Dealer in the context of the Programme. The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue or offer of Notes under the Programme.

REGISTERED OFFICE OF
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Mediobanca – Banca di Credito Finanziario S.p.A.
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Morgan Stanley & Co. International plc
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Nomura International plc
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UBS Limited
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UniCredit Bank AG
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24122 Bergamo
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TRUSTEE

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Canary Wharf
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United Kingdom

ISSUING AND PAYING AGENT, REGISTRAR, TRANSFER AGENT AND CALCULATION AGENT

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As to English and Italian law

Chiomenti

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As to English and Italian law

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