



**Banca Monte dei Paschi di Siena S.p.A.**  
**€50,000,000,000**  
**Debt Issuance Programme**

Under this €50,000,000,000 Debt Issuance Programme (the “Programme”), Banca Monte dei Paschi di Siena S.p.A. (the “Issuer” or “BMPS”) may from time to time issue notes (the “Notes”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €50,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

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

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

Application for approval has been made to the *Commission de Surveillance du Secteur Financier* (the “CSSF”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectus for securities (the “Prospectus Act 2005”) to approve this document as a Base Prospectus. By approving this Base Prospectus, the CSSF shall give no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

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 Luxembourg Stock Exchange’s regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to “Exempt Notes” are to Notes for which no prospectus is required to be published under the Prospectus Directive. The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the “Final Terms”) which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the “Pricing Supplement”).

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

In certain circumstances, payments of interest relating to the Notes are subject to a deduction by way of “*imposta sostitutiva*” or withholding tax as more fully set out in Condition 6 (Taxation) of the Terms and Conditions and in “*Italian Taxation*”.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the “CRA Regulation”) will be disclosed in the Final Terms. Such credit rating agency will be included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency. Please also refer to “*Ratings of the Notes*” in the “*Risk Factors*” section of this Base Prospectus.

**ARRANGER**

**The Royal Bank of Scotland**

**DEALERS**

**BofA Merrill Lynch**

**Citigroup**

**Credit Suisse**

**Goldman Sachs International**

**J.P. Morgan**

**Société Générale Corporate & Investment Banking**

**UBS Investment Bank**

**Barclays**

**Crédit Agricole CIB**

**Deutsche Bank**

**HSBC**

**MPS Capital Services Banca per le Imprese S.p.A.**

**The Royal Bank of Scotland**

## IMPORTANT INFORMATION

### *Responsibility Statement*

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus constitutes a base prospectus for the issuance of Notes under the Programme by BMPS. This base prospectus constitutes a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “Prospectus Directive”).

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

Save for the Issuer, no party has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

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

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

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

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

**Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (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.**

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain**

exceptions, Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (see “Subscription and Sale” below).

#### **PRESENTATION OF INFORMATION**

All references in this document to “U.S. dollars”, “U.S.\$” and “\$” refer to the currency of the United States of America and references to “euro”, “€” and “Euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Unless otherwise indicated, any reference in this Base Prospectus to “Consolidated Financial Statements” is to the consolidated financial statements of the Group as at and for the years ended 31 December 2012 and 2013 audited by Reconta Ernst & Young S.p.A., independent accountant, and incorporated by reference in this Base Prospectus.

The Consolidated Financial Statements are denominated in euro.

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## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms or Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.**

**Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

## RISK FACTORS

*In purchasing Notes, investors assume the risk that BMPS may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in BMPS becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as BMPS may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the control of BMPS. BMPS has identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

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

#### ***Liquidity risks***

The Group's businesses are subject to risks concerning liquidity which are inherent in its banking operations and could affect the Group's ability to meet its financial obligations as they fall due, or to fulfil commitments to lend. In order to ensure that the Group 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 Group to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

Following concerns over U.S. sub-prime residential mortgage loans and related securities, the credit markets (primarily in the U.S. and Europe) have been experiencing substantial dislocations, liquidity disruptions and market corrections whose scope, duration, severity and economic effect remain uncertain. The global liquidity crisis has had, and may continue to have, an adverse effect on markets in the U.S., Europe and Asia, and has affected conditions in the European economies, on which the Group's business depends. The global financial system has yet to overcome such difficulties and financial market conditions have remained challenging and, in certain respects, have deteriorated.

The current credit conditions of the global and Italian capital markets have led to the most severe examination of the banking system's capacity to absorb sudden significant changes in the funding and liquidity environment in recent history, and have had an impact on the wider economy. Individual institutions have faced varying degrees of stress. Should the Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Group's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

In addition, the value of a number of the investment securities that the Group holds is sensitive to the volatility of the credit markets and accordingly, such investment securities may be adversely affected by future developments in the credit markets. Adverse and continued constraints in the supply of liquidity may adversely affect the cost of funding the business and extreme liquidity constraints may limit growth possibilities. An inability to access funds or to access the markets from which it raises funds may create stress on the Group's ability to finance its operations adequately. A dislocated credit environment compounds the risk that funds will not be available at favourable rates.

In addition as set out in "*Basel III and CRD IV*" below, the Group will be subject to new liquidity requirements introduced under the CRD IV Package (as defined below). ***Risks arising from the Eurozone 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 European Monetary Union.

Rising market tensions might affect negatively the funding costs and economic outlook of some euro member countries in addition to Greece. This, together with the risk that Greece might leave the euro area, would have a material and negative impact on the Group and/or on the Group's clients, with negative implications for the Group's business, results and the financial position.

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

Any further deterioration of the Italian economy would have a material adverse effect on the Group's business, in light of the Group's significant exposure to the Italian economy. In addition, if any of the countries in which the Group operates entered recession again, the Group's results of operations, business and financial condition would be materially and adversely affected.

The risk of a sharp upward repricing in sovereign credit spreads has significantly diminished after the ECB launched the "Outright Monetary Transactions" (OMT), however it has not completely faded. In the event that the European Central Bank halted or reconsidered the current set up of unconventional measures, this would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the Group's business, results and financial position.

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the euro area, global markets remain characterised by high uncertainty and volatility. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Group's access to, and cost of, funding. Should the Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Group's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

#### ***Risks in connection with the exposure of the Group towards Eurozone sovereign debt***

In carrying out its activities, the Group holds substantial volumes of public-sector bonds, including bonds issued by Greece, Ireland, Portugal, Spain and Italy. As at 30 September 2014, the Group's total exposure in relation to the sovereign debt is approximately equal to €25,163.86 million decreasing compared to the exposure as at 31 December 2013. This could give rise to operational disruptions to the Group's business. Furthermore, BMPS is affected by disruptions and volatility in the global financial markets. In particular, BMPS's credit ratings are potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, further downgrades of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as BMPS and make it more likely that the credit rating of Notes issued under the Programme are downgraded.

Thus, any negative developments in the Group's sovereign exposure could adversely affect its results of operations, business and financial condition.

#### ***Certain events related to certain structured transactions***

After an extensive analysis, BMPS confirmed the presence of errors in previous years in its financial statements relating to the accounting of the structured transactions denominated "Alexandria", "Santorini" and "Nota Italia" and to the costs of human resources. In relation to further and potential profiles of risk associated with, in particular, the accounting of the transactions denominated as "Alexandria" and "Santorini", please refer to the section entitled "Risks related to structured term repo operations" below.

The errors identified have been considered significant and determinable. Therefore, as required by Accounting Standard IAS 8, such errors, identified in 2012 and occurred in previous years, have been corrected in the annual financial statement as at 31 December 2012. For more information, please refer to the consolidated financial statements entitled "Adjustment of prior year balances in accordance with the provisions of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)" of the Annual Report as at 31 December 2012.

In particular, with reference to the Financial Statements as at 31 December 2013 and 2012, the representation of the two operations as synthetic derivatives would have had a positive impact on the income statement for the financial year 2012 equal to € 256 million and a positive impact on the income statement for the financial year 2013 of € 854 million; the impact on the comprehensive income for the period, which includes the effect of the cancellation of the AFS reserve, would have been negative for an amount of € 136 million in the financial year 2012 and positive for an amount of € 68 million in the financial year 2013. Therefore, the cumulative impact on the net equity would have been a negative amount of € 104 million on the as at 31 December 2012 and a negative amount of € 37 million as at 31 December 2013.

With reference to the interim report as at 30 September 2014, the representation of the restructuring "Alexandria" as synthetic derivative would have implied a negative impact on the income statement of the period for € 1 million, while on the overall profitability of the period as at the same date, which includes the effect of the cancellation of the AFS reserve, would have had a negative impact of € 72 million. The cumulative impact on the net equity would have been negative for an amount of € 111.

### ***Competition***

In recent years the Italian banking sector has been characterised by ever increasing competition which, together with the level of interest rates, has caused a sharp reduction in the difference between lending and borrowing interest rates and subsequent difficulties in maintaining a positive growth trend in interest rate margin.

In particular, such competition has had two main effects:

- a progressive reduction in the differential between lending and borrowing interest rate, which may result in the Group facing difficulties in maintaining its actual rate of growth in interest rate margins; and
- a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to competition on prices.

Both 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.

### ***Risks connected with geographical concentration of business***

BMPS's business is concentrated in Italy and in the other major countries which are members of the Organisation for Economic Co-operation and Development. Although the Group has a number of investments and subsidiaries with substantial business in other countries, a downturn in demand in the Italian economy could have a material adverse effect on the business of BMPS.

### ***Risks connected with the creditworthiness of customers***

BMPS's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant

information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. Any failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on BMPS's business and financial results.

During a recession, there may be less demand for loan products and a greater number of MPS customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties. In addition, the continued liquidity crisis in other affected economies may create difficulties for the Group's borrowers to refinance or repay loans to the Group's loan portfolio and potentially increase the Group's non-performing loan levels.

#### ***Risks connected with information technology***

BMPS's business relies upon integrated information technology systems. It relies on the correct functioning and reliability of such system and on its ability to protect the network infrastructure, information technology equipment and customer information from losses caused by technical failure, human error, natural disaster, sabotage, power failures and other losses of function to the system. The loss of information regarding customers, or other information central to business, such as credit risk control, or material interruption in the service could have a material adverse effect on its results of operations. In addition, upgrades to the information technology of BMPS required by law or necessitated by future business growth may require significant investments.

#### ***Deteriorating asset valuations from poor market conditions***

The global economic slowdown and economic crisis in certain countries of the Eurozone have exerted, and may continue to exert, downward pressure on asset prices, which impacts the credit quality of the Group's customers and counterparties. This may cause the Group to incur losses or to experience reductions in business activity, increases in non-performing loans, decreased asset values, additional write-downs and impairment charges, resulting in significant changes in the fair values of the Group's exposures.

A substantial portion of the Group's loans to corporate and individual borrowers are secured by collateral such as real estate, securities, ships, term deposits and receivables. Continued decline in the general economy of the countries in which the Group operates, or a general deterioration of economic conditions in any industries in which its borrowers operate or in other markets in which the collateral is located, may result in decreases in the value of collateral securing the loans to levels below the outstanding principal balance on such loans. A decline in the value of collateral securing these loans or the inability to obtain additional collateral may require the Group to reclassify the relevant loans, establish additional provisions for loan losses and increase reserve requirements. In addition, a failure to recover the expected value of collateral in the case of foreclosure may expose the Group to losses which could have a material adverse effect on its business, financial condition and results of operations. Moreover, an increase in financial market volatility or adverse changes in the liquidity of its assets could impair the Group's ability to value certain of its assets and exposures or result in significant changes in the fair values of these assets and exposures, which may be materially different from the current or estimated fair value. Any of these factors could require the Group to recognise write-downs or realise impairment charges, any of which may adversely affect its financial condition and results of operations.

#### ***Soundness of financial institutions***

In light of the relative shortage of liquidity and relatively high funding costs that have prevailed in the interbank lending market since the onset of the global financial crisis, the Group is exposed to the risk that the financial viability (actual or perceived) of the financial institutions with whom, and the countries in which, it carries out its activities could deteriorate. The Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance

and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Group to credit risk in the event of default of a counterparty or client. In addition, the Group's credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Group also involve transactions with financial services counterparties. The above risks could adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with whom the Group interacts on a daily basis, which in turn could adversely affect the Group's ability to raise new funding and therefore the Group's results of operations, business and financial conditions.

### ***Market declines and volatility***

The results of the Group are affected by general economic, financial and other business conditions. As discussed under "Liquidity risks", these risks are exacerbated by concerns over the levels of public debt and the weakness of the economies in certain Eurozone countries. There can be no assurance that the initiatives aimed at stabilising the markets will be sufficient to avert "contagion", i.e., the risk that the Greek sovereign debt crisis will spread to other indebted countries. If there were to be a downgrade in the sovereign debt of the countries in which the Group operates, such downgrade, or the perception that such a downgrade may occur, would likely have a material effect in depressing economic activity and restricting the availability, and increasing the cost, of funding for individuals and companies, which might have a material adverse effect on the Group's operating results, financial condition and prospects.

### ***Protracted market declines***

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Issuer 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 Issuer'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 Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

### ***Impact of events that are difficult to anticipate***

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

### ***Changes in interest rates***

Fluctuations in interest rates in Italy influence the Group's financial performance. The results of the Group's banking operations are affected by the Group's management of interest rate sensitivity and, in particular, changes in market interest rates. 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. Given the uncertainty over monetary policy actions going forward, investors could face a prolonged low rate environment.

Furthermore, a portion of the Group's operations is conducted in currencies other than the Euro. Unfavourable movements in foreign exchange rates could, therefore, influence the Group's results of operations, business, financial condition and prospects. As a result, the Group is exposed to foreign currency exchange rates and foreign currency transaction risks.

### ***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. If existing or potential customers believe that the Group's risk management policies and procedures are inadequate, its reputation as well as its revenues and profits may be negatively affected.

### ***Risks associated with the failure of BMPS to fully implement its Restructuring Plan or other capital strengthening measures***

On 7 October 2013, the Board of Directors of BMPS approved the Restructuring Plan, which BMPS adopted as part of the application process for receiving state aid in connection with the issue of new financial instruments ("**New Financial Instruments**"). The Restructuring Plan had been arranged in accordance with the guidelines agreed with the Ministry of Economy and Finance and the European Commission (DG Comp) and was approved by the European Commission on 27 November 2013.

The Restructuring Plan includes income and capital objectives for the years through 2017, based on assumptions concerning a macroeconomic environment of moderate growth and requires BMPS and the Group to undertake a number of actions and commitments in order to achieve the program's stated objectives and the restoration of profitability for the long term, among which:

- Commitment to carrying out a capital increase of €2.5 billion by the end of 2014;
- Achieving a regulatory capital fully compliant with requirements (10 per cent. phased-in CET1 and 9.3 per cent. fully loaded CET1 in 2017)<sup>1</sup>;
- Strengthening the liquidity profile: loan to deposit<sup>2</sup> ratio at approximately 90 per cent. by 2017, with no recourse to ECB funding;
- Inclusion of a number of initiatives aimed at recovering the bank's profitability and productivity. Among these are: relaunching the private banking sector, reinforcing bancassurance activities and launching the on-line bank project;
- Implementing actions aimed at a structural review of the costbase. In particular to reduce the number of employees by approximately 8,000 and personnel costs by approximately €500 million in the 2011-2017 period; it is also provided the reduction of administrative expenses by around €440 million between 2011-2017 through specific actions among which the closure of 150 branches (in addition to the 400 already closed), restructuring of the transaction "Chianti Classico"<sup>3</sup>, additional space and facility management actions, renegotiation of vendor agreements, rationalization of IT architecture and associated costs, disposal of non-core assets;

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<sup>1</sup> Calculated according to Basel 3, assuming a BTP-Bund spread of approximately 160 basis points. 80 per cent. Phase-in as at 2017.

<sup>2</sup> Calculated as loans to customers divided by customer deposits and securities issued. Excluding wholesale funding. L/D ratio in 2017 is estimated at 100 per cent..

<sup>3</sup> Transaction for value creation from part of the Group's real estate used in the business, completed in 2010.

- Implementing measures aimed at risks containment, among which reducing the portfolio of Italian sovereign bonds held in AFS (from €23 billion in June 2013 to a nominal value of approximately €17 billion in 2017) and reducing VaR in the trading book;
- Inclusion of a number of initiatives aimed at recovering the bank's productivity gap against its main Italian competitors;
- Reducing the cost of risk conservatively estimated at less than 100 basis points only from 2017 onwards, to take account of the persisting economic crisis and future uncertainties, despite significantly rebalancing the loan portfolio;
- Reducing the consumer credit and leasing portfolio and gradual run-off of assets with negative value added;
- Strengthening the Bank's liquidity profile so as to reach a loan to deposit ratio<sup>4</sup> (excluding wholesale funding) of approx. 100 per cent. and a total loan to deposit ratio<sup>5</sup> of around 90 per cent. in 2017, fully repay the European Central Bank loans (LTROs) by 2015 (as at 30 September 2014 the Issuer's net exposure with the ECB amounts to €17 billion) and additionally reinforce counterbalancing capacity.

For further details concerning the measures set out in the Restructuring Plan please see the press release published by the Issuer on 7 October 2013 and available on the Issuer's website [www.mps.it](http://www.mps.it).

On 28 November 2013 the Board of Directors of BMPS approved the 2013-2017 Business Plan that implements the strategic and operational priorities of the Restructuring Plan accordingly with its contents and economical objectives.

Aimed at a radical transformation in the "way of banking", the Plan is at the forefront of changes underway in the banking industry and will change Banca Monte dei Paschi di Siena's P&L and business model. In particular, the 2013-2017 Business Plan articulates the actions necessary to attain the objectives of the Restructuring Plan, which are centred around three key priorities:

- achieving sustainable levels of profitability;
- strengthening capital quantity and quality (10 per cent. Basel III common equity in 2017);
- structural rebalancing of liquidity (90 per cent. loan/deposits<sup>6</sup> ratio in 2017)

In the 2013-2017 Business Plan, these priorities incorporate elements of significant discontinuity and change, i.e. the business transformation of the Bank with management actions which will have positive effects even in the short term.

The Bank's business transformation is based on:

- A new distribution model more accessible to customers and less expensive for the bank, with fewer branches but more relationship-oriented, flexible sales points with increased customer interaction;
- An evolution in the intermediation model with more third-part products offered and a leaner balance sheet, aiming at an expansion of distribution agreements with third parties (consumer credit, leasing), an additional boost to "bancassurance" and innovative solutions to support SMEs;
- Strengthening of operating efficiency with initiatives aimed at making the Bank leaner, more productive and "digital";
- HR enhancement and development with a merit-based approach.

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<sup>4</sup> Calculated as loans to customers divided by deposits to customers and securities issued.

<sup>5</sup> Calculated according to Basel 3, conservatively assuming a BTP-Bund spread of approx. 160 basis points Phase-in of 80 per cent. as at 2017.

<sup>6</sup> Calculated as loans/deposits and securities issued

Management actions, which the Bank believes will have positive effects even in the short term, include:

- Increasing commercial productivity in the Retail, Private and Corporate segments, with a view to becoming the Bank of choice for SMEs;
- Improving loan book quality through a stronger monitoring process and prevention actions on performing loans, reduction in watchlist/non-performing loan stock, maximisation of debt collection and new organizational setup for the loan disbursement and credit monitoring process;
- Full repayment of the New Financial Instruments by 2017.
- A conservative risk management strategy and the rationalisation of the asset portfolio, with Government Bonds classified as AFS downsized from €23 billion to 17 billion in 2017.
- Continuing with incisive actions on renewal of operating and cost management models with a substantial upturn in efficiency and sustainable optimisation of the entire operating costbase.

For further details concerning the measures set out in the 2013-2017 Business Plan please see the press release published by the Issuer on 28 November 2013 and available on the Issuer's website [www.mps.it](http://www.mps.it).

In accordance with the objectives of the Restructuring Plan and of the Business Plan, on 27 June 2014 the Bank carried out a share capital increase of €4,999,698,478.00 and on 1 July 2014, based on the results of the subscription period of the rights issue and the discussions with the Ministry of Economy and Finance, BMPS redeemed 3 billion of New Financial Instrument and the New Financial Instruments relating to interest accrued for the financial year 2013 and issued at the same time for a total consideration of €3,455,620,000.00 which includes the effects of the terms and conditions of the New Financial Instruments due to the sale of shares performed by Fondazione Monte dei Paschi di Siena.

For further details concerning the share capital increase and the partial repaying in cash of New Financial Instruments please see the press releases published by the Issuer on 4 July 2014 and 30 June 2014 and available on the Issuer's website [www.mps.it](http://www.mps.it)

BMPS's ability to carry out the actions and/or achieve the objectives contemplated by the Restructuring Plan and the 2013-2017 Business Plan depends upon a number of circumstances, some of which are beyond the BMPS's control and others of which BMPS may only partially influence. Such circumstances may not be realized, or they may come about only in part, or in a different form, or they may change over the course of the plan, as in particular worsenings in the macroeconomic environment not in line with those assumed in the context of the Restructuring Plan.

In the event that BMPS does not achieve the objectives set out in the Restructuring Plan or fails to honour, whether in whole or in part, the commitments undertaken in connection with the Restructuring Plan's approval, the Bank might be obliged to (i) request amendments to the Restructuring Plan, in connection with which the European Commission could impose additional, more onerous conditions, as a result of the entry into force of measures that permit less favourable conditions than those applied in the Restructuring Plan or (ii) submit a new restructuring plan to the regulatory authorities. That new plan could include, inter alia, a change of management, new remuneration and dividend distribution policies, additional issuance of capital instruments with possibly significant dilutive effects for existing shareholders, the imposition of measures for the allocation of restructuring charges among the shareholders and/or holders of subordinated debt, additional restrictions upon our ability to make acquisitions, additional commitments regarding the sale of equity investments or other assets or the assumption of obligations to transfer assets to a special purpose vehicle. Further, the European Commission could also revoke its approval of the Restructuring Plan and require reimbursement of aid received (or require repayment of the New Financial Instruments).

Should such circumstances arise, they could have a negative impact on BMPS's reputation, as well as a material adverse effect on BMPS's and/or the Group's business, financial condition, results of operations and cash flows. In addition, one or more of the relevant ratings agencies may downgrade the Group's ratings, with a consequent increase in its funding costs. The Group can provide no guarantee that it will successfully

implement the Restructuring Plan, or achieve the objectives set out therein. Any inability on the part of the Group to implement the Restructuring Plan, in whole or in part, or to comply with the regulatory requirements applicable at any given time, could individually or in combination have a material adverse effect upon BMPS's and/or the Group's business, financial condition, results of operations and cash flows.

On 26 October 2014, the results of the Comprehensive Assessment were published and on 5 November 2014 the Board of Directors approved a Capital Plan subject to the approval of the competent Authorities aimed at covering the capital shortfall of Euro 2.1 billion, identified by the Comprehensive Assessment in connection with the impact of the adverse scenario of the Stress Test.

With regard to the actions set forth in the Capital Plan, for which reference is made to the press release published by the Issuer and available on the Issuer's website, it is not possible to exclude any uncertainties or risks arising from the modality and timing of execution of the Capital Plan following the requests that in case could come from the ECB or to the necessity to review the Restructuring Plan approved by the European Commission in 2013. Therefore, it is not possible to exclude that the Bank will be not in the position to implement all the measures set out in the Capital Plan, with a potential risk of future losses and decrease of value of the Bank's assets.

Investors are invited to consult the information related to the implementation of the Restructuring Plan and Capital Plan that, in accordance with the applicable law, could be published on the institutional web site of the Bank ([www.mps.it](http://www.mps.it)).

#### ***Publication of the results of a comprehensive assessment of the Issuer carried out by the ECB***

On 26 October 2014, the results of the Comprehensive Assessment were published, showing a balance sheet deficit of €2.1 billion, resulting from the Comprehensive Assessment and attributable to the Adverse Scenario of the Stress Test at 2016.

During the year, and in consideration of the mitigation actions of €2,139 million (including the €5 billion share capital increase, net of repayments of €3 billion of State Aid in the form of New Financial Instruments, and the revaluation of the shareholding in Bank of Italy):

- Common Equity Tier 1 (CET1) post- Asset Quality Review ("AQR") is 9.5 per cent. as at 31 December 2013, against a threshold of 8%;
- the "Base Scenario" stress test was also successful, with a CET1 of 8.8 per cent. against a threshold of 8.0 per cent.;
- the "Adverse Scenario" stress test at 2016 was not successful, showing a deficit of EUR 2.1 billion.

In particular, the results of the AQR carried out by the ECB showed an impact on CET1 of -320 bp; this amount does not consider the net right issue carried out on June 2014 of €2,000 million (plus 5,000 million right issue less 3,000 million of repayment of the Monti Bond) and other measures performed.

Another step of the Comprehensive Assessment is to verify if the CET1 ratio post AQR during the period 2014-2016 of the Base Scenario is higher than the threshold of 8%. The CET 1 AQR adjusted in the Base Scenario of the Stress Test after the implementation of the straightened measures is equal to 8.8 per cent., higher than the minimum threshold.

The last threshold to be verified is the CET1 ratio post AQR in the period 2014-2016 of the Adverse Scenario and this, as showed above was not successful.

The Bank's Board of Directors, in order to close the €2.1 billion balance sheet deficit resulting from the Comprehensive Assessment and attributable to the Adverse Scenario of the Stress Test, appointed UBS and Citigroup as financial advisors in defining, structuring and implementing mitigation actions in relation to the Bank's capital plan approved on 5 November 2014 (the "Capital Plan") as well as for evaluating all strategic



options available to the Bank. The approved Capital Plan envisages that the capital shortfall is covered entirely by forms of capital reinforcements that will further improve the structure and quality of the Bank's capital. The Capital Plan envisages that the capital shortfall is covered entirely by forms of capital reinforcements that will further improve the structure and quality of the Bank's capital, including: (i) a share capital increase to be offered up to a maximum of €2.5 billion, already supported by a pre-guarantee agreement and to be submitted for the approval of the Extraordinary Shareholders' Meeting; (ii) non-dilutive shares for shareholders, represented by additional capital management measures for approximately €220 million; (iii) the request to mitigate the deficit for an amount equivalent to the positive difference between the operating profits estimated for 2014 (the "expected pre-provision profit") and the same values estimated in the Adverse Scenario, which have a negative effect on the calculation on the capital deficit, estimated by the Bank at approx. €390 million.

On 11 February 2015, BMPS received a preliminary communication from the ECB of the outcome of the Supervisory Review and Evaluation Process ("SREP"), the framework within which all capital plans have been assessed. The ECB requested BMPS to cover the capital deficit resulting from the Comprehensive Assessment in the nine months following 26 October 2014, according to the Capital Plan received by the ECB on 10 November 2014, through the implementation of the Capital Plan. The Group has been requested from the ECB to reach a transitional CET1 Ratio of 10.2 per cent. and, as at 31 December 2014, the pro-forma transitional CET1 ratio amounts to 11.4 per cent., which includes the right issue for € 3 billion (see "*Major Events*" in "*Banca Monte dei Paschi di Siena S.p.A.*" section of this Base Prospectus).

On 11 February 2015, in order to be compliant with the regulatory capital deductions required by Basel III for 2015, the BMPS' Board of Directors approved, *inter alia*, an increase of the rights offering from EUR 2.5 billion to EUR 3 billion.

On the same date, the Board of Directors of BMPS approved the consolidated results as at 31 December 2014 showing a net result for the period of EUR -5,343 million. Reconta Ernst & Young S.p.A., as external independent auditors of BMPS, have agreed that the net result for the period of EUR -5,343 million, which has not been audited, is substantially consistent with the relevant final figure to be published in the next annual audited consolidated financial statements of BMPS for the year ended 31 December 2014.

On 4 March 2015, the BMPS' Board of Directors approved the Bank's draft financial statements and the BMPS Group's consolidated financial statements as at 31 December 2014, incorporating the results already approved by the Board of Directors on 11 February 2015 (see the relevant press release incorporated by reference to this Base Prospectus). As a consequence of the aforementioned loss, the Group has recorded a capital reduction which is also relevant for regulatory purposes, both at a consolidated and individual level (i.e. of the parent company and of some of its subsidiaries). Such capital reduction has determined, with reference to some figures, the overcoming of the limits relating to the large exposures. In this respect, initiatives have already been taken which are deemed to be suitable for bringing back as soon as possible the exposure's values within the limits of the prudential supervisory regulation.

In addition, it should be noted that as at 31 December 2014 BMPS' capital has decreased for more than one third as a consequence of the loss recorded for the year and previous losses carried forward. In this respect, upon approval of the annual financial statements on 4 March 2015, the directors of the Bank, in accordance with article 2466 of the Italian civil code, called, without delays, the shareholder's meeting for the purpose of taking any necessary actions. The BMPS' shareholders meeting will be held on 14 April 2015 on first call and, if necessary, on second call for the extraordinary session on 15 April 2015.

The Capital Plan is subject to the approval of the ECB. In this respect, at the moment it is not possible to exclude any uncertainties and risks relating to the modalities and the timing for the execution of the Capital Plan further to any requests of the ECB and also relating to the necessity of reviewing the Restructuring Plan approved by the European Commission in 2013. Therefore, it is not possible to exclude that the Bank will not be in a position to implement all the measures set out in the Capital Plan, with a potential risk of future losses and decrease of value of the Bank's assets.

### ***Risks in connection with administrative and legal proceedings***

As at the date of this Base Prospectus, the Group is involved in a number of civil, administrative and criminal investigations and proceedings. Some of these investigations and proceedings originated from the exceptional and extraordinary circumstances that gave rise to the criminal investigations, and the legal affairs in which BMPS was involved in 2012 and 2013, while others arose from the Group's ordinary-course operations (clawback actions, compound interest, placement of bonds issued by sovereigns and companies that then defaulted, placement of other financial instruments and products).

A number of judicial proceedings relate primarily to the financial transactions by which BMPS obtained the funds necessary for the acquisition of Banca Antonveneta and to certain financial transactions that BMPS entered into, including those relating to the restructuring of the Santorini transaction and Alexandria notes, the capital increases conducted by BMPS in 2008 and 2011, and the FRESH 2008 issuance; to such events can be related some proceedings for sanctions brought by the Supervisory Authority primarily against BMPS's previous management (in the event of penalties, could result in BMPS being jointly and severally liable for those penalties, with no certainty that BMPS will be able to recover any amounts paid in restitution proceedings). In addition, claims related to these transactions have been brought against BMPS in a number of lawsuits by consumer groups and individual investors who subscribed for financial instruments at or around the time of BMPS's equity issuances.

In this group are included the lawsuits brought by BMPS against the former Chairman of the Board of Directors and former General Manager and against Nomura International plc ("Nomura") and Deutsche Bank AG ("Deutsche Bank"), in connection with the restructuring of the Alexandria notes and Santorini transactions, respectively, are also bound up with those events.

Also, in this respect, the MPS Foundation has filed two independent proceedings: (1) against Mr. Mussari, Mr. Vigni and Nomura and (2) against Mr. Vigni and Deutsche Bank, alleging in both cases liability of the defendants under Article 2395 of the Italian Civil Code for direct damages sustained by the MPS Foundation in the restructurings of Alexandria notes and Santorini transaction.

With regard to the action brought by BMPS against Antonio Vigni and Deutsche Bank, on 19 December 2013, a settlement was reached between the Bank and Deutsche Bank regarding, *inter alia*, the claim for compensation (see "*Business—Material Contracts*"). This settlement is limited to the share of liability attributable to Deutsche Bank. BMPS' claims against Antonio Vigni and other parties involved in the Santorini transaction remain ongoing.

Following the reject of the request for the consolidation of the actions initiated by the Bank with those brought by the MPS Foundation, as at the date of this Prospectus the proceeding is still ongoing.

Moreover, on the occasion of the lawsuit independently filed by the MPS Foundation Mr. Vigni has received the permission to call the Bank on the basis of a hold-harmless letter (with respect to claims by third parties) allegedly made by the Bank with regard to him in the ambit of a consensual termination of his employment.

In BMPS's suit against Giuseppe Mussari, Antonio Vigni and Nomura, the first hearing was delayed for procedural reasons and took place on 16 April 2014. At this hearing there were called, for a possible discussion, on the one hand, the case brought by BMPS against Mr. Mussari, Mr. Vigni and Nomura and, on the other hand, the case independently brought by the MPS Foundation against the same defendants. The Judge reserved decision on the requests made by the parties. At the date of this Prospectus, the proceeding is still in progress

BMPS has been called to join in the proceeding filed by the MPS Foundation and in particular: (i) Mr. Vigni has received the permission to call BMPS on the basis of an alleged hold-harmless letter granted by BMPS to him in the context of a consensual termination of his employment, covering claims by third parties; and (ii) Mr. Mussari received the permission to call BMPS as being responsible, pursuant to Article 2049 of the Italian Civil Code, for alleged actions by certain of BMPS directors in executing the Alexandria transaction with

Nomura. A number of civil, administrative and criminal proceedings—commenced by criminal prosecutors, regulators, organized consumer groups, investors, and BMPS itself—have flowed from the criminal investigations that began in 2012. In these proceedings, BMPS has adhered to the principle that the current business and management of BMPS is different from that which was in place at the time of these events. BMPS’s new management has sought to identify and pursue those initiatives that it believes best protect the interests of BMPS, its assets and its reputation, including by pursuing actions against former senior management, and the counterparties involved in relevant transactions.

With respect to the civil litigation in the Court of Florence regarding the restructuring of the Alexandria notes, and the claims brought against the then-Chairman of the Board of Directors, Giuseppe Mussari, and the former General Manager, Antonio Vigni, BMPS is seeking an order confirming the liability of the aforementioned executives, and of the counterparty, for losses caused by the structured finance transactions. The outcome of the proceedings brought by BMPS in relation to the structured finance transactions with Nomura could be affected if the claims brought by Nomura in connection with the same matter in the Commercial Court in London are upheld. Those claims seek recognition of, *inter alia*, the validity of the contracts and the absence of any liability on Nomura’s part, contractually or on the basis of unjust enrichment. Accordingly, there can be no guarantee that in the event that the English courts were to rule in Nomura’s favor, Nomura would not seek to have that ruling recognized in the proceedings before the Court of Florence, to oppose BMPS’s arguments regarding the illegitimacy of the transactions as a whole.

BMPS’s engagement on these issues in recent months has required significant attention from management, and may continue to do so, drawing management’s attention away from BMPS’s ordinary operations. Actions by investors alleging that the relevant prospectus upon which they based their investment decisions contained false information may increase the amount of present claims, significantly, both in terms of size and the number of claims, which as of the date of this Base Prospectus total approximately € 43,5 million. This increase may be driven by the results and findings in the procedures that were commenced by regulators after the criminal investigations began in the course of 2012.

An adverse determination in these legal proceedings, an outcome different from our expectations, the commencement of additional proceedings or any increase in the amounts claimed thereunder could have a material adverse effect upon BMPS’s and/or the Group’s business, financial condition, results of operations and cash flows.

As at 30 September 2014, provisions had been accrued for risks and charges in relation to legal proceedings. The Bank’s provisions for risks and charges include, among others, allocations for possible losses on clawback actions and estimated disbursements in relation to customer complaints. These provisions are considered adequate to cover the potential liabilities that might result from the lawsuits underway as at 30 September 2014.

For more details about legal proceedings, see “*Legal Proceedings*” in “*Banca Monte dei Paschi di Siena S.p.A.*” section of this Base Prospectus.

### ***Risk connected to a potential rating downgrade***

BMPS is rated by Fitch Ratings Limited (“Fitch”), by Moody’s Investors Service Limited (“Moody’s”) and by DBRS (“DBRS”), each of which is established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, (as amended) (the “CRA Regulation”) as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation. A downgrade of any of BMPS’s ratings (for whatever reason) might result in higher funding and refinancing costs for BMPS in the capital markets. In addition, a downgrade of any of BMPS’s ratings may limit BMPS’s opportunities to extend mortgage loans and may have a particularly adverse effect on BMPS’s image as a participant in the capital markets, as well as in the eyes of its clients. These factors may have an adverse effect on BMPS’s financial condition and/or the results of its operations.

### ***Risks connected to the presence of OTC derivatives in the Group's portfolio***

The investors should note that the portfolio of the Group contains so-called “over the counter” (OTC) derivatives. The fair value of these OTC derivatives depends upon the both valuation and the perceived credit risk of the instrument insured or guaranteed or against which protection has been bought and the credit quality of the protection provider. Market counterparties have been adversely affected by their exposure to residential mortgage linked products, and their perceived creditworthiness has deteriorated significantly since 2007. Although the Group seeks to limit and manage direct exposure to market counterparties, indirect exposure may exist through other financial arrangements and counterparties. If the financial condition of market counterparties or their perceived creditworthiness deteriorates further, the Group may record further credit valuation adjustments on the underlying instruments insured by such parties. Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties could have a material adverse impact on the results of operations, financial condition and prospects of the Group.

### ***Risks related to structured term repo transactions***

In prior years, BMPS has entered into asset swap transactions involving Italian government bonds, term structured repo transactions and interest rate swaps. Two such transactions were those referred to as Alexandria, entered into with Nomura, which involved Italian government bonds of €3.05 billion nominal amount and Santorini, entered into with Deutsche Bank, which involved three separate total return swap transactions of €2 billion in aggregate nominal amount of Italian government bonds.

These types of transactions include, *inter alia*, obligations of so-called collateralization, or margin-setting, on a daily basis. The parties must therefore pay guarantee margins to ensure the liquidity of transactions in case of early termination for non-fulfilment by the other party. On 30 September 2014, the total collateral attributable to the Alexandria transaction and paid by BMPS equalled €1,892 million, inclusive of the collateral paid in respect of the repo facility of €1,967 million. On the same date, €1,967 million was drawn under a repo facility.

On 19 December 2013, the Bank entered into a settlement agreement with Deutsche Bank in order to govern the terms and conditions for early termination of the Santorini transaction and settle the claim for compensation brought by BMPS against Deutsche Bank.

Under the long-term structured repo transactions, the most significant risk to which BMPS is exposed is the credit risk of the Republic of Italy. Indeed, having entered into asset swaps to hedge interest rate risk for both the Alexandria and Santorini transactions, the position's sensitivity to interest rates is lower than its sensitivity to the creditworthiness of the Republic of Italy. A change in Italy's credit spread thus results in a change to the AFS Reserve, with consequences reflected in our statement of comprehensive income. BMPS is also exposed to counterparty risk, albeit mitigated by the daily cash collateralization and margin requirements of both transactions. As a result of its own estimated margin requirements as at the date of this Base Prospectus in respect of Alexandria, BMPS could be required to make significant cash expenditures, which could create additional liquidity stress for BMPS, with a material adverse effect upon BMPS's and/or the Group's business, financial condition, results of operations and cash flows.

BMPS, having conducted appropriate analysis together with its accountants, recorded the transactions in its balance sheet based on their individual contractual components, given their terms and their economic purpose. BMPS concluded that the criteria to present these transactions in its accounts as credit default swaps were not present.

BMPS's classification of these transactions as long-term structured repo contracts, along with the additional information relating to such transactions provided in the BMPS's accounts, have been analysed by the Bank of Italy, CONSOB and IVASS, as indicated in their joint letter of 8 March 2013. In compliance with the joint

letter from the Bank of Italy, CONSOB and IVASS, and taking into account the significant value of these transactions, BMPS included a detailed presentation of the impact that reclassifying the transactions as synthetic derivatives would have had on its accounts in pro forma accounting information in its historical financial information for the year ended 31 December 2012 and 2013.

Moreover, following a specific request from CONSOB on 18 April 2014 pursuant to article 114(5) of Legislative Decree 58/1998, in clarification of the information set out in the non-consolidated and consolidated financial statements as at and for the year ended 31 December 2013, BMPS provided further information in relation to the outcome of the meeting of the IFRS Interpretations Committee (“IFRIC”) on 25 March 2014, which had discussed inter alia an issue around the accounting treatment of term-structured repo transactions (as to whether the effects of individual contracts should be represented separately, or in combination, as a derivative contract). The conclusions that IFRIC reached were summarized in IAS 39 Financial Instruments: Recognition and Measurement—accounting for term-structured repo transactions, contained in IFRIC Update March 2014. In short, IFRIC decided not to include this item on its agenda, because, under current IFRS, there was no need for either an interpretation or any change to the existing standards.

In reaching that decision, IFRIC stressed that, in order to determine whether the entity had to account for the transactions separately or whether they could be treated as a single transaction, reference should be made to paragraphs B.6 and C.6 of the Guidance on Implementing IAS 39, and to paragraph AG 39 of IAS 32.

Regarding the application of B.6, Part A—Accounting Policies in the notes to the 2013 Audited Consolidated Financial Statements described the detailed analyses that had been made in order to establish whether, in compliance with the principle that substance should prevail over form and in light of the indicators set out in paragraph B.6 of the Guidance on Implementing IAS 39, the transaction was, in substance, a derivative, and more particularly, in a credit default swap. Based on such analyses, the Board of Directors approved the separate presentation of the individual contractual components. These conclusions reflect the assessment reached of the contractual agreements as a whole, with particular consideration of the underlying purposes, the associated cash flows and risks, the legal characteristics and the substantive effects of the transactions.

The accounting treatment of the Alexandria transaction with Nomura, and of the Santorini transaction with Deutsche Bank (the latter having been terminated in a settlement in December 2013), has also been considered in light of the further information contained in paragraph C.6 of Guidance on Implementing IAS 39 from IFRIC, and paragraph AG 39 of IAS 32. Having considered the contractual agreements and the links that exist between some of the contractual provisions, and also the fact that each of the financial instruments comprising the Alexandria transaction with Nomura, and the Santorini transaction with Deutsche Bank, has its own terms and conditions and may be transferred and settled separately, paragraph C.6 of the Guidance on Implementing IAS 39 also supports the separate accounting presentation adopted by BMPS. Paragraph AG 39 of IAS 32, part of the Application Guidance for IAS 32 regarding the offsetting of financial assets and financial liabilities in the balance sheet, also allows one to draw some general principles that offer further support for having the individual transactions accounted for separately, in accordance with BMPS’s own approach.

The accounting presentation that BMPS has adopted is also supported by the analysis made in paragraph C.6 of the Guidance on Implementing IAS 39 and paragraph AG 39 of IAS 32, referenced in the IFRIC Update—From the IFRS Interpretations Committee—March 2014. However, there can be no assurance that applicable guidance or requirements concerning acceptable accounting treatment will not change in the future.

In relation to a specific request from CONSOB received on 10 December 2013, pursuant to article 114(5) of the Consolidated Law of Financial Intermediation, in its 2013 Audited Consolidated Financial Statements, BMPS included an alternative presentation showing the effects upon the income statement, shareholders’ equity, and overall profit of the adjustments and reclassifications that would result from the presentation of major termstructured repo transactions as synthetic derivatives, including the impact upon the income statement and the balance sheet that would have been recognized following the settlement reached with Deutsche Bank of the Santorini transaction in December 2013, had that transaction been presented as a synthetic derivative.

In presenting pro forma accounting information treating the Santorini and Alexandria transactions as synthetic derivatives, the purchase of the notes and the financing under long-term repo contracts were presented and measured as credit default swaps under which protection was sold against the risk of default by the Republic of Italy, the issuer of the underlying securities. Similarly, the difference between the securities' fixed coupons and the floating rate paid on the financing repo contracts is presented as a premium collected on the sale of the protection.

In particular, a query was put to IFRIC with the aim of clarifying the following: (i) whether three transactions (acquiring a debt security, entering into an interest rate swap to hedge interest rate risk related to the security acquired and, contemporaneously with the acquisition, entering into a repurchase agreement in relation to the security, with a maturity equal to that of the security) must be accounted for separately, or rather together, as a single derivative instrument; and (ii) the correct application of the requirements contained in paragraph B.6 of IAS 39 Interpretive Guidance.

Notwithstanding the query, IFRIC did not address this topic during the meeting, maintaining that further interpretive guidance was not necessary. IFRIC's unwillingness was also based on the fact that the query did not include the economic rationale for the transaction, as well as IFRIC's belief that providing guidance in respect of a specific transaction would not be appropriate. IFRIC also stressed that the application of the guidance referred to in the query required an evaluation by the entity preparing the balance sheet and that the presence or absence of any single item contained in the guidance was not dispositive of the required accounting treatment.

The presentation of the two transactions as synthetic derivatives would have significantly different effects upon the income statement, because of the changes to the fair value of the credit default swaps, and the reclassification of the interest rate swap to the trading account. However, the impact upon shareholders' equity would be substantially mitigated by the elimination of the negative effects upon the AFS Reserves of not having the various components netted off in the accounts.

Presenting the two transactions as credit default swaps would, as a result of the changes to the accounting treatment of the individual components, result in a change to the perimeters of the trading book and the banking book, and consequently would affect the individual books' VaR in a manner such that they would substantially offset one another. It follows that treating these transactions as credit default swaps would not result in changes to the Group's overall VaR.

For more details about the above-mentioned potential impacts of the aforesaid transactions, see the pro forma data set out, respectively at pages 465 ss. of the Annual Financial Statement as at 31 December 2013 and at pages 241 ss. of the Interim Financial Report as at 30 June 2014.

***Changes in the Italian and European regulatory framework and accounting policies could adversely affect the Issuer's business***

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

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

(“BCBS”) and aim at preserving their stability and solidity and limiting their risk exposure. The Group is also subject to regulations applicable to financial services that govern, among other things, the sale, placement and marketing of financial instruments as well as to those applicable to its bank-assurance activities. In particular, the Group is subject to the supervision of CONSOB and the Institute for the Supervision of Private Insurance. The Issuer is also subject to the rules applicable to it as an issuer of shares listed on the Milan Stock Exchange.

In accordance with the regulatory frameworks defined by the supervisory authorities mentioned above and consistent with the regulatory framework being implemented at the European Union, the Group has in place specific procedures and internal policies to monitor, among other things, liquidity levels and capital adequacy, the prevention and contrast of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. Despite the existence of these procedures and policies, there can be no assurance that violations of regulations will not occur, which could adversely affect the Group’s results of operations, business and financial condition. In addition, as at the date of this Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

### ***Basel III and CRD IV***

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”), which envisaged a substantial strengthening of capital rules existing at the time, including by, among other things, raising the quality of the Core Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base), introducing requirements for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank’s non-viability, strengthening the risk coverage of the capital framework, promoting the build-up of capital buffers and introducing a new leverage ratio and global minimum liquidity standards for the banking sector.

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

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 (the “Circular No. 285”)) which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules concerning matters not harmonised at EU level. As of 1 January 2014, Italian banks are required to comply with a minimum CET1 Capital Ratio of 4.5 per cent., Tier I Capital Ratio of 5.5 per cent., and 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 and has applied to the Issuer since 1 January 2014 pursuant to Title II, Chapter I, Section II of Circular No. 285;
- Counter-cyclical capital buffer: set by the relevant competent authority between 0 per cent. - 2.5 per cent. (but may be set higher than 2.5 per cent. where the competent authority considers that the conditions in the Member State justify this), with gradual introduction from 1 January 2016 and

applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV Directive);

- Capital buffers for global systemically important banks: set as an “additional loss absorbency” buffer ranging from 1.0 per cent. to 3.5 per cent. determined according to specific indicators (size, interconnectedness, lack of substitutes for the services provided, global activity and complexity); , to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive), becoming fully effective on 1 January 2019; and
- Capital buffers for systemically important banks at a domestic level: up to 2.0 per cent. as set by the relevant competent authority and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the domestic financial system (Article 131 of the CRD IV Directive). The capital buffer for important banks at domestic level belonging to a group which is a global systemically important bank is limited. This buffer shall not exceed the higher of 1 per cent. of the total risk exposure amount and the global systemically important bank buffer rate applicable to the group at consolidated level.

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital.

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 Directive). At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV Directive as the Italian level-1 rules for the CRD IV Directive implementation on this point have not yet been enacted.

As part of the CRD IV Package transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital instruments under the framework which the CRD IV Package has replaced (CRD III) that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 31 December 2012, their recognition is capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year.

The new liquidity requirements introduced under the CRD IV Package will also be phased in: the Liquidity Coverage Ratio will apply from 1 January 2015 and be gradually phased in and the European Commission intends to develop the net stable funding ratio with the aim of introducing it by 1 January 2018.

The CRD IV Package may also introduce a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution’s assets are in line with its capital. Institutions are required to disclose their leverage ratio from 1 January 2015. Full implementation and European harmonisation, however, is not expected until 1 January 2018 following the European Commission’s review in 2016 of whether or not the ratio should be introduced. As a result of the changes described above, there is uncertainty as to regulatory requirements that the Issuer will be required to comply with. Furthermore, should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV 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.

***As of 2016, the Group may be 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 the Regulation establishing a Single Resolution Mechanism (the “SRM”). The SRM is expected to be operational by 1 January 2016. There are, however, certain provisions including those concerning the preparation of



resolution plans and provisions relating to the cooperation of the Single Resolution Board (the “Board”) with national resolution authorities, which will enter into force on 1 January 2015.

The SRM, which will complement the ECB Single Supervisory Mechanism, will apply to all banks supervised by the ECB Single Supervisory Mechanism. It will mainly consist of the Board and a Single Resolution Fund (the “Fund”).

Decision-making will be centralised with the Board, and will involve the Commission and the Council (which will have the possibility to object to the Board’s decisions) as well as the ECB and national resolution authorities.

The Fund, which will back resolution decisions mainly taken by the Board, will be divided into national compartments during an eight year transition period, as envisaged by an Intergovernmental Treaty, whose ratification is a precondition for the entry into force of the SRM Regulation. Banks will start to pay contributions in 2015 to national Resolution Funds that will mutualise gradually into the Single Resolution Fund starting from 2016 (and on top of the contributions to the national Deposit Guarantee Schemes).

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

The participating banks will be required to finance the Fund. The Issuer may therefore be required to pay contributions to the SRM in addition to contributions to the national Deposit Guarantee Scheme. The SRM is not operational yet and the manner in which it will be implemented is still evolving, so there remains some uncertainty as to how the SRM will affect the Group once implemented and fully operational.

***The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Notes***

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

The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

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

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide

extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

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

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as Subordinated Notes at the point of non-viability and before any other resolution action is taken (“non-viability loss absorption”). Any shares issued to holders of Subordinated Notes upon any such conversion into equity may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or extraordinary public support is to be provided.

The BRRD provides that it will be applied by Member States from 1 January 2015, except for the general bail-in tool which is to be applied from 1 January 2016. It is expected that the BRRD will be implemented in Italy through the adoption of special legislation by the Italian Parliament. There has not yet been any official proposal for the implementation of the BRRD in Italy.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is implemented, holders of Senior Notes and Subordinated Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool and, in the case of Subordinated Notes, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

***The Group may be subject to a proposed EU regulation on mandatory separation of certain banking activities***

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

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

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

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

Should a mandatory separation be imposed, additional costs at Group level are not ruled out, in terms of higher funding costs, additional capital requirements and operational costs due to the separation, lack of diversification benefits. Due to a relatively limited trading activity, Italian banks could be penalised and put at a relative disadvantage in comparison with their main global and European competitors (e.g. French and German banking institutions). As a result, the proposal could lead to the creation of an oligopoly where only the biggest players will be able to support the separation of the trading activities and the costs that will be incurred. An additional layer of complexity, leading to uncertainty, is the high risk of diverging approaches throughout Europe on this issue.

#### ***The Group may be affected by new accounting and regulatory standards***

Following the entry into force and subsequent application of new accounting standards and/or regulatory rules and/or the amendment of existing standards and rules, the Group may have to revise the accounting and regulatory treatment of some operations and the related income and expense, with potentially negative effects on the estimates contained in the financial plans for future years and with the need to restate already published financials.

In this regard, it should be pointed out that:

- IAS 19 revision and the new standard IFRS 13 entered into force on 1 January 2013<sup>7</sup>;
- the new IFRS 10, IFRS 11 and IFRS 12 will enter into force in 2014.

Furthermore, IFRS 9 is currently being finalised. This new standard will introduce significant changes with regard to classification, measurement, impairment and hedge accounting of instruments, including financial instruments, replacing IAS 39. At the present time, IFRS 9 is still expected to be applicable as of 1 January 2018, following the endorsement by the European Union.

#### ***The Group may be affected by a proposed EU Financial Transactions Tax***

On 14 February 2013, the European Commission published a new legislative proposal on the Financial Transaction Tax (the “FTT”). The proposal followed the Council’s authorisation to proceed with the adoption of the FTT through enhanced cooperation, i.e. adoption limited to 11 countries - among which Italy, France, Germany and Austria are included. A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The impact on the ‘real economy’ of the FTT as currently envisaged – especially for corporations – could be severe as many financial transactions are made on behalf of businesses that would bear the additional costs of the tax. For example, a transaction tax would raise the cost of the sale and purchase of corporate bonds in a time where it is widely acknowledged that access to capital markets by corporate issuers has to be incentivised.

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<sup>7</sup> For a description of the effects of the IAS 19 revision and the new standard IFRS 13, please see “Restatement of prior period accounts in accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors)” of the Notes to the Financial Statements set out in the Interim Financial Statement as at 30 June 2013

Moreover, it is a matter of concern for the Group that the proposal does not exempt the transfers of financial instruments within a group. Thus, if a financial instrument is not purchased for a client but only moved within a banking group, each transaction would be subject to taxation. Also, the inclusion of derivatives and repos/lending transactions in the taxation scope clashes with the efficiency of financial markets.

### ***Forthcoming regulatory changes***

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation which will enter into force on 2 July 2014 and will apply from 30 months after entry into force subject to certain transitional arrangements. The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

The various regulatory requests may affect the activities of the Group, including its ability to grant loans, or result in the need for further capital injections in order to meet capital requirements as well as require other sources of funding to satisfy liquidity requirements, which could result in adverse effects to the Group's results of operations, business, assets, cash flows and financial condition, the products and services offered by the Group as well as the Group's ability to pay dividends.

Such changes in the regulatory framework and in how such regulations are applied may have a material effect on the Issuer's business and operations. As the new framework of banking laws and regulations affecting the BMPS is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of BMPS.

Prospective investors in the Notes should consult their own advisors as to the consequences for them of the application of the above regulations as implemented by each Member State.

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

### ***Risks related to the structure of a particular issue of Notes***

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

### ***Risks applicable to all Notes***

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

An optional redemption feature is likely to limit the market value of the Notes. During any period when BMPS 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.

BMPS may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at

a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

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

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

*Early Redemption of the Notes for tax reasons*

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes.

### ***Risks applicable to Subordinated Notes***

*BMPS's obligations under Subordinated Notes are subordinated*

BMPS's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. "Senior Liabilities" means any unconditional, unsubordinated and unsecured obligations of BMPS. 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 BMPS become insolvent.

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

*Regulatory classification of the Notes.*

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

If Regulatory Call is specified as applicable in the Final Terms, upon the occurrence of a Capital Event (as defined in Condition 5(d) (Redemption for Regulatory Reasons), the Issuer may (subject to the provisions of Condition 5(h)), 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.

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

The Bank Recovery and Resolution Directive contemplates that Subordinated Notes may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool. See “*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Notes*”)

### ***Risks applicable to certain types of Exempt Notes***

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

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

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

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

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

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

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

The obligations in respect of the Notes (both Senior Notes and Subordinated Notes) are not covered by the *Fondo Interbancario di Tutela dei Depositi* (i.e. depositor insurance fund).

### **Risks related to Notes generally**

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

*The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.*

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.

*Call options are subject to the prior consent of the Bank of Italy.*

In addition to the call rights described under “*Regulatory classification of the Notes*” below, Subordinated Notes may also contain provisions allowing BMPS to call them after a minimum period of, for example, five years. To exercise such a call option, BMPS must obtain the prior written consent of the Bank of Italy.

Holders of such Notes have no rights to call for the redemption of such Notes and should not invest in such Notes in the expectation that such a call will be exercised by BMPS. The Bank of Italy must agree to permit such a call, based upon its evaluation of the regulatory capital position of BMPS and certain other factors at the relevant time. There can be no assurance that the Bank of Italy will permit such a call. Holders of such Notes should be aware that they may be required to bear the financial risks of an investment in such Notes for a period of time in excess of the minimum period.

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

*Withholding under the EU Savings Directive.*

Under EC Council Directive 2003/48/EC (the “Savings Directive”) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, or to certain limited types of entities established in that other Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State of the EU which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agents (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

### *U.S. Foreign Account Tax Compliance Act Withholding*

Sections 1471 through 1474 of U.S. Internal Revenue Code of 1986 (or “FATCA”) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

Whilst the Notes are in global form and held within Euroclear, or Clearstream Luxembourg (the “ICSDs”), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has made payment to, or to the order of, the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an “IGA”) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. Prospective investors should refer to the section “*Taxation – Foreign Account Tax Compliance Act*”.

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

Except for Conditions 2(b) and 2(c), the Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

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

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes, BMPS will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Global Note. BMPS has no responsibility or liability for the records relating to, or payment made in respect of, beneficial interests in the Global Notes.



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

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

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

### ***Risks related to the market generally***

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

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

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

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

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

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to BMPS or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to 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.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the consolidated audited annual financial statements of BMPS for each of the financial years ended 31 December 2012 and 31 December 2013, contained in the annual report as at 31 December 2012 and the 2013 Consolidated Financial Statements respectively (see cross-reference table below);
- (b) the consolidated reviewed semi-annual financial statements of BMPS as at 30 June 2014;
- (c) the consolidated unaudited quarterly report of BMPS as at 30 September 2014;
- (d) the consolidated unaudited quarterly report of BMPS as at 31 March 2014;
- (e) the Terms and Conditions of the Notes contained in the Base Prospectus dated 29 October 2013, as supplemented by the supplements dated 4 December 2013, 18 March 2014 and 22 May 2014, pages 55 to 78 (inclusive) prepared by the Issuer in connection with the Programme;
- (f) the press release dated 26 October 2014;
- (g) the press release dated 5 November 2014; and
- (h) the press release dated 4 March 2015.

### Cross-reference table

Please find below the relevant page references in respect of each of the following financial statements:

Document	Information incorporated	Location
BMPS' Reviewed Consolidated Semi-Annual Financial Statements as at 30 June 2014	Balance Sheet.....	pp 86-87
	Income Statement.....	pp 88-89
	Notes to the Financial Statements.....	pp 90
	Audit Report .....	pp 91-92
	Cash Flow Statement.....	pp 93-94
	Changes in Equity.....	pp 95
BMPS' Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December, 2013	Governing and Control Bodies	pp 5-6
	Consolidated Annual Report	pp 7-8
	Consolidated Report on Operations	pp 9-118
	Consolidated balance sheet	pp. 121-122
	Consolidated income statement	pp. 123-124
	Consolidated statement of comprehensive income	pp. 125-126
	Consolidated Statement of Changes in Equity – 2013	pp-126-127
	Consolidated Statement of Changes in Equity – 2012	pp. 128-129
	Consolidated cash flow statement: indirect method	pp. 130-132

<b>Document</b>	<b>Information incorporated</b>	<b>Location</b>
	Notes to the Consolidated Financial Statements	pp 133-456
	Certification of the consolidated financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented	pp 457-458
	Independent Auditor's Report	pp 459-462
BMPS' Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December, 2012	Balance Sheet .....	pp 89-90
	Income Statement .....	pp 91-92
	Notes to the Financial Statements .....	pp 101-429
	Audit Report .....	pp 431-434
	Cash Flow Statement .....	pp 98-100
	Changes in Equity .....	pp 94-97
BMPS' Unaudited Consolidated Quarterly Report as at 30 September 2014		Entire Document
BMPS' Unaudited Consolidated Quarterly Report as at 31 March 2014		Entire document
Base Prospectus dated 29 October 2013 prepared by the Issuer in connection with the Programme	Terms and Conditions	pp 55-78
Supplement dated 4 December 2013		Entire document
Supplement dated 18 March 2014		Entire document
Supplement dated 22 May 2014		Entire document
Press release dated 26 October 2014		Entire document
Press release dated 5 November 2015		Entire document
Press release dated 4 March 2015		Entire document

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the office of BMPS as set out at the end of this Base Prospectus and will also be published on the BMPS website ([english.mps.it/Investor+Relations/Bilanci+e+Relazioni/](http://english.mps.it/Investor+Relations/Bilanci+e+Relazioni/)). In addition, such documents will be available free of charge from the principal office in Luxembourg of Banque Internationale à Luxembourg, société anonyme (the "Luxembourg Listing Agent") for Notes admitted to the Official List and to trading on the Luxembourg Stock Exchange's regulated market. This Base Prospectus and the documents incorporated by reference herein have been filed with the Luxembourg Stock Exchange and will also be published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)). The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the "Prospectus Regulation").

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

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

This section constitutes a general description of the Programme for the purposes of Article 22.5(3) of the Prospectus Regulation.

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

Issuer: Banca Monte dei Paschi di Siena S.p.A. (the “Issuer” or “BMPS”)

Description: Debt Issuance Programme

Arranger: The Royal Bank of Scotland plc

Dealers: Barclays Bank PLC  
Citigroup Global Markets Limited  
Crédit Agricole Corporate and Investment Bank  
Credit Suisse Securities (Europe) Limited  
Deutsche Bank AG, London Branch  
Goldman Sachs International  
HSBC Bank plc  
J.P. Morgan Securities plc  
Merrill Lynch International  
MPS Capital Services Banca per le Imprese S.p.A.  
Société Générale  
The Royal Bank of Scotland plc  
UBS Limited

and any other Dealers appointed in accordance with the Programme Agreement (as defined under “*Subscription and Sale*”).

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

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

Programme Size: Up to €50,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer

may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

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

**Currencies:** Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.

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

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

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

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

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

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

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series; or
- (ii) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

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

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

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

Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Exempt Notes:	<p>The Issuer may issue Exempt Notes which are Partly Paid Notes or Notes redeemable in one or more instalments.</p> <p><b>Partly Paid Notes:</b> The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.</p> <p><b>Notes redeemable in instalments:</b> The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.</p> <p>The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.</p>
Redemption:	<p>The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) (other than in relation to Subordinated Notes) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in the case of Exempt Notes in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.</p> <p>Other than following an Event of Default, any redemption of Subordinated Notes prior to their stated maturity in accordance with the Conditions (including early redemption for taxation reasons or early redemption for regulatory reasons) will be subject to the prior approval of the Competent Authority as described in Condition 5(h)“<i>Conditions to Early Redemption and Purchase of Subordinated Notes</i>”.</p> <p>Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions</i>”.</p>
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, save that the minimum denomination of each Note (other than an Exempt Note) issued by the Issuer that is admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 6 (Taxation). In the event that any such deduction is



made, the Issuer will, save in certain limited circumstances provided in Condition 6 (Taxation), be required to pay additional amounts to cover the amounts so deducted.

As more fully set out in Condition 6 (Taxation), BMPS in its capacity as Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as amended or supplemented) and related regulations of implementation which have been or may subsequently be enacted (“Legislative Decree 239”) on account of *imposta sostitutiva* as defined therein in relation to interest payable in respect of any Notes.

Negative Pledge:	None.
Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 8 (Events of Default). Subordinated Notes will not have the benefit of the cross default.
Status of the Notes:	<p>The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference or priority among themselves and (subject to any applicable statutory exceptions) equally with all other present and future unsecured and unsubordinated obligations of the Issuer.</p> <p>The Subordinated Notes will constitute unconditional, subordinated unsecured obligations of the Issuer and, (subject to Condition 2(b)), will rank <i>pari passu</i> and without any preference among themselves and after all unsubordinated, unsecured obligations of the Issuer, as described in Condition 2(b).</p>
Subordination:	Payments in respect of the Subordinated Notes will be subordinated as described in Condition 2 ( <i>Status of the Notes and Subordination</i> ).
Listing and admission to trading:	<p>Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes (other than Exempt Notes) issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of Luxembourg Stock Exchange.</p> <p>The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms (or applicable Pricing Supplement, the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Rating:	The Programme has been rated (P)B1 by Moody's Investors Service ( <b>Moody's</b> ), BBB by Fitch Ratings Limited ( <b>Fitch</b> ) and BBB (low) by DBRS ( <b>DBRS</b> ) Each of Moody's, Fitch and DBRS is established in the EU and registered under the CRA Regulation. Series of Notes issued under the Programme may be rated or unrated. The rating of certain Series of Notes to

be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the “CRA Regulation”) will be disclosed in the Final Terms. Such credit rating agency is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Please also refer to “*Ratings of the Notes*” in the “*Risk Factors*” section of this Base Prospectus.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law, except Condition 2(b) and 2(c) which shall be governed by, and construed in accordance with, Italian law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Italy) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “*Subscription and Sale*”.

## FORM OF THE NOTES

*Any reference in this section to “applicable Final Terms” shall be deemed to include a reference to “applicable Pricing Supplement” where relevant.*

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

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

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

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

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

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 8 (Events of Default)) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 12 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms or Pricing Supplement, as the case may be:

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

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

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

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

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 8 (Events of Default). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note, then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the "Deed of Covenant") dated 12 March 2015 executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

## APPLICABLE FINAL TERMS

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

*[Date]*

**Banca Monte dei Paschi di Siena S.p.A.**

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

**under the €50,000,000,000**

**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 12 March 2015 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Base Prospectus”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the registered office of the Issuer and has been published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained from the Agent at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Base Prospectus dated 29 October 2013 and the supplements to it dated 4 December 2013, 18 March 2014 and 22 May 2014 which are incorporated by reference in the Base Prospectus dated 12 March 2015. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (as defined below) and must be read in conjunction with the Base Prospectus dated 12 March 2015 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Base Prospectus”, including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the registered office of the Issuer and has been published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained from the Agent at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]*

(1) (i) Series Number: [ ]

(ii) Tranche [ ]

- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [Provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph (22) below, which is expected to occur on or about [date]][Not Applicable]
- (2) Specified Currency or Currencies: [ ]
- (3) Aggregate Nominal Amount:
- (i) Series: [ ]
- (ii) Tranche: [ ]
- (4) Issue Price of Tranche: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (5) (i) Specified Denominations: [ ]
- (N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent))
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:
- “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)
- (ii) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination.
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
- (6) (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [ ]
- (7) Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]
- (Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy’s requirements applicable to the issue of Subordinated Notes by BMPS Subordinated Notes must have a minimum maturity of five years).

- (8) Interest Basis: [ ] per cent. Fixed Rate]  
 [[ [ ] month [LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 (see paragraph [14]/[(14)]/[(15)] below)
- (9) Redemption/Payment Basis: [100 per cent.] [[●] in case of Zero Coupon Notes]
- (10) Change of Interest Basis: [*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs (13) and (14) below and identify there*][Not Applicable]
- (11) Put/Call Options: [Investor Put]  
 [Regulatory Call]  
 [Issuer Call]  
 [(see paragraph [(17)]/[(18)]/[(19)] below)]
- (12) (i) Status of the Notes: [Senior Notes/Subordinated Notes]
- (ii) Date of [Board] approval for issuance of Notes obtained: [ ] (*N.B. Only required where Board (or similar) authorisation is required for the particular tranche of Notes*)

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- (13) Fixed Rate Note Provisions: [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate(s) of Interest for Fixed Rate Notes: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
 (*Amend appropriately in the case of a irregular coupons*)
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
 (Applicable to Notes in definitive form)
- (iv) Broken Amount(s): [ [ ] ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]  
 (Applicable to Notes in definitive form)
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[ ] in each year] [Not Applicable]  
 (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*)



- (14) Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ][, subject to adjustment in accordance with the Business Day Convention set out in ((ii) below /, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (iii) Additional Business Centre(s): [*insert name and address*]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vi) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [ ] month [LIBOR/EURIBOR].
  - Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination [Applicable/Not Applicable]
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*

- (viii) Linear Interpolation: [Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (ix) Margin(s): [+/-] [ ] per cent. per annum
- (x) Minimum Rate of Interest: [ ] per cent. per annum
- (xi) Maximum Rate of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
30E/360 (ISDA)]
- (15) Zero Coupon Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference: Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/365]

#### **PROVISIONS RELATING TO REDEMPTION**

- (16) Notice periods for Condition 5: Minimum period: [ ] days  
Maximum period: [ ] days
- (17) Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]  
*[(If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements, applicable to the issue of Subordinated Notes, the Optional Redemption Date shall not be earlier than five years after the Issue Date.)*
- (ii) Optional Redemption Amount: amount(s): [[ ] per Calculation Amount]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]

- (b) Maximum Redemption Amount: [ ]
- (iv) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- (18) Regulatory Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph.)*  
*(N.B. Only relevant in the case of Subordinated Notes)*
- Early Redemption Amount of each Note payable on redemption for regulatory reasons (in the case of Subordinated Notes and subject to the prior approval of the Bank of Italy) as contemplated by Condition 5(d) and/or the method of calculating the same (if required or if different from that set out in Condition 5(f)): [[ ] per Calculation Amount/as set out in Condition 5(f)]
- (19) Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount  
*(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*
- (iii) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- (20) Final Redemption Amount: [ ] per Calculation Amount

(21) Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

*(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

See also paragraph (18) (Regulatory Call:)] *(Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable)*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

(22) Form of Notes:

(i) Form:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

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

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph (5) includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)*

(ii) New Global Note:

[Yes]/[No]

(23) Additional Financial Centre(s):

[Not Applicable] [●] *(Specify Additional Financial Centres, if any)*

*(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which sub-paragraph (14)(iii) relates)*

(24) Talons for future Coupons to be attached to Definitive Notes:

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

**THIRD PARTY INFORMATION**

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

[Signed on behalf of Banca Monte dei Paschi di Siena S.p.A.:

By: .....  
*Duly authorised*]

## PART B – OTHER INFORMATION

### (1) LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].]

[Not Applicable.]

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

### (2) RATINGS

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

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

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

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

### (3) INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

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

(4) **YIELD (Fixed Rate Notes only)**

Indication of yield: [ ]

(5) **HISTORIC INTEREST RATES (Floating Rate Notes only)**

Details of historic [LIBOR/EURIBOR] rates can be obtained from Reuters.

(6) **OPERATIONAL INFORMATION**

(i) ISIN: [ ]

(ii) Common Code: [ ]

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

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): [ ]

(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

(7) **DISTRIBUTION**

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

(ii) If syndicated, names of Managers: [Not Applicable/give names]

- (iii) Date of [Subscription] [ ] Agreement:
- (iv) Stabilisation Manager(s) (if [Not Applicable/*give name*] any):
- (v) If non-syndicated, name of [Not Applicable/*give name*] relevant Dealer:
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]



## APPLICABLE PRICING SUPPLEMENT

### EXEMPT NOTES OF ANY DENOMINATION

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

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

[Date]

**Banca Monte dei Paschi di Siena S.p.A.**

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

**under the €50,000,000,000**

**Debt Issuance Programme**

### **PART A – CONTRACTUAL TERMS**

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

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 12 March 2015 [as supplemented by the supplement[s] dated [date[s]]] (the “Base Prospectus”). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from the Agent at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Base Prospectus dated 29 October 2013 and the supplements to it dated 4 December 2013, 18 March 2014 and 22 May 2014 which are incorporated by reference in the Base Prospectus.]

*[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

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

1. (a) Issuer: Banca Monte dei Paschi di Siena S.p.A.
2. (a) Series Number: [ ]

- (b) Tranche Number: [ ]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. Specified Denominations: [ ]
- (a) Calculation Amount: [ ]  
*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[specify Reference Rate] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 ]  
 [specify other]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Partly Paid]  
 [Instalment]  
 [specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis][Not Applicable]

12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior Notes/Subordinated Notes]
- (b) [Date [Board] approval for [ ] (N.B. Only required where Board (or similar) issuance of Notes obtained: authorisation is required for the particular tranche of Notes)]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
*(Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form.)*
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]  
*(Applicable to Notes in definitive form.)*
- (e) Day Count Fraction: [30/360/Actual/Actual (ICMA)/specify other]
- (f) [Determination Date(s): [[ ] in each year][Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- (g) [Ratings Step-up/Step-down: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (h) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]
15. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ], subject to adjustment in accordance with the Business Day Convention set out in (b) below /, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]][Not Applicable]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:
- Reference Rate: [ ] month [LIBOR/EURIBOR/specify other Reference Rate].  
(Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions in the Agency Agreement.)
  - Interest Determination Date(s): [ ]  
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
  - Relevant Screen Page: [ ]  
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]  
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) Linear Interpolation: [Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

- (i) Margin(s): [ +/- ] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum
- (k) Maximum Rate of Interest: [ ] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
30E/360 (ISDA)  
*Other*]
- (m) Fallback provisions, [ ]  
rounding provisions and any  
other terms relating to the  
method of calculating  
interest on Floating Rate  
Notes which are Exempt  
Notes, if different from  
those set out in the Terms  
and Conditions:
16. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this  
paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of [ ]  
determining amount payable  
for Zero Coupon Notes  
which are Exempt Notes:
- (d) Day Count Fraction in [30/360]  
relation to Early [Actual/360]  
Redemption Amounts: [Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 5: Minimum period: [ ] days  
Maximum period: [ ] days
18. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this  
paragraph)*
- (a) Optional Redemption [ ]  
Date(s):

- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
19. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
20. Final Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the [[ ] per Calculation Amount/specify other/see Appendix]  
*(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is*

method of calculating the same: *likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:
- (a) [Form:] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
- [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]  
*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves.)*
- (b) [New Global Note: [Yes][No]]
23. Additional Financial Centre(s): [Not Applicable/give details]  
*(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(c) relates)*
24. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
25. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment. [Not Applicable/give details. *N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
26. Details relating to Instalment Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Instalment Amount(s): [give details]

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

27. Other terms or special conditions: [Not Applicable/give details]

## **RESPONSIBILITY**

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

[Signed on behalf of Banca Monte dei Paschi di Siena S.p.A.:

By: .....

*Duly authorised*]



## PART B – OTHER INFORMATION

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

2. **RATINGS**

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)]  
*(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus)*

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

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

4. **OPERATIONAL INFORMATION**

ISIN Code: [ ]

(i) Common Code: [ ]

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

(iii) Delivery: Delivery [against/free of] payment

(iv) Names and addresses of additional Paying Agent(s) (if any): [ ]

(v) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility

criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 5. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (v) U.S. Selling Restrictions: Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) Additional selling restrictions: [Not Applicable/*give details*]  
*(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)*

## TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Banca Monte dei Paschi di Siena S.p.A. (the “Issuer”) pursuant to the Agency Agreement (as defined below).

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

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of each Specified Denomination in the Specified Currency;
- (ii) any Global Note; and
- (iii) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement dated 12 March 2015 (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the “Agency Agreement”), and made between Banca Monte dei Paschi di Siena S.p.A. (“BMPS”), Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the “Agent”, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents).

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the “Conditions”) or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an “Exempt Note”), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the “applicable Final Terms” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to applicable Final Terms shall be deemed to include a reference to “applicable Pricing Supplement” where relevant. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in the relevant Member State of the European Economic Area and includes any relevant implementing measure in the relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Interest bearing definitive Notes have interest coupons (“Coupons”) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than

the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the “Deed of Covenant”) dated 12 March 2015 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear and Clearstream, Luxembourg (each as defined below).

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

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

## **1. Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the “Specified Currency”) and the denominations (the “Specified Denomination(s)”) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

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

If this Note is an Exempt Note, this Note may also be an Instalment Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

This Note is a Senior Note or a Subordinated Note, depending on the Status of the Notes specified in the applicable Final Terms.

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

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

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

## **2. Status of the Notes and Subordination**

### **(a) Status of the Senior Notes**

*This Condition 2(a) applies only to Senior Notes.*

- (i) The Senior Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and (subject to any applicable statutory exceptions) equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

### **(b) Status of the Subordinated Notes**

*This Condition 2(b) applies only to Subordinated Notes.*

- (i) The Subordinated Notes (notes intended to qualify as Tier 2 capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time (the “Bank of Italy Regulations”), including any successor regulations, and Article 63 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and

investment firms) (the “Subordinated Notes”) and the Receipts and Coupons relating to them constitute unconditional, subordinated and unsecured obligations of the Issuer and, subject to this Condition 2(b) will rank *pari passu* and without any preference among themselves.

- (ii) In the event of the bankruptcy, dissolution, liquidation or winding up of the Issuer (including *Liquidazione Volontaria* or an order for *Liquidazione Coatta Amministrativa*), the payment obligations of the Issuer under the Subordinated Notes and the Receipt and Coupons relating to them shall rank in right of payment after all unsubordinated, unsecured creditors (including depositors) of the Issuer but *pari passu* with all other present and future similar subordinated obligations of the Issuer that are not expressed by their terms to rank or which do not rank junior or senior to the Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Issuer.
- (iii) In relation to each Series of Subordinated Notes all Subordinated Notes of such Series will be treated equally and all amounts paid by BMPS in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.

**(c) Special provisions applicable to Subordinated Notes**

(i) *Minimum maturity*

Subordinated Notes may be validly issued with a minimum maturity of five years agreed at issue or with a maturity which may be determined by BMPS while the Subordinated Notes are outstanding. In such latter circumstance the Subordinated Notes can be validly redeemed by giving a minimum five years’ prior written notice to the Noteholders in accordance with Condition 12.

(ii) *Early redemption and purchase*

Subordinated Notes may be validly redeemed early or purchased by BMPS only in accordance with the provisions of Condition 5(h).

**3. Interest**

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

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

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

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

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

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Interest Commencement Date), the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

“Determination Period” means the period from and including a Determination Date to but excluding the next Determination Date; and

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

**(b) Interest on Floating Rate Notes**

*(i) Interest Payment Dates*

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

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, “Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and



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

(ii) *Rate of Interest*

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

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub paragraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “ISDA Definitions”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms;  
and
- (3) the relevant Reset Date is the day specified in the applicable Final Terms.

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either the London inter-bank offered rate (“LIBOR”) or the Eurozone inter-bank offered rate (“EURIBOR”), as specified in the applicable Final Terms, which appears or appear, as the case may be, on the Relevant Screen Page as at 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 plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page (or such replacement page on that service which displays the information), 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 Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

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

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

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

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

- (v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable

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

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

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

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 12. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vii) *Certificates to be final*

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

(c) **Exempt Notes**

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

In the case of Exempt Notes which are not also Fixed Rate Notes or Floating Rate, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

### *Interest on Partly Paid Notes*

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

#### **(d) Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12.

#### **4. Payments**

##### **(a) Method of payment**

Subject as provided below:

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

##### **(b) Payments Subject to Fiscal and Other Laws**

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

##### **(c) Presentation of definitive Notes, Receipts and Coupons**

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

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 4(e)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

**(d) Payments in respect of Global Notes**

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

**(e) Specific provisions in relation to payments in respect of certain types of Exempt Notes**

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 4(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 4(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

**(f) General provisions applicable to payments**

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

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

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

**(g) Payment Day**

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

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

**(h) Interpretation of principal and interest**

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

- (i) any additional amounts which may be payable with respect to principal under Condition 6;



- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(f); and
- (vii) any premium and any other amounts other than interest which may be payable by the Issuer under or in respect of the Notes.

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

## **5. Redemption and Purchase**

### **(a) Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will (subject, with respect Subordinated Notes, to the provisions of Condition 2(c)(ii) and 5(h)) be redeemed by the Issuer (i) at least *at par* in case of Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes, as specified in the applicable Final Terms in the relevant Specified Currency and on the Maturity Date specified in the applicable Final Terms (ii) in the case of Exempt Notes, at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the Applicable Pricing Supplement.

### **(b) Redemption for tax reasons**

Subject to Condition 5(f), Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy in the case of Subordinated Notes) in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 and, in making payment itself, would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 6) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction 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 on which agreement is reached to issue the first Tranche of the Notes, provided that in the case of Subordinated Notes any such change or amendment was not reasonably foreseeable by BMPS as at the date of the issue of the relevant Subordinated 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, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Each Note redeemed pursuant to this Condition 5(b) will be redeemed at its Early Redemption Amount referred to in paragraph (f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

If Issuer Call is specified as being applicable in in the applicable Final Terms, the Issuer may (subject to the prior approval of the Bank of Italy in the case of Subordinated Notes), having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption.

**(d) Redemption for Regulatory Reasons**

If Regulatory Call is specified in the applicable Final Terms, upon occurrence of a Capital Event, the Issuer may (subject to the provisions of Condition 5(h)), on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than 15 nor more than 30 days’ notice to the Principal Paying Agent and in accordance with Condition 13 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 referred to in Condition 5(f) below together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption..

For the purpose of these Conditions:

a “Capital Event” is deemed to have occurred if, as a result of any change (or pending change which the relevant Competent Authority considers to be sufficiently certain) in the regulatory classification of the Notes under the Relevant Regulations that the Issuer demonstrates to the satisfaction of the relevant Competent Authority was not reasonably foreseeable as at the Issue Date of the Notes, the Notes are (or would be) fully excluded from the Tier 2 Capital of the Issuer and/or the Group;

“Competent Authority” means the Bank of Italy or any successor or replacement thereto, or other authority or authorities having primary responsibility for the prudential oversight and supervision of the Issuer at the relevant time;

“Relevant Regulations” means (1) the capital adequacy requirements of the Competent Authority or (2) any other regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union (being (in the case of (1) or (2)) regulatory capital rules applicable to the Issuer at the relevant time); and

“Tier 2 Capital” has the meaning given to it by the Competent Authority from time to time.

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

This Condition 5(e) applies only to Senior Notes.

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

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 8.

**(f) Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 8:

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

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

where:

“RP” equals the Reference Price; “AY” equals the Accrual Yield; and

“y” is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption of (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

#### *Instalments*

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

#### *Partly Paid Notes*

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

#### **(g) Purchases**

The Issuer or any Subsidiary (as defined below) of the Issuer may at any time purchase Notes other than Subordinated Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation. References in the Conditions to the purchase of Notes shall not include the purchase of Notes by the Issuer or any of their Subsidiaries in the ordinary course of business of dealing in securities, as nominee or as a bona fide investment.

Subordinated Notes may only be purchased by the Issuer in accordance with the provisions of Condition 5(h) below.

“Subsidiary” means any entity which is a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

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

Any redemption or purchase of Subordinated Notes in accordance with Conditions 5(b), (c), (d) 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(d));
- (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(b), 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(d), 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.

**(i) Cancellation**

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

**(j) Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero

Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12.

**6. Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes,

Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable:

- (a) with respect to any payment or deduction of any interest, principal or other proceeds or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 and in all circumstances in which the procedures set forth in Legislative Decree No. 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions of omissions of the Issuer or its agents;
- (b) with respect to any Note, Receipt or Coupon presented for payment:
  - (i) in the jurisdiction of incorporation of the Issuer; or
  - (ii) by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
  - (iii) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making a declaration of non-residence or other similar claim for exemption to the relevant taxing authority; or
  - (iv) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4(g)); or
  - (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (vi) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
- (c) in respect of any Note where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983.

As used herein:

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

## 7. Prescription

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

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b).

## 8. Events of Default

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

This Condition 8(a) applies only to Senior Notes.

If any one or more of the following events (each an “Event of Default”) shall occur with respect to any Senior Note:

- (i) there is default for more than 7 days in the payment in the Specified Currency of any principal or 15 days in the case of any interest due in respect of the Senior Notes; or
- (ii) the Issuer shall be adjudicated or found bankrupt or insolvent or shall stop or threaten to stop payment or shall be found unable to pay its debts, or any order shall be made by any competent court or administrative agency for, or any resolution shall be passed by the Issuer for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer; or
- (iii) BMPS becomes subject to an order for “*Amministrazione straordinaria*”, “*Gestione provvisoria*” or “*Liquidazione coatta amministrativa*” (within the meanings ascribed to those expressions by the Italian Banking Act and the other laws of Italy); or
- (iv) the Issuer fails to pay a final judgment of a court of competent jurisdiction within 30 days from the entering thereof or an execution is levied on or enforced upon or sued out pursuant to any such judgment against any substantial part of the assets or property of the Issuer; or
- (v) the Issuer shall be wound up, liquidated or dissolved (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by an Extraordinary Resolution of the Noteholders); or
- (vi) the Issuer shall cease to carry on business or threaten to cease to carry on all or a substantial part of its business (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by an Extraordinary Resolution of the Noteholders); or
- (vii) the security for any debenture, mortgage or charge of the Issuer shall become enforceable and the holder or holders thereof shall take any legal proceedings to enforce the same; or
- (viii) any indebtedness for borrowed money of the Issuer either (i) shall become, or become capable of being declared, due and payable prior to its stated maturity or (ii) shall not be repaid at maturity as extended by any applicable grace period therefor and, in either case, steps shall have been taken to obtain repayment, provided that, for the purposes of this Condition 8(a)(viii), the indebtedness for borrowed money must, either alone or when aggregated with (I) other indebtedness for borrowed money to which any part of this

Condition 8(a)(viii) applies and/or (II) any guarantee to which any part of Condition 8(a)(ix) applies, amount to at least €20,000,000 (or its equivalent in any other currency); or

- (ix) any guarantee (other than a guarantee given in the ordinary course of its banking business or in respect of which the Issuer is restrained by an order of any court of competent jurisdiction from discharging its liability in respect thereof) given by the Issuer of any indebtedness for borrowed money shall not be honoured when due and called, provided that, for the purpose of this Condition 8(a)(ix), the amount payable under any guarantee as aforesaid must, either alone or when (I) aggregated with any indebtedness for borrowed money to which any part of Condition 8(a)(viii) applies and/or (II) any other guarantee to which any part of this Condition 8(a)(ix) applies, amount to at least €20,000,000 (or its equivalent in any other currency); or
- (x) default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it under the Senior Notes (other than any obligation for payment of any principal moneys or interest in respect of the Senior Notes) and such default continues for 30 days after written notice thereof by any Noteholder to the Issuer requiring the same to be remedied,

then any holder of a Senior Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Senior Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount (as described in Condition 5(f)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

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

This Condition 8(b) applies only to Subordinated Notes.

In the event of a winding up of BMPS other than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by an Extraordinary Resolution of the Noteholders, any holder of a Subordinated Note may, by written notice to BMPS at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any such Subordinated Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount (as described in Condition 5(f)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

**9. Replacement of Notes, Receipts, Coupons and Talons**

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

**10. Paying Agents**

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



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

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange (or any other relevant authority), there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (c) there will at all times be a Paying Agent in a Member State of the European Union (other than Italy) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 4(f). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## **11. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 7.

## **12. Notices**

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Notes are admitted to trading on, and listed on, the Official List of the Luxembourg Stock Exchange, in a daily newspaper of general circulation in Luxembourg and/or on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to

trading by another relevant authority and the rules of that stock exchange or authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange or authority. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

### **13. Meetings of Noteholders, Modification and Waiver**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than three-quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one half in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

### **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of

interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

**15. Contracts (Rights of Third Parties) Act 1999**

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

**16. Governing Law and Submission to Jurisdiction**

**(a) Governing law**

The Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with any of the above shall be governed by, and construed in accordance with, English law, except that Condition 2(b) and 2(c) relating to the Subordinated Notes is governed by, and will be construed in accordance with, Italian law.

**(b) Submission to jurisdiction**

(i) Subject to Condition 16(b)(iii) below, the English courts have jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons (a “Dispute”) and accordingly the Issuer and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(ii) For the purposes of this Condition 16(b), the Issuer hereby irrevocably waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iii) To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

**(c) Appointment of Process Agent**

The Issuer irrevocably appoints Banca Monte dei Paschi di Siena S.p.A., London branch at 6th Floor, Capital House, 85 King William Street, London EC4N 7BL as its agent for service of process, in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of such agent being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

**(d) Waiver of trial by jury**

WITHOUT PREJUDICE TO CONDITION 16(b), THE ISSUER WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN CONNECTION WITH THE NOTES, THE RECEIPTS AND THE COUPONS. THESE CONDITIONS MAY BE FILED AS A WRITTEN CONSENT TO A BENCH TRIAL.

**(e) Other documents**

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

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit, and for general capital requirements. If there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## BANCA MONTE DEI PASCHI DI SIENA S.P.A.

### 1. General

Banca Monte dei Paschi di Siena S.p.A. (“BMPS” or the “Bank”) was incorporated on 14 August 1995 as a joint stock company (*Società per Azioni*) under Italian legislation. On 23 August 1995 BMPS was registered with the Bank of Italy’s Register (No. 5274) and with the Companies Register (No. 00884060526). BMPS has its registered office in Piazza Salimbeni 3, 53100, Siena, Italy (telephone number: +39 0577 294 111). BMPS’s duration is currently limited to 31 December 2100 though this may be extended by shareholders’ resolution.

BMPS’s corporate purpose, as set out under Article 3 of its By-laws, is as follows: “The purpose of BMPS is to collect and maintain savings and issue loans and credit, in various forms in Italy and abroad, including any related activity permitted to lending institutions by current regulations. BMPS can carry out, in accordance with the laws and regulations in force, all permitted banking and financial activities and any other transaction which is instrumental, or in any case linked, to the achievement of the company’s purpose.”

BMPS is the parent company of a leading Italian banking group operating throughout Italy and in major international financial centres. The Monte dei Paschi Group (the “BMPS Group” or the “Group”) offers a wide range of financial services and products to private individuals and corporations. The products and services include ordinary and specialised deposit-taking and lending, including leasing and factoring; payment services (home banking, cash management, credit or debit cards and treasury services for public entities); asset management (through joint venture), brokerage services and corporate finance (project finance, merchant banking, financial consulting).

Pursuant to Article 2497 and subsequent of the Italian Civil Code, the role of the parent company is carried out by BMPS which directs and coordinates the activities of its direct and indirect subsidiaries, including companies that, under current regulations, do not belong to the BMPS Group. Founded in 1472 as a public pawn broking establishment (*Monte di Pietà*), BMPS has been a member of FTSE MIB40 since September 1999 with a share capital of €12.5 billion as at the date of this Prospectus.

### 2. History

BMPS, which is believed to be the oldest bank in the world, has been in continuous operation since 1472, when the General Council of the Republic of Siena approved its original charter. The Bank, then known as “Monte di Pietà”, was originally established by the Republic of Siena for the purpose of providing a controlled source of lending for the local community and to fight usury. In 1624, the Bank changed its name to “Monte dei Paschi di Siena” after the paschi, the grazing fields owned by the Grand Duchy of Tuscany, which generated income that was pledged to support the Bank’s capital. Following the unification of Italy, the Bank extended its activities beyond the immediate outskirts of Siena. However, significant expansion of the Bank’s activities occurred only after World War I, both geographically (with the opening of approximately 100 additional branches) and in terms of activities undertaken (with the commencement of various tax collection activities on behalf of national and regional governments). In 1936, the Bank was declared a public credit institution (*Istituto di Credito di Diritto Pubblico*) organised under a new charter, which, although modified during this period, remained in force until 1995.

In 1995 the Bank was reorganised in accordance with the Amato Law and was incorporated as a *Società per Azioni* or joint stock company owned by Monte dei Paschi di Siena — Istituto di Diritto Pubblico (the “Foundation”).

### 3. Major Events

From 1998 to 2008 the Group strengthened its presence in Italy through the purchase of other regional banks, among others Banca Agricola Mantovana S.p.A., merged by incorporation in to BMPS in 2008, and Banca 121 S.p.A (“B 121”); the latter was merged by incorporation into BMPS in December 2002, except for B 121’s financial promotion business which was transferred to a newly incorporated bank called Banca 121 Promozione Finanziaria whose corporate name was changed to MPS Banca Personale S.p.A as of 3 January 2005.

In June 2007, Intesa Sanpaolo (“ISP”) and BMPS signed a sale-and-purchase agreement relating to the 55 per cent. stake currently owned by ISP in Cassa di Risparmio di Biella e Vercelli (“Biverbanca”) which has a network of 105 branches concentrated in the Biella and Vercelli provinces.

### **2008-2010**

#### *Acquisition of Banca Antonveneta and the consequent restructuring*

During this period, steps were taken that were primarily aimed at developing the organizational and distribution structure of the Group to generate operating efficiency and optimize capital, as well as increasing the value of the new production structure, through more specialized products and services.

On 30 May 2008 the Bank completed the acquisition of Banca Antonveneta from Banco Santander S.A. for a consideration of €9 billion, in addition to more than €230 million of interest on this sum.

The acquisition of Banca Antonveneta was financed through the use of equity and debt instruments as well as a bridge loan. In particular, the financing comprised the following:

- (i) a rights offering pursuant to Article 2441, paragraph 1, of the Italian Civil Code (whose terms and conditions were approved by the Board of Directors of BMPS on 24 April 2008) of new ordinary, savings and preferred shares for an aggregate value, including the price premium, of €4,974 million;
- (ii) a rights offering reserved to J.P. Morgan for a total value of €950 million, approved by the Board of Directors of BMPS on 10 April 2008. Subsequently, on 16 April 2008, BMPS acquired from J.P. Morgan usufruct rights on these shares, in accordance with Article 2352 of the Italian Civil Code, for a term of 30 years. As consideration for the usufruct rights, BMPS agreed to pay an annual fee, provided the Bank has distributable net income and pays dividends in cash during the relevant years. The amount of such payment must not exceed the difference between distributable net income and dividend paid. Voting rights on the shares arising in connection with the usufruct rights are suspended for so long as the usufruct rights in favor of BMPS are valid and no dividend rights are ascribed to them;
- (iii) a public offering by Banca Monte dei Paschi di Siena S.p.A. of Variable Rate Subordinated Upper Tier II 10-year bonds, maturing in 2018. Following this offer, BMPS then issued, on 15 May 2008, additional bonds for a nominal amount equal to €2,161 million; and
- (iv) a bridge loan entered into on 24 April 2008 with a syndicate of banks for an aggregate amount of up to €1,950 million, repaid during the course of 2009 through the sale of non-strategic assets.

Subsequently, Banca Agricola Mantovana S.p.A. was merged into BMPS, effective as of 21 September 2008.

The merger by incorporation deed of Banca Antonveneta into BMPS was dated 22 December 2008, with statutory effect as of 31 December 2008 and accounting and tax effect as of 1 June 2008. At the same time, an entity with a value of €3.2 billion, including, amongst other assets, more than 400

branches, was transferred to a newly incorporated company named “Banca Antonveneta S.p.A.” (“**Nuova Banca Antonveneta**”), a company entirely controlled by BMPS.

In 2009, the Group also initiated a process for the disposal of certain bank branches concentrated primarily in the regions of Tuscany, Umbria and Lazio, selling 15 branches that year to Banca Popolare di Puglia e Basilicata S.c. a r.l., 22 branches to Banca Carige in May 2010 and 50 branches to Banca CR Firenze (Intesa Sanpaolo Group) in June 2010.

In March 2009, BMPS established Banca Toscana S.p.A., a new subsidiary, to realize its goal of creating a single bank within the territory. The transaction was authorized by the Bank of Italy on 23 January 2009, with statutory effect as of 29 March 2009.

The restructuring of the asset management division of the Group was also implemented in 2009 through a partnership with the Clessidra Group, leading to the creation of the Prima Group.

In addition, in 2009, the Group continued to restructure its real estate division, including through the formation of Perimetro Gestione Proprietà Immobiliari S.c.p.a., a company controlled by third parties and in which the Group originally held a shareholding equal to 7.9 per cent. with voting rights, to which the Bank transferred assets formerly held by MPS Immobiliare.

In December 2009, the MEF agreed to acquire an aggregate amount of €1.9 billion of the Bank’s convertible bonds, convertible into ordinary shares of the Bank and to be issued by BMPS (the “**Tremonti Bonds**”).

In 2010, and in the context of an extensive restructuring project, certain significant operations of an extraordinary nature were completed, including:

- the merger by incorporation of MPS Banca Personale S.p.A. into BMPS;
- the merger by incorporation of MPS SIM S.p.A. into BMPS;
- the merger by incorporation of the special purpose vehicles Antenore Finance S.p.A., Theano Finance S.p.A., Siena Mortgages 00-1 S.p.A. and Ulisse S.p.A. in liquidation into BMPS;
- a partial spin-off on the part of Nuova Banca Antonveneta of a company composed of 13 branch offices (in the provinces of Novara, Vercelli, Torino and Alessandria) in favor of Biverbanca;
- the merger by incorporation of Paschi Gestioni Immobiliari S.p.A. and MPS Investments S.p.A. into BMPS;
- the partial spin-off of MPS Immobiliare S.p.A. in favor of BMPS and Nuova Banca Antonveneta.

In February 2010, to strengthen its presence in the bancassurance sector, BMPS also extended its strategic partnership agreement with the AXA group to the distribution network represented by more than 1,000 branch offices of Banca Antonveneta for a consideration of €240 million.

Over the course of 2010, the Bank initiated several new measures as part of the restructuring project for the asset management division. In particular, BMPS entered into an alliance with the Banca Popolare di Milano group for a gradual merger between the Prima Group and Anima SGR S.p.A. On the basis of this agreement, BMPS, Clessidra and the Banca Popolare di Milano group agreed to initiate a strategic alliance through a new corporation, AM Holding (now called Anima Holding), of which BMPS initially held 22.24 per cent., to acquire the entire share capital of Prima Holding (which in turn owned 100 per cent. of Prima SGR) and of Anima SGR S.p.A. The transaction, which closed at the end of December 2010, created one of the largest independent companies by assets



under management (“**AuM**”) operating in the asset management sector in Italy, with more than €40 billion in AuM.

### ***Other transactions in 2008-2010***

In April 2008, the Bank of New York (Luxembourg), S.A. issued on a trust basis floating rate equity-linked subordinated hybrid preferred securities (the “**FRESH 2008**”) convertible into ordinary shares of BMPS. For a description of legal and regulatory proceedings relating to the FRESH 2008, see “*Legal Proceedings*”.

In December 2008, BMPS and Deutsche Bank entered into three separate total return swap transactions on an aggregate nominal amount of €2 billion, 4.5 per cent. BTPs, maturing in 2018 and 2020. The underlying BTPs were later replaced with BTPs bearing interest at 6 per cent. and maturing in 2031. These transactions, collectively referred to as the Santorini transaction, were subsequently amended and restructured between 2009 and 2011. For a description of legal proceedings relating to this transaction, see “*Legal Proceedings*”.

Chianti Classico, carried out between 2009 and 2010, concerned the value enhancement and reorganization of part of the Group’s business properties with the aim of pursuing the following objectives: (i) reorganizing and enhancing the value of real estate assets; (ii) enabling the resulting strengthening of the Group’s capital structure in terms of Tier 1 to be achieved without the need to resort to the capital markets; and (iii) generating additional liquidity. For a description of legal and regulatory proceedings relating to this transaction, see “*Legal Proceedings*”.

In 2009, the Group entered into the Alexandria swap transaction with Nomura in respect of a nominal amount of €3.05 billion of Italian government bonds, subsequently the subject of ongoing litigation. See “*Legal Proceedings*” for a description of ongoing litigation relating to this transaction.

### ***2011***

On 18 January 2011, BMPS communicated its decision to increase the yield on the preferred securities issued by MPS Capital Trust I by €350 million and from Antonveneta Capital Trust I by €80 million, rather than repay these instruments on their first possible reimbursement dates (respectively 7 February 2011 and 21 March 2011). The amount of increase of the yield (expressed in relation to EURIBOR) was linked to market conditions at the time and to the yield on securities with similar characteristics and remaining time to maturity.

In April 2011, Aiace Reoco S.r.l. and Enea Reoco S.r.l., companies entirely controlled by MPS Gestione Crediti Banca, were established to undertake real estate transactions, to manage credit collection and to increase the value of the real estate properties serving as guarantees for the receivables themselves through the acquisition (out of court or at auction) and subsequent re-sale of assets.

Effective as of 1 May 2011, MPS Commerciale Leasing S.p.A. was merged into MPS Leasing & Factoring.

On 6 June 2011, the extraordinary shareholders’ meeting granted the Board of Directors a proxy to increase the share capital of the Bank by a maximum amount of €2,471 million, to be offered by way of rights to entitled parties. It also resolved to cancel the specification of the nominal value of the BMPS ordinary shares.

On 30 June 2011, the Bank disposed of its entire interest in its indirect subsidiary Monte Paschi Monaco SAM.

On 15 July 2011, the EBA announced the outcome of the “2011 Stress Tests”, which were conducted

at the European level by the EBA, in collaboration with the ECB, the European Commission, the European Systemic Risk Board and national Supervisory Authorities. The application of stress tests, which involved 90 banks representing 65 per cent. of the total assets of the entire European banking sector, aimed to assess the resistance of European banks to a hypothetical and serious worsening of economic conditions and their respective levels of solvency in the case of potential stress scenarios arising from certain specified conditions. According to the results of the stress test, BMPS met the capitalization benchmark set for the stress test and would continue to guarantee the maintenance of an appropriate level of capitalization.

On 20 July 2011, the Bank completed a rights offering of 4,824,826,434 newly issued ordinary shares, equal to 41.79 per cent. of the new share capital of the Bank, for €2,152 million. In particular, and for the period between June 20, 2011 and July 8, 2011, 6,694,944,400 option rights were exercised and therefore a total of 4,820,359,968 newly issued ordinary shares were subscribed, equal to 99.91 per cent. of the total offered shares, for an aggregate of €2,150 million. All 6,203,425 rights that were not exercised at the end of the offer period were sold on 13 July 2011 (in the first stock exchange session for the offer of the unexercised rights on the part of BMPS through Mediobanca—Banca di Credito Finanziario S.p.A., in accordance with Article 2441, paragraph 3, of the Italian Civil Code) and subsequently exercised by 20 July 2011 with the underwriting of 4,466,466 ordinary and newly issued shares, equal to 0.09 per cent. of the total offered shares, for an aggregate of €2 million. For civil, criminal and regulatory proceedings relating to the 2011 Rights Offering, see “*Legal Proceedings*”.

On 23 September 2011, BMPS communicated its decision to increase the yield on the €220 million preferred securities issued by Antonveneta Capital Trust II rather than repaying this instrument on the first possible repayment date of 27 September 2011. The yield on these preferred securities was aligned with that established for the other two preferred securities of the Group.

At the end of 2011, the capital adequacy review conducted by the EBA, subsequent and different to the stress test of July 2011 described above, and involving 71 international banks, including BMPS, required that banks strengthen their capital through the formation of an extraordinary and temporary buffer that would allow them to attain a Core Tier 1 Ratio of 9 per cent. by 30 June 2012. When determining this target value, the EBA also included a lower valuation, as at 30 September 2011, of the banks’ exposures to sovereign issuers in order to take into account market concern over sovereign risk. With regard to BMPS, the EBA capital adequacy review revealed a need to strengthen capital by €3,267 million. As a result, the Group presented the Bank of Italy with a strategic plan—also to be presented to the supervisory board and the EBA—to attain the objective of a 9 per cent. Core Tier 1 Ratio within the established deadlines. During the course of 2011, the following measures were taken:

- the conversion of the noncumulative floating rate guaranteed convertible FRESH preferred securities (“**FRESH 2003**”), issued by MPS Capital Trust II and convertible into BMPS ordinary shares; and
- a decrease in RWA as a result of overall asset dynamics, restructuring of assets in order to assume less risky and/or more secured investments and, finally, ordinary maintenance operations in relation to risk measurement parameters.

## **2012**

During the course of the year, a new Board of Directors was installed, the position of Chief Executive Officer was created and an officer appointed, senior management was replaced and the scope of the roles of certain managers with strategic responsibilities was changed, including that of the Chief Financial Officer, the Chief Operating Officer and the directors of the Human Resources Department, the Risk Management Department and the Network Department.

In addition to the initiatives completed in 2011, the following securities offerings were carried out

during the first half of 2012 in order to achieve a 9 per cent. Core Tier 1 Ratio by the end of June 2012:

- a rights offering of €752 million pursuant to Article 2442 of the Italian Civil Code by transferring the share premium reserve on 295,236,070 FRESH 2008 Shares to the share capital;
- 18,864,340 savings shares were converted into ordinary shares at par value (leaving no remaining savings shares).

The Board of Directors approved the Previous Business Plan on 26 June 2012, but it was subsequently superseded by the Restructuring Plan. For a description of the Restructuring Plan, see “*The Restructuring Plan*”.

On 27 June 2012, BMPS extended an invitation to holders of nine series of subordinated securities (Tier 1, Upper Tier 2 and Lower Tier 2) to present offers to exchange their securities for new senior fixed-rate securities denominated in Euro and maturing in 2015, to be issued as part of a debt issuance program of €50,000 million. As a result of the offer, BMPS accepted securities with a nominal value of €1,007 million for exchange. Such securities represented 30.74 per cent. of the total nominal value/liquidation preference of the then outstanding securities, which totaled €3,278 million. The Bank issued new securities of €790 million in denominated nominal value and delivered them to the holders of the existing securities on 10 July 2012, the date of payment of the existing securities BMPS accepted in exchange. Completion of the transaction allowed the Group to record a gross capital gain of €227 million.

On 27 July 2012, BMPS sent Spoleto Credito e Servizi a notice of cancellation of the shareholders’ agreement it had signed on 30 March 2010 (the “**Banca Popolare di Spoleto Shareholders’ Agreement**”) with the shareholders of Spoleto Credito e Servizi, in respect of 22,972,924 ordinary shares, or 77.22% of the total share capital, of Banca Popolare di Spoleto in which BMPS held a 26.005% stake.

On 28 December 2012, BMPS completed the sale of its 60.42% stake in the share capital of Biverbanca to Cassa di Risparmio di Asti S.p.A.

### **2013**

On 28 February 2013, it has been completed the issuance of the NFI in accordance with article 23-*sexies* of the decree 6 July 2012 no.95 as further amended. The Ministry of Economics and Finance subscribed the NFI issued by the Bank for the amount of €4,071,000,000.

On 1 March 2013, the Board of Directors brought liability and indemnification actions with regard to several structured transactions carried out in previous years. More specifically, it commenced the following legal proceedings before the Civil Court of Florence pursuant to a resolution passed by the Board of Directors:

- (i) a corporate liability action against the former Chairman, Giuseppe Mussari, and the former General Manager, Antonio Vigni, and a non-contractual liability action against Nomura International plc for its complicity with the above-mentioned Bank representatives, in connection with the financial restructuring transaction concerning the Alexandria notes initiated in July-October 2009; in connection with these actions, the Bank has also claimed compensation from all the defendants on a joint basis for damages sustained, and being sustained, by the Bank as a result of the transaction; and
- (ii) a corporate liability action against the former General Manager, Antonio Vigni, and a non-contractual liability action against Deutsche Bank AG for its complicity with the above-mentioned Bank representative in connection with the so-called Santorini total return swap

transactions initiated in December 2008; in connection with these actions, the Bank has also claimed compensation from all the defendants on a joint basis for damages sustained, and being sustained, by the Bank as a result of the contested transactions.

On 1 March 2013, BMPS and the trade unions (FABI, FIBA, UGL and UILCA) accepted the requests of the employees to join to the *Fondo di Solidarietà*.

The merger by incorporation deed of Banca Antonveneta into BMPS was signed on 23 April 2013, with the statutory effects starting on 28 April 2013 and with the accounting and tax effects starting on 1 January 2013.

On 29 April 2013, the ordinary shareholders' meeting of the Bank approved, among other things, the consolidated financial statements as at 31 December 2012 and ratified the resolution passed by the Board of Directors regarding the liability action initiated on 1 March 2013 against the former corporate representatives.

The merger by incorporation deed of MPS Gestione Crediti Banca into BMPS was signed on 6 May 2013, with the statutory effects starting on 12 May 2013 and with the accounting and tax effects starting on 1 January 2013.

On 5 July 2013, it was confirmed that the Banca Popolare di Spoleto Shareholders' Agreement was terminated on 30 June 2013.

On 18 July 2013, the extraordinary shareholders' meeting of the Bank approved several statutory changes mainly concerning the elimination of the 4% shareholding limits, the introduction of the maximum limit of two consecutive mandates following the first for members of the Board of Directors (except for the outgoing Chief Executive Officer), the adoption of the new regulation governing gender quotas and the introduction of the age limit for members of the Board of Directors, the Chairman and the Chief Executive Officer (75, 70 and 67, respectively).

On 7 October 2013, the Board of Directors of BMPS approved the Restructuring Plan proposed by the Bank in the context of the procedure for the issuance and the subscription of the NFI.

On 8 November 2013, the online bank Banca Widiba, was incorporated as a wholly owned subsidiary of BMPS to conduct on-line banking activities for the Group beginning in the second half of 2014.

On 29 November 2013, BMPS subscribed an agreement with Basilichi and Accenture for the outsourcing of accounting and management services.

On 19 December 2013, the Bank entered into a settlement agreement with Deutsche Bank in connection with the Santorini transaction.

On 28 December 2013, the Extraordinary Shareholders' meeting approved the proposal submitted by the Fondazione BMPS instead of that proposed by the Board of Directors on 26 November 2013, to increase the share capital up to €3 billions.

### ***Recent developments***

On 1 January 2014, the company Fruendo S.r.l. has started its activity further to the agreement for the outsourcing subscribed by BMPS with Basilichi and Accenture.

On 5 May 2014, the reverse split of BMPS ordinary shares was carried out, in the ratio of 1 new share for every 100 shares owned, in execution of the resolution approved by the extraordinary shareholders' meeting on 28 December 2013.

On 14 May 2014, BMPS announced that, on 13 May 2014, the Bank of Italy had authorized the redemption of nominal €3 billion of the New Financial Instruments, issued by BMPS and subscribed by the Ministry of Economics and Finance. In addition, given the intention already communicated by the Bank to pay the interest on the New Financial Instruments accrued with respect to the financial year 2013 through the issuance of additional New Financial Instruments (as already done with the interests on the so called “Tremonti Bonds” accrued in 2012) that will be redeemed at upon issue, the Bank of Italy has also authorized the redemption of €329 million of these New Financial Instruments.

On 21 May 2014 the Extraordinary Shareholders’ meeting approved the proposal submitted by the Board of Directors on 18 April 2014 to increase the share capital up to €5 billions.

On 5 June 2014, the Board of Directors established the final terms for the share capital increase, determining the maximum number of shares to be issued (4,999,698,478), the subscription price (EUR 1 per share) and the ratio (214 newly issued shares for every 5 BMPS shares owned).

On 30 June 2014, BMPS repayed in cash EUR 3 billion of the New Financial Instruments and the interests accrued thereon in 2013.

On 4 July 2014, BMPS announced that the rights offering (the “**Offering**”) for the subscription of 4,999,698,478 newly issued BMPS ordinary shares (the “**New Shares**”) has been successfully completed. The Offering, which was fully subscribed, raised total proceeds of Euro 4,999,698,478 and no New Shares were subscribed by the underwriting syndicate. During the Offering period, which opened on 9 June 2014 and closed on 27 June 2014 (the “**Offering Period**”), 116,636,830 rights were exercised in respect of 4,992,056,324 New Shares, or 99.85 per cent. of the aggregate number of New Shares available in the Offering, for total proceeds of Euro 4,992,056,324.00.

In accordance with Article 2441, paragraph 3, of the Italian civil code, BMPS offered 178,555 rights that were not exercised during the Offering Period (the “**Remaining Rights**”) on the Italian Stock Exchange (the “**Stock Exchange Offering**”). All Remaining Rights were sold in the Stock Exchange Offering, during the first trading session on 1 July 2014. Following the Stock Exchange Offering, all 7,642,154 of the New Shares relating to the Remaining Rights were subscribed. Pursuant to Article 2444 of the Italian civil code, the certification of the full subscription of the Rights Offering has been filed for registration with the Siena Companies’ Register within the terms provided by law.

On 9 July 2014, as a result of this the share capital increase, the share capital amounts to €12.484.206.649,08, represented by 5.116.513.875 ordinary shares without a nominal value.

On 7 August 2014, following the trade union negotiations that began in July, BMPS and all the trade unions signed an agreement regarding the setting up of the Solidarity Fund for 2014 with the aim of a headcount reduction of 1.334 staff.

On 16 September 2014, the online bank WIDIBA became fully operational. The launch of WIDIBA represents one of the pillars for the relaunch and repositioning of the Group’s business model. WIDIBA’s mission is to create a new service model by integrating a simple and complete self-service offer with the know-how and interpersonal skills of the network of BMPS. WIDIBA began the process of interacting with users in both a virtual and physical environment, reaching almost one hundred thousand users in just a few months through its presence in both social media and on the proprietary management platform of the “Say&Play” community.

On 18 September 2014, the Deputy Chairman Marco Turchi and director Paola Demartini formally submitted their resignations.

On 9 October 2014, the Board of Directors of BMPS appointed David Martinez Guzman, founder and currently Chairman and CEO of Fintech Advisory Inc., and Roberto Isolani, member of the Global Management Committee of the BTG Pactual Group, as non independent directors. Along with the

addition of Mr. Isolani and Mr Martinez to the Board, the compositions of the Bank's committees have also changed. Mr. Isolani takes over Marco Turchi's position on the Executive Committee, which is now formed by Alessandro Profumo, Fabrizio Viola, Pietro Giovanni Corsa (currently the only Deputy Chairman), Alberto Giovanni Aleotti, Lorenzo Gorgoni and Roberto Isolani. Both Mr. Isolani and Mr. Martinez sit on the Audit and Risk Committee along with fellow members Marco Miccinesi, Pietro Giovanni Corsa and Daniele Discepolo. David Martinez also sit on the Appointments and Remuneration Committee along with Marco Miccinesi, Angelo Dringoli, Pietro Giovanni Corsa and Lorenzo Gorgoni.

On 5 December 2014, MPS Immobiliare S.p.A. was merged into BMPS.

On 22 December 2014, BMPS signed a binding agreement for the disposal *pro soluto* of a non performing loan portfolio to a securitization vehicle financed by affiliates of Fortress Investment Group LLC. The portfolio is composed of almost 4,000 borrowers with a total book value, gross of provisions, of approx. €380million. The portfolio consists of secured and unsecured medium / long term loans. Impact of the disposal on BMPS' profit and loss and balance sheet is negligible, while administrative and management benefits would be significant in light of numerosity of the portfolio being sold.

Taking into account also the previous transaction of the same nature concluded in June 2014, BMPS disposed of a total of approx. 16,000 non performing files with a total book value, gross of provisions, of almost €1 billion. These transactions are part of a wider strategy aiming at a more proactive management of its NPLs and is consistent with what BMPS has recently announced at the time of the approval of its Capital Plan.

On 23 December 2014, BMPS settled with the Italian Tax Authority any proceedings in relation to the tax controls regarding MPS Immobiliare S.p.A. and the subsidiary Perimetro Gestione Proprietà Immobiliari S.C.p.A. (Consorzio Perimetro) concerning the tax treatment applied to the transaction Chianti Classico.

On 11 February 2015, the Board of Directors of BMPS approved the consolidated results as at 31 December 2014 showing a net result for the period of € -5,343 million. Reconta Ernst & Young S.p.A., as external independent auditors of BMPS, have agreed that the net result for the period of EUR -5,343 million, which has not been audited, is substantially consistent with the relevant final figure to be published in the next annual audited consolidated financial statements of BMPS for the year ended 31 December 2014.

On 4 March 2015, the BMPS' Board of Directors approved the Bank's draft financial statements and the BMPS Group's consolidated financial statements as at 31 December 2014, incorporating the results already approved by the Board of Directors on 11 February 2015 (see the relevant press release incorporated by reference to this Base Prospectus). Such results are subject to audit review. The results are affected by the impact from revised classification/measurement methods and parameters across all loan portfolios, the recognition of impairment loss and goodwill and by other non-recurring items. Furthermore, the pro-forma transitional CET1 ratio as at 31 December 2014 amounts to 11.4 per cent. Such ratio includes and anticipates the impact of the up to € 3 billion rights issue (see "*The Capital Plan*"), the full repayment of the New Financial Instruments and the payment of the relevant coupon for 2014 through the issue of new shares.

As a consequence of the aforementioned loss, the Group has recorded a capital reduction which is also relevant for regulatory purposes, both at a consolidated and individual level (i.e. of the parent company and of some of its subsidiaries). Such capital reduction has determined, with reference to some figures, the overcoming of the limits relating to the large exposures. In this respect, initiatives have already been taken which are deemed to be suitable for bringing back as soon as possible the exposure's values within the limits of the prudential supervisory regulation.

In addition, it should be noted that as at 31 December 2014 BMPS' capital has decreased for more than one third as a consequence of the loss recorded for the year and previous losses carried forward. In this respect, upon approval of the annual financial statements, the directors of the Bank, in accordance with article 2446 of the Italian civil code, will call, without delays, the shareholder's meeting for the purpose of taking any necessary actions.

On 4 March 2015 the BMPS's Board of Directors also determined the number of shares to be allocated to the Ministry of Economy and Finance as consideration for the payment of interest, amounting to Euro 243 million, on the NFI due on the interest payment date falling on 1 July 2015. Since the payment of the NFI coupon will be made through the issue of new shares, the Ministry of Economy and Finance will become BMPS' shareholder (see the relevant press release incorporated by reference to this Base Prospectus).

### ***Ratings***

On 13 May 2014, Fitch confirmed the Bank's Long-term and Short-term Issuer Default Ratings (IDRs) at 'BBB'/'F3'. The outlook on the Long-term IDRs is negative. On 28 October 2014, Fitch says the outcome of the ECB Comprehensive Assessment does not trigger immediate rating action.

On 30 October 2014, post ECB Comprehensive Assessment, Moody's has placed the Bank's long-term debt and deposit ratings of 'B1' on review for downgrade.

On 18 February 2015, DBRS has lowered its rating on BMPS by one notch, keeping them at the level of investment grade. The Senior Long-Term Debt and Deposit Rating was downgraded to 'BBB (low)' from 'BBB', whereas the Short Term Debt and Deposit Rating was changed to 'R-2 (low)' from 'R-2 (middle)'. Both ratings remain under review with negative implications.

<b>Ratings Agencies</b>	<b>Long term rating</b>	<b>Outlook</b>	<b>Short term rating</b>	<b>Outlook</b>	<b>Last updated</b>
Fitch	BBB	Negative	F3	-	28 October 2014
DBRS	BBB(low)	Under Review	R-2(low)	Under Review	18 February 2015
Moody's	B1	Under Review	NP	-	30 October 2014

As additional information, further to the request of BMPS, S&P communicated on 14 June 2013 the withdrawal of their rating. At the time of the withdrawal, the Bank's long-and short-term ratings were 'B', with Negative Outlook. For more details on the above please see: <http://english.mps.it/Investor+Relations/Informazioni+sul+Titolo/Rating.htm>

## **4. The Restructuring Plan**

### *Overview*

On 7 October 2013, the Board of Directors of BMPS approved the 2013-2017 Restructuring Plan which the Bank had drawn up for the purposes of the procedure for the issuance of the New Financial Instruments and approval by the European Commission of the state aid (the "**Restructuring Plan**"). It contained the Group's strategic guidelines and objectives in terms of the Group's income statement, balance sheet, and cash flows.

The Restructuring Plan was submitted for approval by the European Commission, which also involved interaction with the Bank of Italy and the MEF. The procedure concluded with the European Commission giving notice of its approval on 27 November 2013.

On 28 November 2013, the Bank's Board of Directors approved a 2013-2017 business plan (the "**Business Plan**"), which set out in detail the strategic and operating guidelines of the Restructuring Plan.

The Restructuring Plan was drawn up in consideration of a perimeter for the Group similar to that as at 31 December 2012, subject to the sales of assets and the reduction in the number of branches anticipated over the course of the Restructuring Plan.

The Restructuring Plan contains a series of forecasts and estimates that are based upon certain future events being realized, and certain future actions being implemented by the Directors and management. They include, *inter alia*, a number of hypothetical assumptions that are subject to risks and uncertainties regarding the current macroeconomic environment, future events and actions by the Directors and management that will not necessarily occur, and events and actions upon which the Directors and the management have no or only partial influence, regarding the performance of the main components of the Group's balance sheet and income statement, and other factors that influence their evolution.

The Restructuring Plan and the Business Plan are fully consistent with one another in terms of financial objectives and the key guidelines, and are both based upon a Rights Offering of €2.5 billion. However, on 28 December 2013, the extraordinary shareholders' meeting of BMPS was called to vote on a rights offering of a total maximum amount of €3 billion, including any issue premium. As indicated in the documentation prepared for that meeting, the proposal to increase the amount of the proposed rights offering to €3 billion (from the €2.5 billion envisaged by the Restructuring Plan) was aimed at pursuing certain goals set out in the Restructuring Plan. In particular, BMPS sought to quickly execute the rights offering to take advantage of what was then a favorable market, and therefore create, subject to Bank of Italy approval, the conditions to (i) repay the nominal amount of €3 billion of New Financial instruments and (ii) the "cash" payment" of the interest accrued on the New Financial Instruments in 2013 and payable in 2014, by the issue and immediate repayment of additional New Financial instruments, without increasing the Common Equity Tier 1.

Following submission of an alternative proposal by the MPS Foundation, in accordance with article 126-*bis* of the Consolidated Finance Act, the extraordinary shareholders' meeting voted to approve a €3 billion rights offering, provided that such offering not occur before 12 May 2014.

After that meeting, on 11 March 2014, the Central European Bank published the "Asset quality review manual" (the "**AQR Manual**") in which it provided the complete framework of the instructions regarding the procedures, criteria and methods that would apply to the Asset Quality Review, with significant changes to the existing criteria for classifying credit and exposures. On the basis of available information and AQR Manual, the Bank has been analysing and processing data and has determined that the Asset Quality Review could have a negative impact on the Bank's Common Equity Tier 1 and the financial statements for the year ending 31 December 2014, if not earlier, on the half-yearly financial report as at 30 June 2014 (under Pillar I). Impacts of the Asset Quality Review may also be felt in connection with upcoming stress tests (under Pillar II), for which the final methodology was published on 29 April 2014 and which the Bank is currently being analysing.

This possible scenario was shared with the Supervisory Authorities and the Bank's shareholders were asked to approve a rights offering of €5 billion (the amount of the Rights Offering) and more specifically, an increase of €2 billion over the rights offering approved at the extraordinary shareholders' meeting in December 2013.

Therefore, on 21 May 2014, at an extraordinary shareholders' meeting, shareholders approved a rights offering for a maximum total amount of €5 billion, including any issue premium, to be carried out in tranches by 31 March 2015 and revoked the approval given at the meeting in December 2013.



The increased of the rights offering to €5 billion has been undertaken with the aim of:

- giving BMPS a safety buffer that may absorb any negative impacts—still unknown—that may result from the Comprehensive Assessment, while enabling it to meet its commitments under the Restructuring Plan and avoid non-payment of the New Financial Instruments; and
- aligning BMPS with the best practices in the Italian market in terms of the Common Equity Tier 1 Ratio.

In view of the above, and in order to appreciate the potential effects on the targets of the Restructuring Plan and the Business Plan of certain changes which occurred since they were approved (in October and November 2013 respectively), in particular: (i) the publication of the 31 December 2013 and 31 March 2014 results; (ii) certain regulatory changes, and (iii) the increased size of the rights offering and possible actions the Directors may take to use the higher capital buffers available to further the goals of the Plan, the Bank conducted sensitivity analyses.

#### *Guidelines under the Restructuring Plan*

The guidelines under the Restructuring Plan represent a series of actions that are aimed at restoring profitability to a level that is sustainable over time, while strengthening the Group's capital structure, equity and liquidity comprehensively.

The Bank needs to achieve the Restructuring Plan's objectives through the execution of a number of executive actions in pursuit of their main guiding principles: (i) the strengthening of the quality and quantity of capital; (ii) the structural rebalancing of liquidity; and (iii) the achievement of sustainable levels of profit.

- *The strengthening of the quality and quantity of capital*

The strengthening of the quality and quantity of the Group's capital to bring it into structural alignment with regulatory requirements will be pursued through:

- an operational plan for the sale of assets consistent with a strategy of focusing on distribution and centered around a single commercial network; and
- capital management actions and the optimization of Risk-Weighted Assets in a manner that leaves overall asset levels unchanged, including through a selective reduction in the credit portfolio that seeks to improve quality without reducing the economic support provided to local areas.

- *Structural rebalancing of liquidity*

The structural rebalancing of liquidity seeks to allow the Bank, *inter alia*:

- to achieve a loan-deposit ratio, net of institutional funding, of approximately 101 per cent., and an overall loan-deposit ratio of approximately 90 per cent., in 2017;
- to repay the loans received from the ECB in full before the end of 2015; and
- to further bolster its counterbalancing capacity.

- *Achievement of sustainable levels of profit*

The achievement of sustainable levels of profit (targeting ROE for 2017 of approximately 8 per cent., and RoTE in the same year of approximately 9 per cent.) is intended to be achieved both through actions on the revenue side driven by a significant increase in productivity, and through cost

containment, with a stricter policy on asset quality, and improvements in operating efficiency, with structural measures for rationalizing the Group's organization and improved efficiency in commercial and operating processes.

In terms of financial assets, the Restructuring Plan anticipates a reduction in the holdings of Italian state government bonds classified as "available-for-sale financial assets" to a nominal amount of approximately €17 billion in 2017, by having the currently-held bonds only partially replaced as they mature. A reduction of the VaR in the trading portfolio is also expected.

## 5. The Capital Plan

On 26 October 2014, the results of the Comprehensive Assessment were published, showing a balance sheet deficit of €2.1 billion, resulting from the Comprehensive Assessment and attributable to the Adverse Scenario of the Stress Test at 2016.

During the year, and in consideration of the mitigation actions of €2,139 million (including the €5 billion share capital increase, net of repayments of €3 billion of State Aid in the form of NFIs, and the revaluation of the shareholding in Bank of Italy):

- Common Equity Tier 1 (CET1) post-AQR is 9.5 per cent. as at 31 December 2013, against a threshold of 8.0 per cent.;
- the "Base Scenario" stress test was also successful, with a CET1 of 8.8 per cent. against a threshold of 8.0 per cent.;
- the "Adverse Scenario" stress test at 2016 was not successful, showing a deficit of €2.1 billion.

The Bank's Board of Directors appointed UBS and Citigroup as financial advisors in defining, structuring and implementing mitigation actions in relation to the Bank's capital plan (the "**Capital Plan**") as well as for evaluating all strategic options available to the Bank.

On 5 November 2014, the Bank's Board of Directors approved the Capital Plan to be proposed to the competent authorities for closing the €2.1 billion balance sheet deficit resulting from the Comprehensive Assessment and attributable to the Adverse Scenario of the Stress Test.

The approved Capital Plan envisages that the capital shortfall is covered entirely by forms of capital reinforcements that will further improve the structure and quality of the Bank's capital, including: (i) a share capital increase to be offered up to a maximum of €2.5 billion, already supported by a pre-guarantee agreement and to be submitted for the approval of the Extraordinary Shareholders' Meeting; (ii) non-dilutive shares for shareholders, represented by additional capital management measures for approx. €220 million; (iii) the request to mitigate the deficit for an amount equivalent to the positive difference between the operating profits estimated for 2014 (the "expected pre-provision profit") and the same values estimated in the Adverse Scenario, which have a negative effect on the calculation on the capital deficit, estimated by the Bank at approximately €390 million.

On 9 January 2015, BMPS received a preliminary communication from the ECB of the outcome of the Supervisory Review and Evaluation Process ("SREP"), the framework within which all capital plans have been assessed. The ECB has asked BMPS to cover the capital deficit resulting from the Comprehensive Assessment within the stipulated nine months through the implementation of the Capital Plan submitted in November. The ECB has also provided a preliminary indication, which was subject to change, of the target level of CET1 ratio that BMPS would have needed to respect. Before potential amendments the target ratio was 14.3 per cent. calculated on a transitional basis.

On 11 February 2015, the BMPS' Board of Directors approved the consolidated results as at 31 December 2014 and on 4 March 2015, the BMPS' Board of Directors approved the Bank's draft

financial statements and the BMPS Group's consolidated financial statements as at 31 December 2014 which are subject to audit review, incorporating the results already approved by the Board of Directors on 11 February 2015.

In relation to the SREP, the Group has been requested by the ECB to reach a transitional CET1 ratio of 10.2 per cent. instead of 14.3 per cent. initially required. As at 31 December 2014, the pro-forma transitional CET1 ratio amounts to 11,4 per cent..

For the purpose of the regulatory capital deductions required by Basel III for 2015, the BMPS' Board of Directors will propose to the Shareholders Meeting to increase the size of the rights offering from € 2.5 billion to € 3 billion. This should provide the Bank with a capital buffer against the transitional CET1.

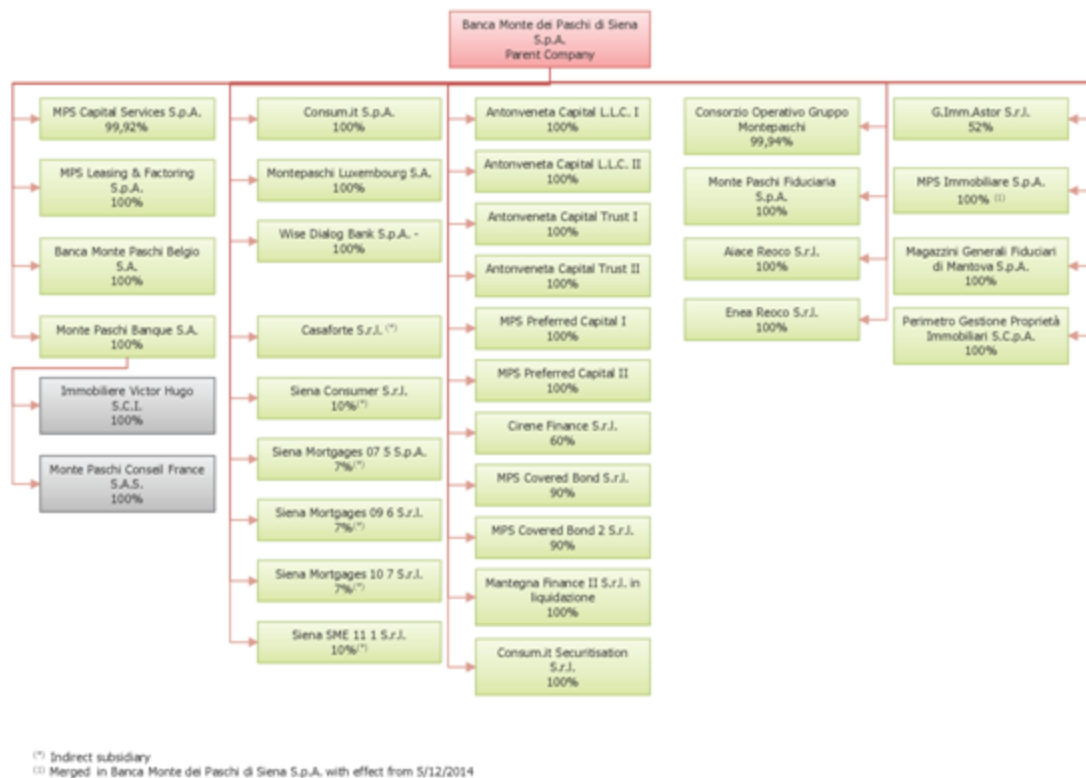
## **6. Principal companies of the BMPS Group**

BMPS, as the parent company of the BMPS Group, performs the functions of policy, governance and control of the controlled financial companies and subsidiaries in addition to its banking activities.

BMPS, as the bank that exercises the management and coordination activities of MPS Group, pursuant to the fourth paragraph of Article 61 of the Legislative Decree 1 September 1993, n. 385, issues, in the performance of the activities of management and coordination, instructions to the companies of the Group, including execution of the instructions given by the relevant supervisory bodies and in the interest of the stability of the Group.

With effect from 1 January 2014, Monte Paschi Ireland LTD, former issuer under this Programme, has been merged into BMPS.

The list below sets out the main companies of the Group and their percentage ownership as at 30 September 2014.



## 7. BMPS Group Profile

As at 30 September 2014, the BMPS Group is one of the leading Italian banking institutions with 27,258 employees, over 5 million customers, assets of around €191 billion and significant market shares in all the areas of business in which it operates.

The Group's main activity is retail banking. Other areas of business are: leasing & factoring, consumer lending, corporate finance, investment banking.

Customers are divided by target segments to which an ad hoc Service Model is applied so as to best respond to the specific needs and demands expressed, and are served through an integrated combination of "physical" and "remote" distribution channels.

The Group mainly operates in Italy through, as at 30 September 2014, 2,328 branches, 283 specialised centres and 120 financial advisory branches.

The foreign network includes 39 branches and representative office board, 4 of which operational branches (London, New York, Hong Kong and Shanghai), 2 banks under foreign law – MP Belgio, MP Banque and other 10 representative offices located in various "target areas" (EU, Central-Eastern Europe, North Africa, India and China).

### *Organisational structure*

BMPS carried out a significant organisational restructuring, with the aim of strengthening the sales & distribution functions as well as the integrated and coordinated supervision of governance and business support functions.

The initiatives undertaken by BMPS concern:

- the business functions
  - the Credit Division was strengthened by establishing a specific General Division;
  - the specialisation of control of the various business segments was increased by establishing a Retail and Network Division (for the Retail and Private segments, as well as the coordination of the Sales & Distribution Network) and the Corporate and Investment Banking Division (for the Corporate, Key Clients, International Activities and Private Equity segments);
  - Financial advisory activities were added to the organisational area set up to develop the new Online Bank (Online Bank Development Area).
- the governance, control and business support function
  - the General Finance and Operations Division was established, to which the Chief Financial Officer Division and Chief Operating Officer Division will report;
  - the Human Resources, Organisation and Communications Division was developed to promote effective interoperability between human resources management, business organisational structures and internal/external communications;
  - the Risk Division was reorganised with the creation of more cohesive controls of the activities of validation, monitoring and risk reporting.

Other organisational action was taken with objectives associated with business efficiency, organisational rationalisation and compliance with legislative provisions.

The changes involved:

- the Head Office units and regional coordination:  
the Regional Area Sales and Products Office is divided in to 3 separate units (Retail Sales and Products, Corporate Sales and Products and Private Sales and Products) to achieve more effective specialist control over the reference markets and greater sales control with customers.
- the Treasury, Finance and Capital Management Area organisation:  
responsibilities and efforts on risk factors and business drivers (liquidity management, strategic risk governance and capital management) have been reallocated. In particular, an internal reorganisation was arranged, refocusing the Risk Factors Area, with related strengthening of the rate risk and liquidity risk monitoring, simplification and standardisation of operating processes, with a view to greater efficiency, a clearer allocation of responsibilities and tasks between BMPS and MPS Capital Services, preserving the latter's sales efficiency;
- the Compliance Area:  
the Group's FATCA contact (Foreign Account Tax Compliance ACT) - the FATCA Officer - has been appointed to meet obligations relating to the reporting of US customer details to the United States tax authorities, coordinating the roles established in the Group companies and foreign branches in compliance with their related obligations.

## **8. Funding**

*General*

During 2014 the Group successfully continued to employ various sources of funding, both on the retail domestic market and on international markets dedicated to qualified investors.

#### *Retail domestic market*

The BMPS Group issues various kinds of securities, including fixed rate bonds or floating rate bonds, zero coupons and light structured bonds with different maturities, placed to retail customers of the BMPS Group throughout its network of branches.

#### *International markets*

The BMPS Group has different international programmes dedicated to qualified investors.

On a short-term maturity the BMPS Group has two certificate of deposit programmes issued under the BMPS London Branch “Euro-Certificate of Deposit Global Programme” and “*French Certificats de Dépot*” dedicated to French investors.

On a medium-term the BMPS Group covers the funding requirements by issuing a variety of debt instruments such as fixed or floating rate notes or zero coupon notes both publicly and privately placed under its dedicated programmes; senior or subordinated unsecured notes issued under the EMTN “€50 billion Debt Issuance Programme” and covered bonds issued under the “€10 billion Covered Bond Programme”.

With regard to the issuances under the EMTN Programme, since the last update the Group issued ,on 1 April 2014, €1,000,000,000 worth of 5 year fixed rate unsecured senior notes.

With regard to the issuances under the Covered Bond Programme, since the last update the Group issued (i) on 17 April 2014, €1,000,000,000 worth of 7 year fixed rate covered bonds, and (ii) on 16 July 2014, €1,000,000,000 worth of 10 years fixed rate covered bond.

## **9. Information Technology**

In recent years the BMPS Group has implemented a reorganisation of its information technology (IT) operations directed at promoting more uniformity of IT systems and structures within the Group. As part of this restructuring, a consortium was created to manage the Group’s IT systems and serve the need of the various functions within the BMPS Group.

The consortium is currently engaged in several development projects principally for the areas of risk management, trading back office procedures, credit rating and scoring, customer service centre, new products catalogue, payment and settlement procedures and software enhancement for the international branches.

## **10. Competition**

The BMPS Group faces significant competition from a large number of banks throughout Italy and abroad.

A period of consolidation has created larger, more effective and competitive banking groups. Competition in both deposit-taking and lending activities has intensified, contributing to the narrowing of spreads between deposits and loan rates.

In attracting retail deposits and financing retail customers, the Bank primarily competes at the local level with medium-sized local banks, and to a lesser extent, with super-regional banks. The Bank’s major competitors in other areas of the Italian banking market are Italian national and super-regional banks, such as UniCredit Group, Intesa SanPaolo, Banco Popolare, UBI Banca and BPER Group.

Foreign banking institutions operating in Italy, that may also have greater financial and other resources than the BMPS Group, are growing in number and are regarded as increasingly more effective competitors, mainly in corporate banking and sophisticated services related to asset management, securities dealing, brokerage activities and mortgage lending.

## **11. Legal Proceedings**

As at the date of this Prospectus, there were numerous legal proceedings pending against the Bank, including civil, criminal and administrative actions. Some of these proceedings derive from the extraordinary and exceptional context related to criminal investigations ordered by the courts and others relate to legal affairs involving the Bank in 2012. These relate to various transactions, including the following: financing transactions undertaken in connection with the acquisition of Banca Antonveneta; various financial transactions by the Bank, including the transactions relating to the restructuring of the Alexandria notes and of the Santorini transaction; previous rights offerings by the Bank in 2008 and 2011; and to the FRESH 2008 transaction. These events also led to disciplinary actions being filed by our Supervisory Authorities against our previous management; in the event that sanctions are imposed on our former managers, the Bank may nonetheless be held jointly liable with them and there is no certainty that the Bank would be able to take recourse against such managers to recover any amounts paid as a result of such sanctions. In addition, certain consumer associations and individual investors have brought civil suits against the Bank on the basis of financial instruments sold to the public in the context of the Bank's capital increases. This context also includes lawsuits brought by the Bank against our former chairman of the Board of Directors and our former general manager and suits for damages against Nomura International plc and Deutsche Bank AG in connection with the restructuring of the Alexandria notes and Santorini transaction respectively.

In addition to these matters, there are also disputes deriving from the ordinary course operations of the Bank, namely: clawback actions, compound interest, placement of bonds issued by sovereigns and companies that then defaulted, placement of other financial instruments and products.

As at 30 September 2014, provisions had been accrued for risks and charges in relation to legal proceedings. The Bank's provisions for risks and charges include, among others, allocations for possible losses on clawback actions and estimated disbursements in relation to customer complaints. These provisions are considered adequate to cover the potential liabilities that might result from the lawsuits underway as at 30 September 2014.

The estimate of such liabilities, based on the informations available from time to time, implies significant assumptions and various evaluation risks due to the many uncertainties characterising these lawsuits. In particular, sometimes it is not possible to produce a reliable estimate i.e. in case the process has not been started, the potential rising of counterclaims or when there are legal and factual uncertainties that might render any evaluation unreliable.

Therefore, even if the Issuer considers the provisions for risks and charges adequate to cover the potential liabilities resulting from the above-mentioned lawsuits, these provisions might be insufficient to face all the charges, expenses, sanctions, requests for reimbursement of damages and restitutory requests in connection with the pending cases or the Group could be required to meet charges, reimbursement and restitutory duties not covered from the provisions, with negative implications for the Bank's and/or Group's business, results and financial position.

### **Disputes related to Criminal Investigations and Legal Affairs in 2012**

#### *Acquisition of Banca Antonveneta*

On 30 July 2013, the Public Prosecutor at the Court of Siena issued a "notice of completion of preliminary investigations", pursuant to art. 415-*bis* of the Italian Code of Criminal Procedure and art. 59 of Legislative Decree 231/2001, against certain former directors, executives and members of the Board of Statutory Auditors of the Bank and against the bank itself. The charges against the Bank as a

legal entity included six administrative offences (under Legislative Decree 231/2001) alleging crimes committed by former management in the context of transactions performed to raise financial resources for the acquisition of Banca Antonveneta.

The main offences charged against Bank management in office between 2008 and 2011 include the following: market manipulation (under art. 185 of the Consolidated Finance Act), obstructing the exercise of public supervisory functions (under Article 2638 of the Italian Civil Code), fraudulent disclosure related to a securities offering (under Article 173-*bis* of the Consolidated Finance Act), fraudulent corporate disclosure related to press communication (under Article 2622 of the Italian Civil Code), and abuse of inside information (under Article 184(1.b) of the Consolidated Finance Act).

In these proceedings, the Bank's line of defense was mainly based on the conduct of the former management, which evaded internal control mechanisms.

On 2 October 2013, Public Prosecutors filed an indictment, which launched the criminal proceedings against certain natural persons that held executive positions or belonged to the BMPS Board of Statutory Auditors at the time of the events while against the legal person BMPS, on the contrary, on 10 April 2013 the Public Prosecutor at the Court of Siena ordered the dismissal of the charges initially assumed, in accordance with Bank's defensive strategy.

During these proceedings, the Public Prosecutors issued a request to prosecute J.P. Morgan Securities plc, for alleged administrative offence under Legislative Decree 231/2001 deriving from an alleged violation of Article 2638 of the Italian Civil Code, namely obstructing the exercise of public supervisory authority functions.

The first preliminary hearing against our former senior management, members of the BMPS Board of Statutory Auditors and J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) was held on 6 March 2014 and the Bank requested to join the proceeding seeking civil damages for non pecuniary damages. Such request has been subsequently accepted by the Preliminary Hearing Judge (GUP) for all the charges and for all the defendants. Further to motions made by certain of the accused, the preliminary hearing judge declared that the Court of Siena lacked jurisdiction with the subsequent transfer of the hearing to the Public Prosecutor of the Court of Milan. As at the date of this Prospectus, the proceeding is still in progress

#### *Alexandria notes restructuring*

The first preliminary hearing related to the restructuring of the Alexandria notes, where obstruction of justice charges were brought against the former management on the basis of their lack of cooperation with the Supervisory Authority, has been concluded with a declaration of conviction of the Court of Siena for Mr. Giuseppe Mussari, Mr. Antonio Vigni and Mr. Gianluca Baldassarri. In this legal proceeding the request to join the proceeding seeking civil damages made by the Bank and by other consumer associations was denied. Under an 16 April 2013 judicial order, the Currency Unit of the Italian Tax Authority froze the assets of Nomura International plc and certain members of the Issuer's former management in various Italian cities. A total of about €1.8 billion in Nomura International plc assets were frozen. On 16 April 2013 the Siena Public Prosecutor had also announced a preventive seizure of an amount equivalent to the penalties expected under the aggravated usury and aggravated fraud charges brought against Nomura for transactions related to the reorganization of our Alexandria notes. The Siena Preliminary Investigations Judge ("GIP") struck down this preventive seizure, however, and the Public Prosecutor filed an appeal against the ruling before the Appeals Court, which confirmed the GIP's ruling. After a hearing by the Court of Cassation advanced by the public Prosecutor of Siena and the remand of the trial to the Court in Siena, the matter is still pending.

#### **Supervisory Authorities sanctions proceedings**



## ***Bank of Italy sanctions proceedings***

### ***Sanctions proceedings following 2011-2012 Bank of Italy inspections on the financial risks and risk-weighted assets***

On 28 March 2013 the Bank of Italy issued disciplinary actions following the proceedings that had been undertaken against the Issuer's former Board of Directors, Board of Statutory Auditors, General Manager and the Chairman of the Steering Committee in relation to the inspections conducted by the same Bank of Italy in the period between September 2011 and March 2012. To those responsible for the violations, in office at the time of the inspections, and to the Bank, as it was held jointly liable, were imposed sanctions for an amount of €5,065,210.00 and in particular: to the Board of Directors, Board of Statutory Auditors, General Manager, the Chairman of the Steering Committee and the other members of the Steering Committee for minimizing financial risks; to the Board of Directors and the Board of Statutory Auditors for failures in the organization and in their internal audits and to the members of the Board of Statutory Auditors for failures in their internal audits.

The Bank paid the above-mentioned sanctions as it was held jointly liable and did not challenge the decision. The Bank is pursuing legal recourse against the members subject to sanctions, but chose to suspend its recourse against members whose conduct, in the matters in question, was not found to be wilful or due to gross negligence or where no corporate liability was found. Such recourse is suspended only until all appeals against such decisions have been exhausted.

The recourse actions against Mr. Mussari, Mr. Vigni and Mr. Baldassarri were not suspended in light of the civil action against Mr. Mussari and Mr. Vigni and criminal investigations that led to the arrest of Mr. Baldassarri.

In March 2014 the action of recourse against the above-mentioned persons was raised; the proceeding is pending before the Court of Florence (Specialized Business Section).

### ***Bank of Italy sanctions proceedings against former General Manager Mr. Antonio Vigni, related to financial benefits paid upon early termination***

On 25 July 2013, the Bank of Italy served notice of a disciplinary action filed against certain members of the former Board of Directors, members of the Board of Statutory Auditors and to the Bank. This proceeding accuses the above-mentioned persons of being jointly liable for violating Bank of Italy banking regulations relating to remuneration and incentive packages for members of the board of directors. This proceeding also accuses the Board of Statutory Auditors of failing to provide the necessary disclosures to regulators. The sanctions totaled €1,287,330.

The Bank paid the above-mentioned sanctions as it was jointly liable and did not challenge the decision. The Bank is pursuing legal recourse against the members subject to sanctions, but chose to suspend its recourse against members whose conduct, in the matters in question, was not found to be wilful or due to gross negligence or where no corporate liability was found, such recourse is suspended only until all appeals against such decisions have been exhausted.

The recourse action against the former Chairman of the Board of Directors, Mr. Giuseppe Mussari, was not suspended. The trial is currently pending before the Court of Florence.

### ***Bank of Italy disciplinary action for failure to disclose information to the Supervisory Body concerning the FRESH 2008 transaction***

In relation to the Fresh 2008 transaction, on December 2012 the Bank of Italy commenced sanction proceedings against the Bank for violating regulations related to minimum total consolidated assets as at 30 June 2008 and for failure to provide information to the Supervisory Authorities concerning the indemnities granted to The Bank of New York (Luxembourg) S.A. and J.P. Morgan in relation to the

FRESH 2008 transaction, as well as additional documentation regarding amendments to the beneficial ownership agreement with J.P. Morgan and payment of fees to J.P. Morgan between July 2008 and April 2009, also in relation to the FRESH 2008 transaction. Additional violations related to inaccurate regulatory disclosures and irregularities in accounting and financial reporting. On 10 October 2013, the Bank of Italy served notice to BMPS of €3,472,540 in administrative sanctions against the Directors, Statutory Auditors and certain former officers at the time of the events for which the Bank is jointly liable.

The Bank paid the above-mentioned sanctions, as it was jointly liable, and did not challenge the decision. As is the case with other sanctions described above, the Bank is pursuing legal recourse against the members subject to sanctions, but has chosen to suspend recourse against members whose conduct, in the matters in question, was not found to be wilful or due to gross negligence, where no corporate liability was found and where criminal proceedings are not pending before the Siena Courts.

The recourse action against the former Chairman of the Board of Directors, Mr. Giuseppe Mussari and against of Antonio Vigni and of other members of the Statutory Auditors and of the former Legal Counsel at the Bank, was not suspended. The trial is currently pending before the Court of Florence.

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Under articles 53 and 67 of the Consolidated Banking Law, the Bank of Italy decided on 7 May 2013 to exclude from the Bank's regulatory capital € 76 million in shares issued in the FRESH 2008 transaction. This decision is based on the Bank of Italy's assessment that the indemnity granted to The Bank of New York (Luxembourg) S.A. in March of 2009 the ("**BoNY Indemnity 2009**") substantively produces the same effects as a commitment to purchase the shares at end of the term.

Furthermore, on December 2013, CONSOB required in accordance with article 114, paragraph 5 of the Consolidated Financial Act, to amend by the publication of the annual statements as at 31 December 2013, the amount of the net consolidated assets.

### ***CONSOB sanctions proceedings***

#### *CONSOB disciplinary proceeding for disclosure irregularities in the 2008 rights offering*

On 22 April 2013, CONSOB initiated sanction proceedings under articles 94(2 and 3) and 113(1) of the Consolidated Finance Act for disclosure violations in the public offering and admission to trading of the Bank's capital increase, approved by the shareholders' meeting of 6 March 2008.

The disputed disclosure mainly concerns the omission of information on total return swap agreements ("**TROR**") between the MPS Foundation and other financial counterparties that were structured to enable the foundation to subscribe a stake in FRESH 2008 equal to about 49 per cent. of the offering, indirectly and without immediate payment. This corresponded to the ownership share that the foundation held in the Bank at that time. The failure to provide adequate disclosure on the fundamental features of TROR allegedly prevented investors from forming an informed opinion on the Bank's capacity to raise additional capital without the external support of a third-party guarantor. This failure also potentially misled investors on the future structure of the Bank's shareholder base following the conversion of the FRESH 2008 securities into BMPS' shares. Overall, the degree of the omissions allegedly prevented investors from adequately assessing the Bank's financial position, economic results and outlook. The CONSOB announced on 4 December 2013 that it would issue a decision; however, at the date of this Prospectus the decision is still pending.

The Bank and the Bank's former officers and Statutory Auditors were being pursued jointly pursuant to article 195 (9) of the Consolidated Finance Act. During the proceedings, the natural persons involved made counterclaims in relation to the subjective and objective element of the offense, but

the Bank did not as the contested facts are attributable to the conduct of single individuals but not to the Bank's conduct, pursuant to the rules and regulations referred to in Legislative Decree 231/2001.

On 17 April 2014, CONSOB, by resolution no. 18885 concluded the proceeding, issuing administrative sanctions of €450,000 against the Bank's former officers and statutory auditors, apportioned to the defendants according to the position held and the function actually performed.

The Bank has not presented an appeal against the decision and proceeded to the payment of penalties as a jointly liable party. As in the other sanctions described above, the Bank is pursuing legal recourse against the members subject to sanctions, but has chosen to suspend recourse against members whose conduct, in the matters in question, was not found to be wilful or due to gross negligence, where no corporate liability was found and where criminal proceedings are not pending before the Siena Courts. Such recourse is suspended only until all appeals against such decisions have been exhausted.

*CONSOB disciplinary proceeding for disclosure irregularities in the 2011 rights offering*

On 23 April 2013, CONSOB initiated sanction proceedings under articles 94(2 and 3) and 113(1) of the Consolidated Finance Act for disclosure violations in the public offering and admission to trading of the Bank's capital increase, approved by the shareholders' meeting of 6 June 2011.

The disputed disclosure mainly concerns the omission of information on the 2008 TROR agreements concluded from the MPS Foundation on 2008 with financial counterparties and subsequent trading in 2011. Because of its potential impact, the dispute also surrounds the failure to disclose the potential impact of the release of the BoNY Indemnity 2009. It is alleged that, when the Bank released this indemnity, it simultaneously committed to indemnify The Bank of New York (Luxembourg) S.A. against shareholders' suits brought in the context of the FRESH 2008 litigation, and against suits brought as a result of the changes to rules governing share ownership voted by the shareholders, made necessary following the request by Bank of Italy in the context of prudential evaluations connected to the proceeding regarding the calculability of BMPS shares issued in the FRESH 2008

As a result of the Bony Indemnity 2009, Bank of Italy's decided to exclude from the regulatory capital calculation the above mentioned Fresh 2008 shares in BMPS shares for an amount of €76 million. These shares pertained to a single investor, who advanced several formal claims prior to the general shareholders' meeting, and other shareholders who had voted against the resolutions in question.

Additionally, CONSOB considered that four periodic fees, paid by the Bank to J.P. Morgan between July 2008 and April 2009 in accordance with the usufruct agreement under the FRESH 2008 transaction, should have been accounted for in a different manner, which would have had a direct effect on net worth. This decision was based on the characteristics of the obligations undertaken by the parties and the subsequent reclassification of accounts and financial statements relating to the shares underwritten by J.P. Morgan.

Despite the fact that additional information was incorporated by reference from existing financial disclosure into the related prospectus, the Bank was charged with accounting irregularities for allegedly preventing investors from making an informed assessment of the Bank's financial position, economic results and outlook as a result of the following alleged issues: (i) the usufruct fees; (ii) the effects of the BoNY Indemnity 2009; and (iii) the Alexandria notes and Santorini transaction that gave rise to the 6 March 2013 restatements.

The Bank and the Bank's former officers and statutory auditors are being pursued jointly. During the proceedings, the natural persons involved made counterclaims, but the Bank did not as the contested facts are attributable to the conduct of single individuals but not to the Bank's conduct, pursuant to the rules and regulations referred to in Legislative Decree 231/2001.

On 18 April 2014, CONSOB, by resolution no. 18886, concluded the hearing, issuing administrative sanctions in the amount of €700,000 against the Bank's former officers and statutory auditors, apportioned among them according to the position held and the actual function performed.

With regard to the payment of penalties and actions of recourse please refer to the previous disciplinary proceeding.

*CONSOB disciplinary proceeding for disclosure irregularities in the issuance of other financial instruments between 2008 and 2012*

On 30 May 2013, CONSOB initiated sanction proceedings under articles 94(2 and 3) and 113(1) of the Consolidated Finance Act for disclosure violations in the registration documents published between June 2008 and June 2012; the claims also reference 27 prospectuses for the issue of bonds and certificates.

In these proceedings the Supervisory Authority made claims similar to those made in disciplinary proceedings related to the 2011 rights offering mentioned above. These violations were also claimed against the Bank's then-officers and statutory auditors and the Bank, as a jointly liable party under the law. During the proceedings counterclaims were submitted by the natural persons involved, but not by the Bank as the contested facts are attributable to the conduct of single individuals but not to the Bank's conduct, pursuant to the rules and regulations referred to in Legislative Decree 231/2001. CONSOB, by resolution no. 18924 of 21 May 2014, concluded the sanctions proceeding for irregularities in the preparation of prospectuses relating to debenture loans and certificates published by the Bank between 2008-2012, imposing monetary sanctions of €750,000 on the then directors and auditors of the Bank. The fine is attributable to the individuals based on the office held, the time in office and the actual duties performed.

With regard to the payment of penalties and actions of recourse please refer to the CONSOB disciplinary proceeding for disclosure irregularities in the 2008 rights offering.

*CONSOB disciplinary proceedings related to disclosure violations in the 2008 and 2011 offering documents and well as other issuances of financial instruments by the Issuer*

On 5 August 2013, CONSOB initiated a further proceeding relating to disclosure violations in the public offerings of bonds and certificates and the 2008 and 2011 capital increases. These proceedings arise from routine CONSOB supervision of the Bank and also the CONSOB's receipt in June 2013 of the following requested documents: (i) amendments to the beneficial ownership (usufruct) agreement, signed on 1 October 2008 between the Bank and JP Morgan Securities Ltd., and the swap entered into on 16 April 2008; and (ii) the termination agreement, signed on 19 May 2009 between the same parties, which purports to terminate the beneficial ownership (usufruct) agreement.

CONSOB's reply in the proceedings described above contains the following: (i) in BMPS's 31 December 2008 financial statements the capital increase reserved to JP Morgan Chase is recorded as an asset, while, on the basis of the documentation gathered by the Authorities and IAS-IFRS standards, it should have been recorded as a financial liability; (ii) in the pro forma financial information as at 30 June 2007, which was included in the prospectus for BMPS's 2008 capital increase, the capital increase, reserved to JP Morgan, was erroneously recorded as shareholders' equity rather than as a debt instrument.

The information provided in the financial statements was alleged to be vitiated by errors, and not compliant with the EC Regulation No. 1606/2002. In the case of the capital increase reserved to JP Morgan Chase, this information is included in 18 base prospectuses related to the issuance of various financial instruments, through the inclusion by reference of the 2008 financial statement in the related registration documents published in 2009 and 2010 and in the prospectus relating to the capital increase of 2011. As regards the 30 June 2007 pro forma financial information, this information was

included in the prospectus relating to the 2008 capital increase.

The alleged violations would constitute violations of article 94, Paragraphs 2 and 3, of the Consolidated Finance Act, and article 5, Paragraph 1, of CONSOB Regulation No. 11971 of 14 May 1999, as well as Art. 113, Paragraph 1, of the Consolidated Finance Act.

The allegations were made against the Directors and Statutory Auditors *pro tempore* of the Bank in office at the time, with whom the Bank is jointly and severally liable. In the course of the procedure, counterclaims have been filed by the individuals involved, but not by the Bank. The contested facts are attributable to the conduct of single individuals but not to the Bank's conduct, pursuant to the rules and regulations referred to in Legislative Decree 231/2001. On the basis of the inspections, CONSOB considered not fulfilled the conditions for the adoption of further disciplinary sanctions and therefore have dismissed such proceeding

#### CONSOB sanction proceedings for violation of article 187-ter of the Consolidated Finance Act

On the basis of accounting and financial statement irregularities related to the FRESH 2008 transaction, CONSOB initiated sanction proceedings against Issuer's former Chairman of the Board of Directors, General Manager and Chief Financial Officer respectively Giuseppe Mussari, Antonio Vigni e Daniele Pirondini, in office at the time of the events, for violation of article 187-ter of the Consolidated Finance Act. BMPS is also being pursued jointly with the above-mentioned natural persons in accordance with art. 187-quinquies of the Consolidated Finance Act.

The dispute concerns the publication of misleading data on tier 1 capital, regulatory capital and equity ratios contained in the 30 June 2008 interim consolidated financial statements. The Bank is contesting its liability as a legal entity under art. 187-quinquies of the Consolidated Finance Act, using the same defensive arguments that led to the dismissal of the charges against the Bank under Legislative Decree 231/2001. With resolution no. 18951 18 June 2014, CONSOB concluded the disciplinary proceeding imposing €750,000 in administrative sanctions against the above-mentioned three persons, pursuant to article 187-ter of the Consolidated Finance Act, and an ancillary mandatory administrative sanction of twelve months, pursuant to article 187-quater (1) of the Consolidated Finance Act, that implies the temporary inability to assume positions of administration, management and control in listed companies and companies belonging to the same group of such listed companies.

With the same resolution, CONSOB imposed against the Bank as jointly liable, pursuant to article 6 (3) of the Law 689/1981, the payment of the above-mentioned sanctions. Furthermore it has been imposed, pursuant to article 187-quinquies (1-a) of the Consolidated Finance Act, a €750,000 administrative sanction for the violation committed by the three above-mentioned individuals in favour of BMPS.

The Bank paid the penalties and appealed before the competent Appellate Court against the disciplinary sanction imposed according to article 187-quinquies (1-a) of the Consolidated Finance Act.

As for the previous proceedings, BMPS is pursuing legal recourse against the above-mentioned persons subject to sanctions.

#### CONSOB sanctions proceedings for alleged violation of article 115 of the Consolidated Finance Act

In resolution no. 18669 of 2 October 2013, CONSOB imposed €300,000 in administrative sanctions against BMPS for allegedly violating art. 115 of the Consolidated Finance Act by not adequately responding to a request for information sent on 13 April 2012 that concerned FRESH 2003 shares, FRESH 2008 shares and the abovementioned TROR agreements between the MPS Foundation and financial counterparties concerning the indirect subscription of the shares in question. The Appellate Court of Florence, as a result of the appeal filed by the Bank, has reduced the formerly imposed

administrative sanction to €50,000.

CONSOB sanctions proceedings for violation of article 149, Paragraph 3, of the Consolidated Finance Act

On 5 March 2014, CONSOB served notice that it was pursuing the Bank for violations of article 149, paragraph 3, of the Consolidated Financial Act and that the Bank would be held jointly and severally liable with the members of the Board of Statutory Auditors in office at the time of the facts. The charges are based on a failure to notify CONSOB of operational and organizational irregularities regarding the Bank's property financing discovered in 2010 by the Bank's internal audit department.

In line with the defense advanced by the Bank in the aforementioned sanctioning procedure brought by the Bank of Italy regarding its 2011-2012 inspections, and given the substantial correspondence on the underlying facts, BMPS has not filed a reply.

At the date of this Prospectus, the proceeding is still in progress.

**Civil Proceedings**

Class action before the Court of Florence—Lawsuits filed by shareholders in relation to the rights offerings in 2008 and 2011

*Associazione Difesa Consumatori ed Utenti Bancari, Finanziari ed Assicurativi* (“ADUSBEF”) - the Italian Association for the defense of bank, financial services and insurance consumers and users filed a class action at the Court of Florence under art. 140-*bis* of the Italian Consumer Code, as special representative for certain investors/shareholders of the Bank. The suit is seeking damages resulting from inaccurate or misleading disclosure in our 2011 rights offering, with particular reference to data contained in the financial statements relating to 2010 and in the offering document. The lawsuit is in its initial stage and claims damages of approximately €6,000. The Court, on 14 March 2014, declared the class action inadmissible, accepting the arguments advanced by the Bank and ordering ADUSBEF to pay costs. ADUSBEF has appealed before the Court of Appeals in Florence which on 27 June-15 July 2014, with a judicial order, rejected such claim. At the date of this Prospectus, ADUSBEF has not appealed such order before the Court of Cassazione.

Ten other claims for damages have been filed before the Lecce and Trani courts on the basis of misleading disclosure in the 2008 rights offering and facts similar to those listed above as of the date of this Prospectus.

The plaintiffs in these lawsuits are suing the Bank under Article 94 of the Consolidated Finance Act and seeking to void the securities sales on the basis of recklessness and/or error under the Italian Civil Code. The damages sought in the suits mentioned above amount to about €43.5 million.

The number of lawsuits filed by investors and claims for damages might increase significantly, as a result of the proceedings already underway and the court investigations begun in 2012.

At the date of this Prospectus, various claims for alleged losses had been raised by individual investors based on the events mentioned above. Most of these petitions were filed on behalf of individual customers by a single lawyer and by ADUSBEF.

Derivative litigation filed by the Bank for restructuring of the “Alexandria” and “Santorini”

On 1 March 2013, the Bank filed two separate proceedings for compensatory damages before the Court of Florence (Section Specializing in Business Matters). In the first proceeding, related to the “Santorini” transaction, the Bank filed a derivative suit under Articles 2393 and 2396 of the Italian Civil Code against the former Director General, Antonio Vigni, as well as an action for damages

pursuant to Article 2043 of the Italian Civil Code against Deutsche Bank for complicity in obstruction and/or offenses attributable to Antonio Vigni. The *petitum* brought by the Bank, to be better specified in the course of proceedings, amounts to not less than €500 million.

In the second proceedings, in connection with Alexandria, the Bank filed a derivative suit under Articles 2393 and 2396 of the Italian Civil Code against the former Chairman of the Board of Directors, Giuseppe Mussari, and the former Director General, Antonio Vigni, as well as an action for damages pursuant to Article 2043 of the Italian Civil Code against Nomura for complicity in obstruction and/or offenses attributable to the two aforementioned former company officers. The claim brought by the Bank, barring subsequent amendment in the course of proceedings, amounts to not less than €700 million.

The derivative litigation, initially authorized by the Board of Directors on 28 February 2013, was subsequently ratified by the Bank shareholders' meeting held on 29 April 2013.

In the proceeding, the Bank is pursuing the two investment banks for non-contractual liability. The Bank is also pursuing opportunities to settle both with the investment banks and with the former officers of the Bank that were complicit in the aforementioned transactions. The two investment banks are being pursued on the basis of complicity in obstruction and/or offenses attributable to the aforementioned officers of the Bank.

It should be noted that the Bank, in its initial filings, has expressly reserved the right to assert, in a special session, the possible invalidity of the contracts underlying the financial transactions at issue, including the conclusions of the audits in progress and the developments in the enquiry by the investigating magistrate.

The MPS Foundation, CODACONS and the Italian Association of Users of Financial Services, Banking and Insurance ADUSBEF) all intervened in both lawsuits in support of the Bank's positions. In supporting the two aforementioned liability actions undertaken by the Bank, the MPS Foundation acknowledged that it launched two independent suits, one against Mr. Mussari, Mr. Vigni and Nomura and, a second against Mr. Vigni and Deutsche Bank, arguing in both cases a claim of liability of the defendants pursuant to Article 2395 of the Italian Civil Code for the direct damage claimed to have been suffered by the MPS Foundation for having subscribed to the capital increase of BMPS approved in 2011, at a price different from that which would have been correct, if the Alexandria and Santorini restructuring had been duly represented in the Bank's financial statements.

With regard to the action brought by BMPS against Antonio Vigni and Deutsche Bank, on 19 December 2013, a settlement was reached between the Bank and Deutsche Bank regarding, *inter alia*, the claim for compensation (see "*Business—Material Contracts*"). This settlement is limited to the share of liability attributable to Deutsche Bank. BMPS' claims against Antonio Vigni and other parties involved in the Santorini transaction remain ongoing.

Following the reject of the request for the consolidation of the actions initiated by the Bank with those brought by the MPS Foundation, as at the date of this Prospectus the proceeding is still ongoing.

Moreover, on the occasion of the lawsuit independently filed by the MPS Foundation Mr. Vigni has received the permission to call the Bank on the basis of a hold-harmless letter (with respect to claims by third parties) allegedly made by the Bank with regard to him in the ambit of a consensual termination of his employment.

In BMPS's suit against Giuseppe Mussari, Antonio Vigni and Nomura, the first hearing was delayed for procedural reasons and took place on 16 April 2014. At this hearing there were called, for a possible discussion, on the one hand, the case brought by BMPS against Mr. Mussari, Mr. Vigni and Nomura and, on the other hand, the case independently brought by the MPS Foundation against the same defendants. The Judge reserved decision on the requests made by the parties. At the date of this

Prospectus, the proceeding is still in progress.

In this case as well, at the above discussion hearing filed by the MPS Foundation i) Mr. Vigni has received the permission to call the Bank on the basis of a hold-harmless letter (with respect to claims by third parties) allegedly made by the Bank with regard to him in the ambit of a consensual termination of his employment. ii) Mr. Mussari also received the permission to call the Bank as being responsible, pursuant to Article 2049 of the Italian Civil Code, based on the fact that certain directors had responsibility for executing the transaction with Nomura. The Bank has received the writs of summons in its capacity as third party called by the above named defendants in the cases independently filed by the MPS Foundation and entered in appearance. In the proceedings filed by the MPS Foundation, Mr Vigni requested in advance the consolidation of such proceedings.

On 1 March 2013, Nomura filed with the Commercial Court in London for judicial notice of, *inter alia*, the validity of the contracts and the lack of Nomura's liability under the contracts and the absence of unjust enrichment. This filing was subsequent to the derivative suits described above and the Bank's damage claims before the Court of Florence. The Bank has therefore requested the suspension of Nomura's London filing on *res judicata* grounds, given that the Italian proceedings are still ongoing and pre-date, by Nomura's own admission, this English proceeding.

The Commercial Court in London did not sustain the Bank's request and the proceeding therefore continues. The Bank entered in appearance in that proceeding on 12 March 2014, claiming the invalidity of the contracts related to the Alexandra notes restructuring and calling for the restitution of the entire sums paid out in execution of the same. Following this phase it is anticipated that the trial will not start before the final months of 2015. Please note that, at the date of this Prospectus, such contracts are subject to Bank's full compliance.

#### Recourse actions

As outlined above, after the administrative sanctions imposed by the Supervisory Authorities were paid, the Bank filed recourse actions but suspended the actions against the persons (i) whose conduct was not wilful or due to gross negligence, (ii) against whom no corporate liability action was filed and (iii) where there are no indictments under the pending criminal proceedings. Such recourse actions are only suspended while all avenues of appeal in the main actions are exhausted. After the notices of default, some of the parties in question did not make payment so it has been necessary to file civil lawsuits to recover the amounts.

No guarantee can be given as to the outcome of these suits, which will surely be contested by the sanctioned parties to the fullest extent permitted by law. These activities might affect the duration of the proceedings and lower the possibility of collecting the amounts claimed.

Lastly, considering the conduct of Issuer's former management, which involves criminal offences, and the suits already filed, the Bank is also assessing whether to sue for damages in the criminal proceedings (under Articles 185 and 187 of the Italian Criminal Code).

Due to the extraordinary complexity of the situation, the number of actions filed by the various parties in interest and the subsequent developments therein, it cannot be excluded that further investigations and/or criminal, civil or administrative proceedings might be launched by the public prosecutor, the Supervisory Authorities and by investors, in addition to the ones described above.

#### **Dispute Arising in the Ordinary Course of the Bank's Operations**

During the ordinary course of the Bank's operations, BMPS is involved in various judicial proceedings.

Below, are described the more considerable civil suits in terms of *petitum* for damages together with the relevant phase of the proceeding. Cumulative damages claimed under such suits have been



estimated to be in excess of €50 million.

#### Civil case before the Court of Milan

The special administrator of a company has made various claims of liability against the former directors, auditors, and shareholders (including indirect shareholders, which include BMPS) of SNIA S.p.A. based on various theories of liability. The claim is based on complex company events over a 10-year period from 1999-2009 that in the Bank's opinion, stem from the company's spin-off in 2003. The case is in the initial stages and the amount of damages to be sought, originally not reliably determinable, has been partially quantified towards the Bank and the other parties in €572 million. The further damages allegedly suffered, for which it has been asked compensation, remain uncertain.

#### Civil case before the Court of Salerno

BMPS was summoned, together with other banks and companies, in this case following a supposedly erroneous report to the Italian Central Credit Register. The case is presently in the preliminary inquest phase and €157 million in damages is being sought.

#### Civil case before the Court of Brescia

The case concerns the claim for damages brought by the bankruptcy trustee of a company; the underlying facts involve several banking transactions to increase the share capital of the plaintiff company which subsequently filed for bankruptcy. The proceeding has been started and the *petitum* in equal to €155 million.

#### Arbitration before the Milan Arbitration Chamber

This is an arbitration concerning a claim for damages based on alleged documentary irregularities or deficiencies in receivables originated and transferred by the Bank to the plaintiff. Jurisdiction of the Arbitration Chamber derives from a clause in the transfer agreements. The arbitration is in the inquest phase and €100 million in damages is being sought by the plaintiff.

#### Civil case before the Court of Palmi

BMPS and other banks are defendants in this case regarding allegedly usurious interest. The case is in the initial stage and €100 million in damages is being sought.

#### Civil case before the Naples Commercial Court

The bankruptcy trustee company brought suit against the former directors and auditors of the company and against the Bank together with other banks for compensation for alleged damages. These damages equal the difference between the liabilities and assets arising from a syndicated loan disbursed by the banks. This syndicated loan is alleged to have delayed the discovery of the state of insolvency of the now-bankrupt company, thus worsening its difficulties. The case is in the initial stages and €90 million in damages is being sought.

#### Civil case before the Court of Reggio Emilia

Several parties brought suit against the Bank and another party. The plaintiff companies and their directors went to court to obtain compensation for the damages allegedly sustained due to an unusual and illegal management of a loan application submitted to the Bank, which allegedly led to the insolvency of the plaintiff companies. The case is presently in the preliminary inquest phase and €62 million in damages is being sought. Actions brought by the special administrator of Antonio Merloni S.p.A. before the Court of Ancona These two bankruptcy clawback actions were brought under Art. 67, paragraph one (2) of the Italian Bankruptcy Law and Art. 67, paragraph two of the Italian

Bankruptcy Law that pertain to current account movements of assets sold from the trading portfolio. The actions are in the preliminary decisive phase and €62 million in damages is being sought.

*Actions brought by the bankruptcy trustee of company before the Court of Ancona*

Those are two cases of bankruptcy clawback, brought mainly pursuant to Art. 67, paragraph one, and secondarily pursuant to Article 67, paragraph two of the Italian Bankruptcy Law, regarding current account movements concerning operations of portfolio disinvestment. The cases are in final phase and €81 million in damages is being sought.

*Civil case before the Court of Rome*

BMPS and other banks and companies are defendants in this case concerning foreign loan transactions. The case is presently in the decisive phase and €51 million in damages is being sought.

*Action brought by the special administrator of coopcostruttori before the Court of Ferrara*

This is a bankruptcy clawback action brought pursuant to Article 67, paragraph two of the Italian Bankruptcy Law against the bank and pertaining to several current account transfers. Despite the original *petitum* of €52 million the Court partially admitted the claim for €8 million. The term for the appeal is still pending.

*Action brought by the bankruptcy trustee of a company before the Court of Rome*

The bankruptcy trustee of a company brought suit against the directors and auditors of the same company and E&Y and other banks in a pool of lenders extending credit to the plaintiff company. The plaintiff claims compensation for alleged damages arising from pool restructuring activities and loans. The case is in the initial stage and the various defendants are seeking a total of €323 million in damages.

*Appeal before the regional Administrative Court of Lazio*

This appeal was brought before the Regional Administrative Court of Lazio also against the Bank by consumer and user associations to cancel deeds under the New Financial Instruments issuing procedure. The Regional Administrative Court of Lazio and the Council of State rejected all preliminary motions brought by the plaintiffs. On 3 April 2013 hearing, the Regional Administrative Court postponed the hearing to a date to be determined. The plaintiffs, in addition to seeking the annulment of the acts relating to the procedure for the issuance of the New Financial Instruments for €3.9 billion, have also claimed for damages in the same amount.

*Council of State-Appeal of the Italian Antitrust Authority*

In 2009 the Italian Antitrust Authority (“AGCM”) initiated proceedings for violation by several companies and banks, including BMPS, of Art. 81 of the EC Treaty. The measure applied was challenged before the first chamber of the Regional Administrative Court of Lazio which upheld the verdict and partially cancelled the challenged deeds. The AGCM filed an appeal before the Council of State and the hearing date has not yet been set.

During 2014, several proceedings against the Bank regarding application of the anti-money laundering legislation are pending.

These proceedings, pending in ordinary courts, relate to the Bank’s challenges of several sanctions issued by the MEF for failure to notify suspicious transactions pursuant to applicable anti-money laundering laws and regulations. The Bank is jointly liable under law with those executing the unlawful transactions.

In its defense, the Bank maintains that the suspicious transactions were not detectable, and only came to light during the course of a subsequent investigation by the Tax Police or relevant judicial authority.

The Bank is seeking an annulment of the sanction, which would, in the ordinary course, also result in suspension of any required payment while the case is still pending.

#### *Disputes concerning anatocism, interests and conditions*

From 1999, following the Italian Supreme Court change of trend on the legality of the practice to quarterly capitalize the negative interests accrued on current accounts, there has been a progressive increase of claims by the account holders for the retrocession of interest expenses paid on the basis of quarterly anatocism. In such cases the actors also contest the legality of the interest rate and the calculation method applied to the fees. In this last specific case, the Supreme Court's interpretation introduced, with effect from 2010 in theme of usury - on the basis of which the maximum overdraft fees, even before the entry into force of the law 2/2009, had to be taken into account in the calculation of the Gross Percentage Rate (TEG), in contrast with the instructions provided by Bank of Italy - is frequently the basis for lawsuits brought by customers. Most of the cases involve claims related to the balances of current account, but more and more frequent are also the disputes concerning anatocism, referring to the legitimacy of the so-called "French anatocism", and the violations of the usury Law 108/1996 on maturing loans. The Bank's aim, aware of the often penalizing jurisprudential interpretation (even if not univocal), is to maximize the defensive strategies – especially in relation to prescription – derivable from the regulatory and interpretative framework, in relation to some of the issues at least, trying also to seize any favourable settlement opportunity.

#### **Labor disputes**

The Bank is a party in several labor disputes involving challenges to individual and collective dismissals, requests to ascertain open-term employment contracts, compensation of damages due to professional setbacks, requests for higher positions and miscellaneous economic claims.

Provisions were accrued to pay the costs associated with these proceedings, based on an internal assessment of the potential risk. The provisions we made regarding this type of litigation fall under the item "personnel costs" of the provision for risks and charges.

In any case, the Bank does not believe that any liabilities resulting from the labor disputes in progress will have a significant impact on its financial position.

#### **Complaint of the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code – Complaint filed by the shareholder Falaschi**

During the Shareholders' Meeting of 29 April 2014, the shareholder Paolo Emilio Falaschi, although lacking the requisite number of shares needed to do so, addressed the meeting expressly soliciting the intervention of the Board of Statutory Auditors pursuant to Article 2403 of the Italian Civil Code ("Duties of the Board of Statutory Auditors") as well as with reference to Art. 2406 of the Italian Civil Code ("Omissions by directors") and Article 2408 of the Italian Civil Code ("Complaint to the Board of Statutory Auditors") with regard to the failure to start legal action to protect shareholders. He also sought damages from the Republic of Italy, the Supervisory Authorities and any individuals involved in authorising and executing the acquisition of Banca Antonveneta. The president of the Board of Statutory Auditors made his observations at the extraordinary shareholders' meeting on 21 May 2014, which are attached to the minutes of the meeting.

#### **Sanctions proceedings**

*Bank of Italy sanctions proceedings in the field of anti-money laundering and on the transparency of banking and financial transactions and service.*

Following Bank of Italy's inspections between September 2012 to January 2013, our Supervisory Authority launched sanction proceedings in April of 2013 against the previous board of directors and board of statutory auditors, several officers of the company and of BMPS, jointly for irregularities in the transparency of transactions and banking and financial services and lack of fairness in relations between brokers and clients (Article 53, paragraph 1, letters b) and d), Article 67, paragraph 1, letters b) and d), Title VI of the Italian Consolidated Banking Law and its implementing regulations) in particular with reference to the mode of repricing of credit assets and the definition of fee structures resulting from the elimination of the maximum overdraft fee for loans and overdrafts sanction proceedings against BMPS for irregularities concerning anti-money laundering, in particular for lack of customer due diligence, were also initiated, and specific defence counterclaims related to them were forwarded to the Supervisory Authority. The Bank of Italy concluded the anti-money laundering proceeding without issuing sanctions.

In relation to transparency of transactions and banking and financial services, the Bank of Italy has imposed €130,000 in sanctions against the former Director General of BMPS and Chief Compliance Officer. The Bank has not appealed the decision and proceeded with the payment of penalties as it was held jointly and severally liable. The head of the compliance unit has appealed the decision of the Regional Administrative Court of Lazio.

*Bank of Italy sanctions proceedings concerning incorrect reporting on government bonds*

In December 2012, the Bank of Italy launched sanction proceedings against the directors, auditors and general manager of BMPS in office as at 30 June 2011 due to reporting errors on a portfolio of government bonds for the year 2011. No penalties are applied to the Issuer as at the date of this Prospectus.

*CONSOB sanctions proceedings for failure to comply with the provisions on the subject of the public offering of financial instruments and of provisions relating to the offering of investment services*

Following inspections carried out in 2012, on 19 April 2013 CONSOB notified the Bank that it had opened two proceedings regarding failure to comply with regulations (1) governing the tender offer for financial instruments (Article 95, paragraph 1, letter c) of the Consolidated Finance Act and Art. 34-*decies* of the Issuers' Regulations) regarding the execution of the tender offer for the product "Casaforte classe A", and (2) pertaining to the supply of investment services (Article 21, paragraph 1, letters a) and d), and paragraph 1-bis, letter a) of the Consolidated Finance Act; Article 15, 23 and 25 of the Joint Bank of Italy/CONSOB Regulation dated 29 October 2007; Article 39 and 40 of CONSOB regulation No. 16190 dated 29 October 2007; and Article 8, paragraph 1 of the Consolidated Finance Act). In particular, complaints have been filed relating to: (i) irregularities relating to the regulation of conflicts of interest; (ii) irregularities in the evaluation of the adequacy of transactions; (iii) irregularities relative to pricing procedures on the products issued by the Bank; and (iv) disclosure of untrue or incomplete data and information.

The violations have been brought by CONSOB mainly against former members of the Bank's Board of Directors and the Board of Statutory Auditors, as well as against certain persons with responsibility.

The Bank as jointly liable for payment of the sanctions, pursuant to Article 195, paragraph 9 of the Consolidated Finance Act, intervened in the various phases of the proceeding with punctual counterclaims for each charge.

In relation to the proceeding under *sub* (1) CONSOB with resolution no 18850 of 2 April 2014 had

imposed administrative sanctions of €43,000 against the former general manager and other responsible entities in the corporate structure of the Bank, but it had not found any violation by the members of the Board of Directors or the Board of Statutory Auditors in office at the time of the facts. The sanction was not contested by the Bank. With respect to the proceeding under *sub* (2), on 9 April 2014, CONSOB with resolution no 18856, issued monetary sanctions of €2,395,000 against certain persons with responsibility for certain corporate areas. The decision is being appealed by the Bank in the Court of Appeals for the relevant jurisdiction.

The Bank was notified as to both proceedings, given it is jointly liable pursuant to Article 195, paragraph 9 of the Consolidated Finance Act, and the total amount of the penalties was paid by Bank.

The Bank will take the necessary actions of recourse under the law, evaluating the filing of appeals in relation to individuals subject to sanctions under the procedures; however, the Bank is considering bringing restitution claims against those individuals found to have acted with intent or gross negligence, against those in respect of which a corporate liability claim has been raised, have requests for referral to judgment in the context of criminal proceedings or have significant cases pending.

### **Legal proceedings pursuant to Italian Legislative Decree 231/2001**

In a proceeding initiated by the Forli Public Prosecutor against several natural persons and three legal persons for money laundering and obstruction of the exercise of public supervisory functions the Bank was charged with three administrative crimes: obstruction of the exercise of public supervisory functions to Article 2638 of the Italian Civil Code, and transnational money laundering pursuant to Article 648-*bis* of the Italian Criminal Code and conspiracy (Article 416 of the Italian Criminal Code).

The Bank's defense in these proceedings sets out to prove the non-existence of the crimes at the heart of the charges against it and to demonstrate that an organization, management and control model sufficient to prevent such crimes had been adopted and effectively implemented prior to the time of the alleged crimes in question. The Preliminary Hearing Judge of the Court of Forli has ordered the commitment for trial of the defendants (amongst which BMPS for administrative offence). At the date of this Prospectus, the proceeding is still in progress.

### **Privacy**

In July 2013 the Italian Tax Police Lieutenant Unit of Sant'Angelo dei Lombardi, served BMPS with a formal written notice for the alleged violation of Article 162 and 162, paragraph 2-*bis* of Italian Legislative Decree No. 196/2003 concerning data protection. The notice was served on the Bank in its role as data "controller" in the context of its activity as a former financial advisor, and also as a jointly liable party in the related pending criminal proceedings. BMPS asked the Data Protection Commissioner to dismiss the proceeding because the alleged events were ascribable only to the personal liability of the financial advisor without any involvement of the Bank in any respect whatsoever. As at the date of this Prospectus, the proceeding is still in progress.

### **Litigation with CODACONS**

BMPS filed a civil suit on 5 March 2014 before the Court of Rome against CODACONS, its legal representative and an external consultant of this association. The suit seeks to obtain a judgment against them, jointly and severally, for compensation for damages that have been suffered and may be suffered (in future) by the Bank as a result of various conduct unjustly damaging the reputation of the Bank. In particular, among the unlawful conduct forming the basis of the action, CODACONS published multiple press releases since the beginning of 2013, in which it claimed that the Bank had applied erroneous accounting treatment to the restructuring of the Santorini transaction and the Alexandria notes. These press releases claimed that the Bank also unlawfully channeled state funds through the so-called "Monti-bond." Pecuniary damages of €25 million have been claimed and €5

million has been claimed in respect of non-pecuniary damage. At the date of this Prospectus, the proceeding is in progress.

### **Tax disputes**

The Tax Police started since 25 June 2013, on disposal of the Siena Public Prosecutor, an investigation on MPS Immobiliare concerning the Chianti Classico transaction as well as a real estate transaction entered into by MPS Immobiliare in 2011 involving the assignment of certain real estate assets located in Rome to a closed-end real estate fund and the subsequent sale of shares of the same fund (Cf. p. 201 of the semi-annual financial statements as at 30 June 2014). On the basis of that investigation, the Tax Police initiated a tax audit with respect to fiscal years 2008 and 2009, closed on 16 September 2013 when the Tax Police notified a PVC, concerning two controversial points. From the first derives a claim of about €119 million in direct taxes, plus interest and possible penalties. From the second derives a claim of about €10 million in taxes (VAT), plus interest and possible penalties.

The Italian Revenue Service has formally called on MPS Immobiliare to provide clarification, asserting that the transactions carried out, taken as a whole, were aimed at obtaining unlawful tax saving.

The Italian Revenue Service is also investigating Perimetro Gestione Proprietà Immobiliari S.C.p.A.; a company recently included in the Group's consolidated financial statements, with respect to the fiscal years from 2009 to 2012. While the investigation was ongoing, the Italian Revenue Service had informally presented some findings that could have led to a claim of €155 million in taxes plus interest and possible penalties relating to the fiscal years under review.

The Group settled with the Italian Revenue Service each claim raised in relation to the investigations on MPS Immobiliare S.p.A., Perimetro Gestione Proprietà Immobiliari S.C.p.A. and related to the tax regime applied to the Chianti Classico transaction. The overall amount of such settlement is approximately equal to €126 million and it will substantially have a neutral impact on the account statement and Common Equity Tier 1 at a consolidated level. (for further details on the above please see the press release published on 23 December 2014 and available on the Issuer's website [www.mps.it](http://www.mps.it)).

In relation to such investigations, in the context of which memories were submitted to the Italian Revenue Service in order to confirm the correctness of the behavior followed by the bank, the Group reserves the right to make the appropriate evaluation in order to carry out all the initiatives suitable to protect their reasons.

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With the exception of the foregoing, during the 12 months preceding the date of this Prospectus, there were no governmental proceedings, legal or arbitration (including proceedings pending or threatened of which BMPS is aware) that may have or have had in the recent past material impact on the financial situation or the profitability of the Issuer

## MANAGEMENT OF THE BANK

The Bank is managed by a Board of Directors tasked with the strategic supervision. The Board of Directors consists of 12 members. The selection of such members must be notified to the Bank of Italy in accordance with the Bank of Italy Supervisory Rules (*Istruzioni di Vigilanza*). Each member of the Board of Directors is required to meet the honourability and professionalism requirements provided by law. The Chief Executive Officer is appointed by the Board of Directors. Under the Italian Civil Code, the Bank is required to have a board of statutory auditors.

The Charter allows also the possibility for the Board of Directors to constitute an Executive Committee to which it can delegate its own powers determining the limits of such delegation.

### Board of Directors.

The Board of Directors of the Bank is composed of the following persons:

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Year Appointed</u>	<u>Other principal activities and roles</u>
Alessandro Profumo	1957	Chairman  Member Executive Committee	2012	Chairman of the Board, Appeal Strategy and Finance S.r.l  Director, Supervisory Board, Sberbank  Director, International Advisory Board of Itau Unibanco  Director, Fondazione Together To Go
Fabrizio Viola	1958	Chief Executive Officer  General Manager  Member Executive Committee	2012	Director AXA MPS Assicurazioni Vita S.p.a.  Director AXA MPS Assicurazioni Danni S.p.a.  Chairman of the Board of Directors, Banca Widiba S.p.A.
Alberto Giovanni Aleotti	1972	Director	2012	Deputy Chairman of Board of Directors,

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Year Appointed</u>	<u>Other principal activities and roles</u>
		Member Executive Committee		A. Menarini Industrie Farmaceutiche Riunite S.r.l.  Chairman of the Supervisory Board, Berlin-Chemie AG  Director, Pharmafin S.p.A.  Director, CON.FI.FARM Finanziaria Farmaceutica S.r.l.
Pietro Giovanni Corsa	1955	Deputy Chairman  Member Executive Committee	2012	Director, A. Menarini Industrie Farmaceutiche Riunite S.r.l.
Beatrice Bernard	1963	Director	2013	General Manager, AXA MPS Assicurazioni Vita S.p.A.  General Manager AXA MPS Assicurazioni Danni S.p.A.  Director of AXA MPS Financial LTD
Daniele Discepolo	1947	Director	2013	Chairman of the Board, Risanamento S.p.A.  Director and Chairman of Internal Control Committee, Artemide S.p.A.,



<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Year Appointed</u>	<u>Other principal activities and roles</u>
				Director and Chairman of Internal Control Committee and Lead Independent Director, Piaggio S.p.A,  Director, Truostar S.p.A., Manucor S.p.A.  Chairman of the Board of Statutory Auditors, Pianoforte Holding S.p.A.  Special Administrator of Livingston S.p.A., Meraklon S.p.A., Meraklon Yarn S.p.A., Valtur S.p.A
Angelo Diringoli	1947	Director	2012	//
Lorenzo Gorgoni	1942	Director  Member Executive Committee	2012	Director, Telecom Italia Media S.p.a.  Sole Director, G&G Investments S.r.l.
Marco Miccinesi	1956	Director	2013	Chairman of the Board of Director, Casa di Cura Eretenia S.p.A., Bi Elle Finanziaria S.p.A., Bonaldi S.p.A., Bonaldi Motori S.p.A., Bonaldi Tech S.p.A., Lorenzo Bonaldi S.r.l., Comfortauto S.r.l., Picchiotti S.r.l.  Director, M.T. Manifatturiera

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Year Appointed</u>	<u>Other principal activities and roles</u>
				Tabacchi S.p.A., Boeheringer Ingerheim Italia S.p.A., Bidachem S.p.A.  Chairman of the Board of Statutory Auditors of Simis S.r.l, UP S.r.l, Nepharma S.r.l., Accelera S.r.l., Clinical Organizationfor strategies & solutions S.r.l., NMS Group S.r.l.  Statutory Auditor of Kedrion S.p.A, Kedrion Group S.p.A.
Marina Rubini	1969	Director	2013	Director Finmeccanica S.p.A.
Roberto Isolani	1964	Director  Member Executive Committee	2014	Member of the Global Management Committee BTG Pactual
Christian Whamond	1973	Director	2015	Director of Corporate Credit at Fintech Advisory Inc.

The business address of each member of the Board of Directors is Banca Monte dei Paschi di Siena S.p.A., Piazza Salimbeni 3, 53100, Siena, Italy.

The Directors currently in office were all appointed by the annual general Shareholders' meeting held on 27 April 2012, except for: Ms. Beatrice Bernard, appointed as Director on 24 September 2013 after the resignation of Mr. Frédéric Marie de Courtois D'Arcoilières; Mr. Daniele Discepolo, Mr. Marco Miccinesi and Ms. Marina Rubini, appointed as Director on 14 November 2013 after the resignation of Mr. Michele Briamonte, Mr. Turiddu Campaini and Ms. Tania Groppi. On 18 September 2014, the Deputy Chairman Marco Turchi and Director Paola Demartini formally handed in their resignations from the Board of Directors. On 9 October 2014, the Board of Directors of BMPS took steps towards the replacement of Directors Marco Turchi and Paola Demartini following their resignation, by appointing David Martinez Guzman and Roberto Isolani as non independent Directors. On 27 February 2015, David Martinez Guzman formally handed in his resignation and on 4 March 2015 the Board of Directors of BMPS replaced Mr. Guzman by appointing as

Director Mr. Christian Whamond.

The present Board of Directors will remain in charge until the Shareholders' meeting to approve the annual financial statements for the year ending 31 December 2014.

Shareholders' meetings may be called by the Board of Directors and generally must be called at the request of holders of at least 5 per cent. of the outstanding ordinary shares. Directors hold office for a period of three years and are elected by *voto di lista*. Directors may be re-elected for a maximum of two consecutive terms and their office may be revoked at any time by the voting Shareholders in general meeting. The Chairman and the Deputy Chairmen are nominated by a majority of the voting Shareholders among the elected Board of Directors.

The Board of Directors meets regularly at the Bank's registered office. Meetings of the Board of Directors are convened on a monthly basis upon request of the Chairman. Meetings may also be convened upon reasonable and detailed request of at least three Directors or upon written request of the Board of Statutory Auditors or at least every Statutory Auditor addressed to the Chairman. Meetings may be held in person or through video-conference. The quorum for meetings of the Board of Directors is a majority of the Directors in office. Resolutions are adopted by the vote of a majority of the Directors attending the meetings.

### **Chief Executive Officer**

The Chief Executive Officer (*Amministratore Delegato*) carries out its functions within the limits of the delegated powers and in the manner determined by the Board of Directors. The Chief Executive Officer also holds powers to be exercised as a matter of urgency by the Chairman of the Board of Directors, in the event of an absence or impediment of him or any substitute.

The Chief Executive Officer is Mr. Fabrizio Viola who was appointed by the Board of Directors of the Bank on 3 May 2012.

The address of the CFO for the duties he discharges is: Piazza Salimbeni 3, Siena, Italy.

### **Executive Committee**

The Executive Committee is formed by the Chairman, the Deputy Chairmen, the Chief Executive Officer and the other members selected by the Board of Directors.

On 3 May 2012, the Board of Directors approved the establishment and composition of the Executive Committee, whose members are automatically appointed pursuant to article 19, first paragraph of the BMPS' Articles of Association.

Its members are: Alessandro Profumo, Fabrizio Viola, Pietro Giovanni Corsa, Alberto Giovanni Aleotti, Lorenzo Gorgoni and Roberto Isolani.

The address of the Executive Committee for the duties they discharge is: Piazza Salimbeni 3, Siena, Italy.

### **General Manager**

The current General Manager (*Direttore Generale*) is Fabrizio Viola who was appointed by the Board of Directors on 12 January 2012. Fabrizio Viola has also been appointed as Chief Executive Officer. The General Manager is appointed by the Board of Directors which may also remove or suspend the General Manager from his office. The General Manager attends the meeting of the Board of Directors but has no right to vote on proposed resolutions at such meetings.

The General Manager undertakes all operations and acts which are not expressly reserved for the Board of Directors or the Executive Committee. He oversees and is responsible for the overall administration and

structure of the Bank and implements resolutions of the Board of Directors. He participates in meetings of the Board of Directors and proposes matters to the Board of Directors for approval, including matters relating to loans, the coordination of activities of the Group and the employees.

The address of the General Manager for the duties he discharges is: Piazza Salimbeni 3, Siena, Italy.

### **Financial Reporting Officer**

On 14 May 2013, in accordance with Article 31 of the Bank's Articles of Association the BMPS's Board of Directors appointed Arturo Betunio as Financial Reporting Officer, pursuant to article 31 of the Articles of Association, starting from the date on which he was employed (10 June 2013) as Head of Administration and Accounting.

Until that date, the position of Financial Reporting Officer was held by the BMPS's Chief Financial Officer, Bernardo Mingrone.

### **Managers with strategic responsibilities**

The table below sets forth the names of the current management of the Bank with strategic responsibilities, together with their positions.

The address of the senior with strategic responsibilities of the bank for the duties they discharge is: Piazza Salimbeni 3, Siena, Italy

<b>Name</b>	<b>Position</b>
Fabrizio Viola	Chief Executive Officer / General Manager
Angelo Barbarulo	Deputy General Manager Vicar, Head of Credit
Bernardo Mingrone	Deputy General Manager, Head of Finance and Operations
Ilaria Dalla Riva	Head of Human Resources, Organization and Communication
Alfredo Montalbano	COO
Andrea Rovellini	Head of Risk
Marco Bragadin	Head of Retail and Network
Sergio Vicinanza	Head of Corporate and Investment Banking

### **Board of Statutory Auditors**

The Bank, like all Italian *società per azioni*, is required to have a Board of Statutory Auditors, who have a duty to Shareholders, to whom they report at the annual general Shareholders' meeting approving the financial statements. The Board of Statutory Auditors is required to verify that the Bank complies with applicable law and its by-laws, respects the principles of correct administration, and maintains adequate organisational structure, internal controls and administrative and accounting systems. The members of the Board of Statutory Auditors are required to meet at least once every 90 days take part in meetings of the Board of Directors, the Shareholders' meetings and meetings of the Executive Committee. The Board of Statutory Auditors of the Bank is composed of three standing members and two alternate members. Statutory Auditors are appointed by the Shareholders at a general meeting for a three year term and may be re-elected. The general meeting of

Shareholders also sets the remuneration of the Statutory Auditors for their entire terms.

The Board of Statutory Auditors of the Bank, who will remain in office until the Shareholders' meeting to approve the financial statements for the year ending 31 December 2014, is as follows:

<b>Name</b>	<b>Year of Birth</b>	<b>Title</b>
Paolo Salvadori	1947	Chairman of the Board of Statutory Auditors
Claudio Gasperini Signorini	1966	Auditor
Stefano Andreadis	1956	Auditor
Franco Michelotti	1958	Alternate Auditor

### **Statutory Auditing**

On 7 April 2010, Legislative Decree n. 39 of 27 January 2010 (the "Decree 39") concerning the "Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Directive 84/253/EEC" entered into force. Decree 39 implemented new rules concerning the "statutory audit" by introducing innovations relating to the audit of annual financial statements and consolidated financial statements.

The statutory audit shall be performed by an independent auditor meeting the requirements established by law.

The ordinary Shareholders' meeting appointed, on 29 April 2011, Reconta Ernst & Young S.p.A., as new independent auditors for a nine year period (2011-2019) pursuant to articles 13 and ss. of Decree 39, article 2409-bis of the Italian civil code and article 30 of the Bank's by-laws.

### **Conflict of Interest**

BMPS is an Italian bank with shares listed on regulated markets and as such deals with any conflicts of interest of the members of its administrative, management and supervisory body in accordance with the requirements of Article 2391 ("Directors' interests") and Article 2391-*bis* of the Italian Civil Code ("Related party transactions"), Article 53, paragraph 4 ("Regulatory supervision") and article 136 ("Obligations of bank corporate officers") of the Consolidated Banking Law (TUB) and the regulatory provisions on related party transactions adopted by CONSOB with Resolution no. 17221 of 12 March 2010 ("Regulation on Related Party transactions") and by the Bank of Italy on 12 December 2011 ("Circular 263/2006—Update no. 9 on risk and conflicts of interest with respect to affiliated parties").

In the context of these requirements, the Board of Directors has adopted procedures designed to identify the criteria and rules to be followed, together with the BMPS's subsidiaries, to ensure the substantial and procedural transparency and fairness of transactions with Related Parties and affiliated parties, prescribing controls that are consistent with those required by the aforementioned legal requirements. The procedures were approved by the Board of Directors after receiving the prior favourable opinion of the Related Party Transactions Committee (consisting of independent directors) and the Board of Statutory Auditors.

In addition, having importance in this respect are certain provisions in the Bank's Articles of Association which require specific information flows in the case of interests held by members of the administrative, management and supervisory bodies which are designed to ensure the independence of directors and statutory auditors. Article 17 of the BMPS's Articles of Association requires the Board of Directors to promptly report on a timely basis to the Board of Statutory Auditors on any transactions in which its members have an interest, on their own behalf or on behalf of third parties, while the obligation still remains for each director to inform the other directors and the Board of Statutory Auditors of any interest which they may have in a specific transaction of BMPS, on their own behalf or on the behalf of third parties, as required by Art. 2391 of the Italian Civil Code. In addition to requiring compliance with the provisions of article 136 of the Consolidated

Banking Act, article 21 of BMPS's Articles of Association expresses the obligation for the members of the Board of Directors and the Executive Committee to inform the Board of Directors and the Board of Statutory Auditors as to any affair in which they personally have an interest or which regards entities or companies of which they are directors, statutory auditors or employees, unless Group companies are concerned.

Finally, article 15 and article 26 of BMPS's Articles of Association state respectively that the directors shall not hold positions as members of the board of directors, the management board or the supervisory board of competitor banks and that the members of the Board of Statutory Auditors shall not hold other positions in other banks (not belonging to the Group or subject to joint control). In addition, the statutory auditors may only hold positions in control bodies in other Group companies or in companies in which BMPS holds, directly or indirectly, a strategic interest.

To the best of BMPS's knowledge and belief, as of the date of this Prospectus there are no conflicts involving the members of its administrative, management and supervisory bodies, current or potential, between their obligations towards the Bank and their private interests and/or their obligations towards third parties, other than those occurring within the context of specific resolutions adopted by BMPS in accordance with the mentioned Article 2391 of the Italian Civil Code and article 136 of the Consolidated Banking Law. Given the BMPS's business, the private interests that can occur relate mainly to transactions which entail financing and loans typical of the bank business.

The means by which the Board of Directors is appointed, as governed by BMPS's Articles of Association, ensures that directors fulfill the independence requirements. More specifically, pursuant to article 15, when the Board of Directors is appointed, each list filed by shareholders would have a number of candidates, specifically indicated, fulfilling the independence requirements established for the statutory auditors by the law and the additional independence requirements prescribed by the Corporate Governance Code, not lower than two and at least equal to 1/3 of the candidates in the list. Pursuant to article 3 of the Corporate Governance Code, the Board of Directors has the duty to assess the independence of its non-executive members on an annual basis. The assessment of independence of the directors prescribed by the Consolidated Financial Act and the Corporate Governance Code has been conducted during the meeting of March 11, 2014.

As prescribed by the Corporate Governance Code, the Supervisory Provisions on the organization and corporate governance of banks issued by the Bank of Italy (as amended by the Title IV, Chapter 1 of the Circular no. 285 of 17 December 2013), the Board of Directors performed the self-assessments annually (at last on 11 March 2014)

Furthermore on 29 April 2014 the shareholders' meeting, in extraordinary session, amended article 15 of the BMPS's Articles of Association in order to set a minimum number of independent directors of at least 1/3 of the members of the Board of Directors.

### **Main Shareholders as at the date of the Prospectus**

<u>Shareholders</u>	<u>% share capital on overall share capital</u>
Fondazione Monte dei Paschi di Siena (directly)	2.5%
Fintech Advisory Inc. (in its capacity of manager of Fintech investments Ltd, parent company of the Issuer' shareholder Fintech Europe S.à.r.l.)	4.5%
Axa S.A. (directly and indirectly through subsidiaries) (*)	3.17%
BTG Pactual Europe LLP (discretionary asset management)	2.00%

(\*) AXA France IARD, AXA Belgium, AXA Assicurazioni S.p.A., AXA Assurances Vie Luxembourg, AXA Assurances Luxembourg, AXA Leben AG, AXA Versicherungen AG, AXA Insurance UK Plc, AXA Seguros Generales S.a. de Seguros y Reaseguros, AXA Portugal Companhia de Seguros S.a., AXA Versicherung AG, AXA krankenversicherung AG.

**As at the date of this Prospectus, there is no entity controlling the Issuer pursuant to article 93 of the Consolidated Finance Act, since no shareholder holds the majority of votes in the ordinary shareholders' meeting.**

Furthermore, article 14, paragraph 7, of BMPS By-laws states that, should a bank foundation during an ordinary shareholders' meeting, as ascertained by the Chairman of the assembly during the assembly and immediately before each vote, be able to exercise, on the basis of the shares held by the shareholders attending the meeting, a majority vote, then the Chairman of the meeting shall take note of such a case and shall proceed to the exclusion of the bank foundation's votes, up to a number of shares which are equal to the difference between the number of ordinary shares deposited by the aforesaid bank foundation and the overall number of ordinary shares deposited by the other shareholders who are present and have been admitted to the voting, plus one share.

***Shareholders' Agreement between Fondazione Monte dei Paschi di Siena ("Fondazione MPS"), Fintech Advisory Inc ("Fintech") and BTG Pactual Europe LLP ("BTG Pactual")***

The main provisions of the shareholders' agreement between Fondazione MPS, Fintech and BTG Pactual are outlined below as set out in the extract of such agreement published (the latest publication being dated 5 May 2014), *inter alia*, on the Fondazione MPS's website [www.fondazionemps.it](http://www.fondazionemps.it) pursuant to article 122 of the Consolidated Finance Act, to which reference is made for further details.

On 31 March 2014, Fondazione Mps, Fintech and BTG Pactual entered into a shareholders' sale agreement (the "**Shareholders' Agreement**") in relation to the share subscription rights of BMPS ordinary shares, representing the 4.5 per cent. of the share capital of BMPS in favour of Fintech and BPMS ordinary shares representing the 2 per cent. of the share capital of BMPS in favour of BTG Pactual (Fintech and BTG Pactual, together, the "**Purchasers**").

- In relation to the shares held by three shareholders (the "**Parties**") further the implementation of such sale agreement – and, more precisely, the Fondazione MPS for the 2.5 per cent., BTG Pactual for the 2 per cent. and Fintech for the 4.5 per cent. of the BMPS ordinary shares, - the Shareholders' Agreement provides, *inter alia*, certain provisions in relation to: shares' selling restrictions for the Parties (lock-up sale agreement);
- obligations and procedures for joint presentation of a BMPS's Board of Directors members appointment list and a BMPS's Board of Statutory Auditors members appointment list, providing for an obligation to vote such lists;
- obligations in case of substitution of the members of the BMPS's Board of Directors;
- procedures and conditions for the (possible) appointment of the candidate as Chairman of BMPS's Board of Directors by Fondazione MPS (subject to Purchasers' consent);
- and provide that the Parties shall make efforts, within the limits of law, in order to promote the appointment as chief executive officer of one of the candidates among those appointed by the Purchasers (subject to Fondazione MPS's consent).

The Shareholders' Agreement will expire automatically on 31 March 2017.

Save as set out above, the Bank is not aware of the existence of any other agreements which would lead to a change in the ownership of the company, resulting in a different subject being in control of the company.



## TAXATION

### Republic of Italy

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

*The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.*

### Republic of Italy

#### Tax treatment of Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, (“Decree 239”) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks. For this purpose, bonds and debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or of control of) to management of the issuer.

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks (other than shares and assimilated instruments), as set out by Article 2, paragraphs 22 and 22-bis, of Law Decree No. 138 of 13 August 2011, as converted with amendments by Law No. 148 of 14 September 2011 and as further amended and clarified by Law No. 147 of 27 December 2013.

#### 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 non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, 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.

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, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (“IRAP”).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (“Decree 351”), as clarified by the Italian Revenues Agency through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or pursuant to

Article 14-*bis* of Law No. 86 of 25 January 1994, are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund, the SICAF or SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the “Fund”), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such 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 Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income 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. (with certain adjustments for the fiscal year 2014 as provided by Law No. 190 of 23 December 2014 the “Italian Finance Act 2015”).

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an “Intermediary”).

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

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

### **Non-Italian resident Noteholders**

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. or, in any case, at the reduced rate provided for by the applicable double tax treaty, if any, to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

Please note that according to the Law No. 244 of 24 December 2007 (“Budget Law 2008”) a Decree still to be issued will introduce a new “white list” replacing the current “black list” system, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (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*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

### **Atypical securities**

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent.. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

### **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 or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent.. Noteholders may set off losses with gains.

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

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 Noteholder holding the Notes not in connection 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 *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 (“Decree 66”), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains

realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included 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. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree No. 66, depreciations may be carried forward to be offset against increases in value of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations realised before 1 January 2012; (ii) 76.92 per cent. of the depreciations realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351 as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax (with certain adjustments for the fiscal year 2014 as provided by the Italian Finance Act 2015).

Capital gains realised by non-Italian-resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

Please note that, according to the Budget Law 2008, a Decree still to be issued will introduce a new 'white list' replacing the current 'white list' replacing the "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent..

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Notes.

### **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

- (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 the gift exceeding €1,000,000 for each beneficiary;
- (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 the gift exceeding €100,000 for each beneficiary; 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 the 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, €1,500,000.

### **Transfer tax**

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

### **Stamp duty**

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("Decree 201"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited therewith. The stamp duty applies at a rate of 0.2 per cent. and, as of 2014, it cannot exceed €14,000, for taxpayers different from individuals. This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy 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**

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent..

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value 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).

## **EU Savings Directive**

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

## **Implementation in Italy of the Savings Directive**

Italy has implemented the Savings Directive through Legislative Decree No. 84 of 18 April 2005 (“Decree 84”). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

## **Luxembourg Taxation**

The following summary is of a general nature and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues, and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

### **Withholding Tax**

#### **(i) Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Luxembourg has abolished the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income.

#### **(ii) Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "Relibi Law"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "Territories") established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law will be subject to a withholding tax at a rate of 10 per cent.

### **The proposed European financial transactions tax (FTT)**

On 14 February 2014, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

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

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

Joint statements issued by participating Member States indicate an intention to implement the FTT progressively by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope on any such tax is uncertain. Additional EU Member States may decide to participate.

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

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA.

The new withholding regime is currently in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "FATCA Withholding") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Italy have entered into an agreement (the "US-Italy IGA") based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the US-Italy IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary or Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant



holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the US-Italy IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the “Programme Agreement”) dated 12 March 2015, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **United States**

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

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

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

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

### **Public Offer Selling Restriction under the Prospectus Directive**

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, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

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

provided that no such offer of Notes referred to in (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:

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

### **United Kingdom**

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

- (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 as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if it was not an authorised person, 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 any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to 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.

## Republic of Italy

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

- (i) to qualified investors (*investitori qualificati*), as defined in 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 Article 34-ter, of Regulation No. 11971.

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

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “Banking Act”); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

## General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply, to the best of its knowledge and belief, with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer nor any of the other Dealers shall have any responsibility therefor.

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

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes were duly authorised by a resolution of the Board of Directors of BMPS dated 18 November 1999 and the updating of the Programme has been duly authorised by resolutions of the Board of Directors of the Bank held on 19 December 2013 and 28 January 2015.

### Listing and admission to trading of Notes

Application for approval has been made to the CSSF to approve this document as a base prospectus and application has been made to the Luxembourg Stock Exchange for Notes (other than Exempt Notes) issued under the Programme to be admitted to trading on the Regulated Market on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Documents Available

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

- (i) the constitutional documents (with an English translation thereof) of BMPS;
- (ii) the consolidated and non-consolidated audited financial statements of BMPS in respect of the financial years ended 31 December 2012 and 31 December 2013 (with an English translation thereof) with the audit reports prepared in connection therewith. BMPS currently prepares audited consolidated and non-consolidated accounts on an annual basis;
- (iii) the most recently published annual report of BMPS and the most recently published consolidated and non-consolidated annual (audited) and semi-annual and quarterly (unaudited) (if any) financial statements of BMPS (with an English translation thereof) in each case together with any audit or review reports prepared in connection therewith, if any. BMPS currently prepares unaudited consolidated and non-consolidated interim accounts on a semi-annual basis and unaudited consolidated interim accounts on a quarterly basis;
- (iv) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (v) a copy of this Base Prospectus;
- (vi) any future base prospectuses, prospectuses, information memoranda and supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of Notes admitted to trading on the Regulated Market of the Luxembourg Stock Exchange subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

## Clearing Systems

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

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

## Condition for determining price

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

## Significant Change or Material Adverse Change

On 26 October 2014, the results of the Comprehensive Assessment were published, showing a balance sheet deficit of € 2.1 billion attributable to the adverse scenario of the Stress Test at 2016.

On 5 November 2014, the Board of Directors of BMPS approved the Capital Plan, which is subject to the approval of the competent Authorities, aimed at covering the capital shortfall of € 2.1 billion. The approved Capital Plan envisages that the capital shortfall is covered entirely by forms of capital reinforcements that will further improve the structure and quality of the Bank's capital.

For further details on the results of the Comprehensive Assessment and of the Capital Plan, please consult the press releases published by the Issuer respectively on 26 October 2014 and on 5 November 2014 incorporated by reference in this Base Prospectus.

Furthermore, reference is made to: (i) the Risk Factors sections "*Risks associated with the failure of BMPS to fully implement its Restructuring Plan or other capital strengthening measures*" and "*Publication of the results of a comprehensive assessment of the Issuer carried out by the ECB*" of this Base Prospectus; and (ii) the "Banca Monte dei Paschi di Siena S.p.A." section, paragraphs 3 (*Major Events*) and 5 (*the Capital Plan*) of this Base Prospectus.

On 11 February 2015, the BMPS' Board of Directors examined and approved the consolidated results as at 31 December 2014 and, *inter alia*, an increase of the rights offering to € 3 billion. On 4 March 2015, the BMPS' Board of Directors approved the Bank's draft financial statements and the BMPS Group's consolidated financial statements as at 31 December 2014, which are subject to audit review, incorporating the results already approved by the Board of Directors on 11 February 2015 (see the relevant press release incorporated by reference to this Base Prospectus). In addition, it should be noted that as at 31 December 2014 BMPS' capital has decreased for more than one third as a consequence of the loss recorded for the year and previous losses carried forward. In this respect, upon approval of the annual financial statements, the directors of the Bank, in accordance with article 2446 of the Italian civil code, called, without delays, the shareholder's meeting for the purpose of taking any necessary actions. The BMPS' shareholders meeting will be held on 14 April 2015 on first call and, if necessary, on second call for the extraordinary session on 15 April 2015.

Save as set out above, there has been no significant change in the financial or trading position of BMPS or the Group since 30 September 2014.

Save as set out in (i) the risk factors set out in the section "*Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme*" and (ii) the "Banca Monte dei Paschi di Siena S.p.A." section, paragraphs 3 (*Major Events*), 4 (*the Restructuring Plan*), 5 (*the Capital Plan*) and 11 (*Legal Proceedings*) of this Base Prospectus, the Issuer declares that, there has been no material adverse change in the prospects of the Issuer since 31 December 2013, being the date of the latest audited financial statements.

## **Litigation**

Save as disclosed in the “Banca Monte dei Paschi di Siena S.p.A.” section, paragraph 11 (*Legal Proceedings*), neither BMPS nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BMPS is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of BMPS or the Group.

## **Auditors**

Reconta Ernst & Young S.p.A., independent registered public accounting firm and a member of *Assirevi Associazione Italiana Revisori Contabili*, the Italian Auditors Association, has audited the Issuer’s accounts, without qualification, in accordance with IFRS, for the financial year ended on 31 December 2013.

Reconta Ernst & Young S.p.A., independent registered public accounting firm and a member of *Assirevi Associazione Italiana Revisori Contabili*, the Italian Auditors Association, has audited the Issuer’s accounts, without qualification, in accordance with IFRS, for the financial year ended on 31 December 2012.

## **Dealers Transacting with the Issuer**

Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in investment banking and/or commercial banking transactions (including the provision of loan facilities) and other related 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 Issuer’s affiliates. If any of the Dealers or their affiliates has a lending relationship with the Issuer, certain of the Dealers or their affiliates routinely or may 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.

**THE ISSUER**

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*To the Dealers as to English and Italian law*

**Allen & Overy – Studio Legale Associato**

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**Reconta Ernst & Young S.p.A.**

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## LUXEMBOURG LISTING AGENT

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