



## **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. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer 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 2011 and 2012 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising 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.

#### ***Risks arising from the Eurozone sovereign debt crisis***

The continued deterioration of the merit of credit of various countries, including, among others, Greece, Ireland and Portugal, together with the potential for contagion to spread to other countries in Europe, mainly Spain and 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, like in the case of the three bailed out countries. 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 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 European Central Bank's unconventional policy (including a security market programme and provision of liquidity via "Longer Term Refinancing Operations" (LTRO) with full allotment) has helped to ease tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. 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 31 December 2012 the Group's total exposure in relation to these countries is approximately equal to €26.6 billion, almost entirely towards Italy (€26.1 billion). As at 30 June 2013 the Group's total exposure in relation to these countries is approximately equal to €29.5 billion, almost entirely towards Italy (€29.1 billion). 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 and to the costs of human resources***

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, which represents the first financial statements published after the identification of such errors.

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.

***Risks associated with the failure in the implementation of the Business Plan and the failure in the implementation of the initiatives of capitalization of the Bank***

On 26 June 2012 the Board of Directors of BMPS approved the Business Plan 2012-2015. This plan includes profit and capital objectives for 2015 formulated assuming a macroeconomic scenario, well-defined management actions, as well as projections for the year 2015.

The Business Plan is based on a set of estimates and assumptions relating to future events and actions to be undertaken by the management. The Business Plan is based on some assumptions, such as those relating to the macroeconomic scenario, on which the management has no influence, and those concerning the effects of specific actions or concerning future events in which respect the management of BMPS can only partially have an influence: in fact, such events may not occur, may partially occur or may occur in different conditions or vary the plan period and therefore the results may differ from the expectations.

Moreover, the current prudential supervisory regulations and the Basel 3 provisions (subject to transposition at European level by the CRD IV and CRR) contain a set of rules aimed at increasing the quality and quantity of capital and new rules intended to curb the leverage and the pro-cyclicality of intermediation. These reforms, for which there is a gradual implementation, are aimed at increasing the capacity of the banking system to absorb shocks arising from financial and economic stress, whatever their origin, thus reducing the risk of contagion from the financial sector to the real economy. In general, the evaluation of non-adequate capital or liquidity of a bank could have direct impacts, among other things, the rating and the cost of funding affect the ability to carry out any extraordinary operations planned and/or necessary with possible negative effects on the balance sheet, the income and cash to each financial institution concerned and, as a result, with possible negative effects on its shareholders.

Amongst the managerial actions envisaged in the Business Plan 2012 – 2015, initiatives for the increase of the Bank's capital are particularly relevant. Following the verification of the results of the so-called EBA Plan, which has been put in place by the Group in order to comply with the capital strengthening required by EBA with the Capital Exercise of December 2011, on 3 October 2012 EBA and the Bank of Italy declared that BMPS, based on the data as at 30 June 2012, recorded a capital shortfall of EUR 1,728 million, which at that time was not taking into account the effects of the assessment, subsequently carried out, of the incorrect accounting treatment of certain transactions.

The capital strengthening of the Bank was then pursued through a series of actions in line with the EBA and the national supervisory authorities' recommendations as a result of the audit conducted on the capital requirements, so as to ensure an adequate capitalization of the Group so to cover also minor assessments of exposures connected to securities issued by sovereign issuers.

On 28 February 2013, in order to comply with the requirement of capital strengthening, BMPS issued the New Financial Instruments for a total amount of EUR 4,071,000,000 entirely subscribed by the Ministry of the Economy and Finance pursuant to Law Decree no. 95 of 6 July 2012, as subsequently converted and amended; such issue has been made within the context of a restructuring plan prepared by BMPS to be approved by the European Commission (the "Restructuring Plan"). The Restructuring Plan has been reviewed by the European Commission and some guidelines have been recently issued in this respect, amongst which an increase of the Bank's share capital to EUR 2,500,000,000 to be carried out during the course of 2014 and to be allocated for the early redemption of a substantial part of the New Financial Instruments.

On 7 October 2013, the Bank has given notice that the Board of Directors of the Bank approved the Restructuring Plan. The Restructuring Plan has been submitted to the Ministry of Economy and Finance for subsequent submission to the European Commission. The approval procedure of the Restructuring Plan by the relevant authorities is expected to be completed within November 2013.

Although the Restructuring Plan already reflects a macroeconomic scenario more fragile than the one represented in the Business Plan, it is reasonable to expect that, during the approval procedure of the Restructuring Plan, further actions will have to be taken by the Bank and the Group in order to achieve the objectives set out in the Restructuring Plan and the restoration of long-term viability.

Moreover, in the event that the initiatives set out in the Restructuring Plan prove to be inadequate and/or the Bank will not be able to implement actions within the time and in the terms estimated, such situation could have a material adverse effect on the patrimonial, economic or financial conditions of BMPS and the Group. In addition, if the Issuer is unable to repay New Financial Instruments within the time and in the manner already planned, it is possible that the ownership of the Issuer will profoundly change as a result of any conversion into shares of the New Financial Instruments that should be carried out by the Ministry of Economy and Finance.

### ***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) 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
- (b) 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.

### ***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 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***

Over previous financial years, the Group has put in place asset swap transactions relating to "Buoni Poliennali del Tesoro" financed by repo transactions with a maturity equal to the natural maturity of the relevant security. In particular, the transactions made by the Group included in this category are two: "Santorini" and "Alexandria". The Issuer has decided not to qualify these transactions as credit default swaps in consideration of the operative methods used and also considering the financial purposes of these transactions. Furthermore, the accounting treatment of these transactions as synthetic derivative financial instrument would have produced significantly different impacts in the income statement, with a less relevant impact to the net assets of the Group. In addition, due to the different accounting classification of the individual financial components of these transactions, such representation would have resulted in differential impacts, substantially offsetting, to each supervisory portfolios' Value at Risk index, without, therefore, arising differential impacts on the overall accounts of the Group.

For more details about the above-mentioned potential impacts of the aforesaid transactions, see the pro forma data set out, respectively at pages 453 ss. of the Annual Financial Statement as at 31 December 2012 and at pages 211 ss. of the Interim Financial Report as at 30 June 2013.

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 Consolidated Financial Statements as at 31 December 2012 (pages 103 ss and pages 162 ss.).

The aforementioned accounting decisions were taken having regard to the recommendations of the Bank of Italy, CONSOB and the Italian Insurance Supervisory Authority (*Istituto per la Vigilanza sulle Assicurazioni* – IVASS), as competent authorities, gave to the Italian market players in a paper dated 8 March 2013.

Notwithstanding the above, as confirmed by Bank of Italy, CONSOB and IVASS with their paper, the aforementioned criteria are currently under review by the competent national and international regulatory authorities.

In general, within structured term repo transactions, the most significant risk to which the Bank is exposed is the Republic of Italy credit risk. As in respect of both transactions an asset swap transaction has been entered into in order to hedge the rate risk, the interest rate sensitivity of the position is residual in comparison with the sensitivity in relation to the creditworthiness of the Republic of Italy. The change in the Italian credit spread therefore causes a change in the AFS Reserve in the Group's balance sheets, which is represented in

the overall profitability statement. The Bank is also exposed to a counterparty risk, but this risk is mitigated by a daily collateralization of the transactions.

The financial risk related to the Italian credit spread reflects into a similar risk on the liquidity side: because of the daily collateralization mechanism, in case of decrease in the value of the Bank's transactions, the Bank shall integrate securities potentially in place, leading therefore to potential additions in the cash margins.

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

BMPS is rated by Fitch Ratings Limited ("Fitch") and by Moody's Investors Service Limited ("Moody's"), 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.

#### ***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 those entities belonging to 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.

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 governs, 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. In order to operate in compliance with these regulations, the Group has in place specific procedures and internal policies. 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. The above risks are stated due to the fact that, 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.

At a global level, in the wake of the global financial crisis that began in 2008, the BCBS approved, in the fourth quarter of 2010, revised global regulatory standards on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement

as well as two global liquidity standards (the so-called “Basel III”). The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full implementation expected to occur in 2019. As anticipated above, in January 2013 the BCBS reviewed its original proposal in respect of the liquidity requirements accepting a number of the concerns raised by the banking industry. First, the phasing-in of the Liquidity Coverage Ratio will now take place in a gradual manner (i.e. annual increase of 10 per cent.), starting with 60 per cent. in 2015 and ending with 100 per cent. in 2019. Second, the BCBS expanded the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities.

Between the end of 2010, and the beginning of 2011, the Bank of Italy issued a series of measures which amended Bank of Italy Circular No. 263 of 27 December 2006 (*Nuove Disposizioni di Vigilanza Prudenziale delle Banche*) as amended and supplemented (the “Bank of Italy Regulations”) in order to adopt the provisions of EU Directive 2009/27/EC, 2009/83/EC and 2009/111/EC (together, “CRD II”), which amended EU Directives 2006/48/EC (“CRD”) and 2006/49/EC and has changed, *inter alia*, the criteria for assessing capital eligible to be included in Tier I Capital and may require the Issuer to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria.

The Basel III framework will be reflected in the EU legislation by means of the recently agreed package consisting of the Capital Requirements Directive (“CRD IV”) and the Capital Requirements Regulation (“CRR”), the latter being directly applicable in each member state. The adoption of these measures will allow the set-up of a “single rule book” which is a key tool in the EU to allow a level playing field, to combat regulatory arbitrage and foster the convergence of supervisory practices. The CRD IV and the CRR were published in the Official Journal on 27 June 2013 and will enter into force on 1 January 2014.

More specifically, the phasing-in of the Liquidity Coverage Ratio (“LCR”) in a gradual manner (albeit more quickly than envisaged by Basel III), starting with 60 per cent. in 2015, 70 per cent. as from 1 January 2016, 80 per cent. as from 1 January 2017 and 100 per cent. as from 1 January 2018 was arguably viewed positively by the banking sector. On the other hand, the gradual phasing-in will not prevent EU member states from maintaining or even introducing national liquidity provisions applicable to domestically authorised institutions. It must also be noted that it is up to the discretion of each national authority to decide whether liquidity requirements must be fulfilled on the level of each legal entity of a cross border group or if it is sufficient to fulfil the requirements on group level only. The latter would have a positive impact on operating costs.

In respect of high quality asset backed securities, the EBA will have to define by the end of 2013 which asset categories such as Prime Collateralized Securities are included. Notably, the European Commission will report by 2015 on the removal of legal and practical obstacles in relation to the fulfilment of the liquidity requirements at group level only.

The EBA agreed, in May 2013, on recommendations to supervisors to conduct asset quality reviews on major EU banks in order to dispel concerns over the deterioration of asset quality. Asset quality reviews can address uncertainties in balance sheet valuations, and an asset quality review should be conducted prior to starting the Single Supervisory Mechanism (SSM) for banks which will be subject to direct supervision of the ECB in the SSM. In this respect, the set of EBA recommendations and the timeframe for the asset quality reviews and the EU-wide stress test will be published once the timeline of the SSM's balance sheet assessment is known.

Many national discretions were introduced in the CRD IV. An example of national discretion is the capital surcharge which Member States can require of their financial systems in order to address macro-prudential risks in their own countries. Until 2015, Member States can require additional buffers of capital of up to 3 per cent. of Core Tier 1 with no EU control. From 2015 onwards for an additional capital buffer of between 3 per cent. and 5 per cent. the Member State has to notify the European Commission, the EBA and the European System Risk Board. In the case of a negative European Commission opinion, the Member State must comply or explain why it is not complying with the European Commission's negative opinion. Buffer rates of above 5 per cent. will need authorisation by the European Commission.

On 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the “Recovery and Resolution Directive” or “RRD”). The stated aim of the draft RRD is to provide competent authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers’ exposure to losses. The draft RRD contemplates that it will be applied by Member States by 1 January 2015 except for the bail-in tool in relation to liabilities other than Additional Tier 1 and Tier 2 instruments which is to be implemented by 1 January 2018 at the latest. The bail-in tool gives resolution authorities the power to write down the claims of unsecured creditors of failing institutions and to convert unsecured debt claims into equity. The European Commission proposal foresees that Member States may exempt covered bonds as defined in Article 22(4) of Council Directive 86/611/EEC from bail-in.

The powers currently set out in the draft RRD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. As a matter of fact if resolution requirements are left subject to national discretions and set by the national competent authorities, they could turn out not to be consistent across jurisdictions and therefore hamper the effective management of the Group. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative procedure (see section “*The Group may be subject to the provisions of the Recovery and Resolution Directive*” below). Further, the relevant authorities in the Member States may implement the RRD, and the CRD IV, in a manner that is different from that which is currently envisaged or may impose more onerous requirements on credit institutions and investment firms.

Another regulatory initiative currently under discussion which may hamper a smooth functioning of the Group is the legislative proposal the European Commission envisages adopting in the second half of 2013 following the recommendations released on 31 October 2012 by the High Level Expert Group (the “Liikanen Group”) on the mandatory separation of risky banking activities. Should a mandatory separation be imposed, additional costs at Group level are likely, in terms of higher funding costs, additional capital requirements and operational costs due to the separation and the lack of diversification benefits. An additional layer of complexity, leading to uncertainty, is the major risk of diverging approaches throughout Europe on this issue. Despite the progress at EU level, the United Kingdom, France and Germany are already in the process of introducing local laws on the separation of banking activities.

In addition, a new legislative proposal on the Financial Transaction Tax (the “FTT”) was published on 14 February 2013. 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. It is expected that the national provisions implementing the FTT will have to enter into force starting from 1 January 2014 but such date could possibly be postponed, should the adoption of the proposal take more time.

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.

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.

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>1</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 2015, following the IASB's enactment and the endorsement by the European Union.

Before and until the implementation of the new accounting model for the impairment (according to the new accounting standard IFRS 9), the Bank of Italy, with a communication dated 6 August 2013, requested to the Italian banks to start an analysis on the procedures and information and management systems in order to identify the actions necessary for the application of the impairment model introduced by the IASB (IFRS 9) and to promptly inform the Authority. In addition, the Bank of Italy reserves the right to ask for a simulation to a group of banks, in the period between the last quarter of 2013 and the first months of 2014, in order to estimate the impact of the new accounting model on the budget aggregates and on the capital ratios.

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.

### **Increased Capital Requirements**

Under the CRD IV and Basel III framework, the minimum capital requirement for common equity tier 1 ("CET1") (which does not include hybrid capital) will be phased in gradually from the current level of approximately 2 per cent. of risk-weighted assets to up to 9.5 per cent. in 2019. The 9.5 per cent. requirement will include a "capital conservation buffer requirement" of 2.5 per cent. and a "countercyclical buffer requirement" of 0-2.5 per cent. in addition to a minimum base requirement of 4.5 per cent. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction. For each systemically important bank ("SIB") there will be additional buffer requirements on top of the 9.5 per cent.

### **The Group may be subject to the provisions of the Recovery and Resolution Directive, once finalised and implemented, in the future**

As described under the section "*Changes in the Italian and European regulatory framework and accounting policies*" above, on 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions

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<sup>1</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

and investment firms (the so called Recovery and Resolution Directive, or RRD). The stated aim of the draft RRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses. The powers provided to authorities in the draft RRD are divided into three categories: (i) preparatory steps and plans to minimise the risks of potential problems (preparation and prevention); (ii) in the event of incipient problems, powers to arrest a bank's deteriorating situation at an early stage so as to avoid insolvency (early intervention); and (iii) if insolvency of an institution presents a concern as regards the general public interest, a clear means to reorganise or wind down the bank in an orderly fashion while preserving its critical functions and limiting to the maximum extent any exposure of taxpayers to losses in insolvency (resolution).

The draft RRD currently contains four resolution tools and powers: (i) sale of business - which enables resolution authorities to the sale of the institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply; (ii) bridge institution - which enables resolution authorities to transfer of all or part of the business of an institution to a "bridge bank" (a publically controlled entity); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time; and (iv) bail in - which gives resolution authorities the power to write down the claims of senior unsecured creditors (including holders of the Notes) and subordinated creditors (including holders of Tier 2 instruments such as the Subordinated Notes, and non-common Tier 1 securities) of a failing institution and to convert unsecured debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail in tool).

Except for the senior debt bail-in tool (which is proposed to be implemented by 1 January 2018), it is currently contemplated that the measures set out in the RRD (including the power of the authorities to write off or convert non-common Tier 1 and Tier 2 capital) will be implemented in Member States with effect from 1 January 2015.

The powers currently set out in the draft RRD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative procedure. As such, it is too early to anticipate the full impact of the draft directive but there can be no assurance that, once it is agreed upon and implemented, Noteholders will not be adversely affected by actions taken under it. In addition, there can be no assurance that, once the draft RRD is agreed upon and implemented, its application will not have a significant impact on the Group's results of operations, business, assets, cash flows and financial condition, as well as on funding activities carried out by the Group and the products and services offered by the Group.

## **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.

In addition, if Regulatory Call is specified in the applicable Final Terms, BMPS may also, at its option, redeem Subordinated Notes in accordance with Condition 5(d) (Redemption for Regulatory Reasons) if a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes ceases to qualify as “Lower Tier II capital” as a result of changes after the date of issue of the relevant Subordinated Notes (as defined in Condition 5(d)) in the standards and guidelines of the Bank of Italy. Any redemption of Subordinated Notes is subject to the prior approval implementing CRD IV in Italy.

*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.

*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.

***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. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being 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).

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The European Commission has proposed certain amendments to the Directive which, if implemented, may amend or broaden the scope of the requirements described above.

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*

The U.S. “Foreign Account Tax Compliance Act” (or “FATCA”) imposes a new reporting regime and, potentially, a 30% 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 the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems (see “Foreign Account Tax Compliance Act” in the Taxation section). 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 paid the common depositary or common safekeeper for the clearing systems (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries.

*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 purchase Notes in denominations that are not an integral multiple of the Specified Denomination 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 that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system 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 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.

*Regulatory classification of the Notes.*

Although the intention of BMPS is for Subordinated Notes to qualify on issue as "Lower Tier II capital", or "Tier 2 capital", as applicable. 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.

Although it is BMPS' expectation that the Notes qualify as "Lower Tier II capital" or "Tier 2 capital", as applicable, there can be no representation that this is or will remain the case during the life of the Notes or that the Notes will be grandfathered under the implementation of future EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify as "Lower Tier II capital", or "Tier 2 capital", as applicable, BMPS will have the right to redeem the Notes in accordance with Condition 5(d) (Redemption for Regulatory Reasons). Any redemption of Subordinated Notes issued by BMPS is subject to the prior approval of the Bank of Italy. There can be no assurance that holders of such Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be.

*Non-Viability Requirement for Subordinated Notes.*

The Basel Committee's press release dated 13 January 2011 entitled "*Minimum requirements to ensure loss absorbency at the point of non-viability*" (the "January 2011 Press Release") included an additional Basel III requirement (the "Non-Viability Requirement") as follows:

"The terms and conditions of all non-common Tier I and Tier II instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- the governing jurisdiction of the bank has in place laws that (i) require such Tier I and Tier II instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- a peer group review confirms that the jurisdiction conforms with clause (a); and
- it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet these requirements in order to be recognised as Tier I or Tier II instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

The January 2011 Press Release is not binding in the European Union, and the non-Viability Requirements will need to be implemented in the European Union.

CRD IV contemplates that the Non-Viability Requirement will be implemented in the European Economic Area by way of the RRD. If such statutory loss absorption at the point of non-viability is not implemented by 31 December 2015 then CRD IV indicates that the European Commission shall review and report on whether provision for such a requirement should be contained in CRD IV and, in light of that review, come forward with appropriate legislative proposals.

It is currently unclear whether the RRD bail-in tool will apply on implementation to capital instruments such as Subordinated Notes that are already in issue or whether certain grandfathering rules will apply. If and to the extent that the draft RRD is implemented retrospectively so as to apply to Subordinated Notes already in issue, such Subordinated Notes will be subject to the provisions of the RRD (including the RRD bail-in tool).

Subject to such implementation, Subordinated Notes may, therefore, be subject to write-down or loss absorption at the point of non-viability or otherwise on any bail-in, which may result in Noteholders losing

some or all of their investment. The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the value of Subordinated Notes.

The draft RRD is not in final form and changes may be made to it in the course of the legislative process. Accordingly, it is not yet possible to assess the full impact of the draft RRD. There can be no assurance that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated or as finally reflected in it would not adversely affect the price or value of a Noteholder's investment in Subordinated Notes and/or the ability of BMPS to satisfy its obligations under Subordinated Notes.

**Investors should be aware that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability should the Bank of Italy or other authority or authorities having oversight of BMPS at the relevant time (the relevant “Competent Authority”) be given the power to do so. The Terms and Conditions of Subordinated Notes issued under the Programme include provisions setting out that the obligations of BMPS under Subordinated Notes are subject to the powers of the Competent Authority pursuant to applicable law and/or regulation in force from time to time.**

In addition, there can be no assurance that, prior to implementation of the CRD IV and the CRR and the other Basel III reforms in Italy, the Basel Committee will not amend its package of reforms described above. Furthermore, the European Commission may implement the package of reforms, including the terms which capital instruments are required to have, in a manner that is different from that which is currently envisaged or, if permitted, Italy may impose more onerous requirements on Italian financial institutions. Until fully implemented, BMPS cannot predict the precise effects of the changes that result from any proposed reforms on its own financial performance and/or on the pricing of the Subordinated Notes.

Any failure by BMPS to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions, which may have a material adverse effect on BMPS' profitability and results and may also have other effects on BMPS' financial performance and on the pricing of the Subordinated Notes, both with or without the intervention by regulators or the imposition of sanctions. Prospective investors in Subordinated Notes should consult their own advisers as to the consequences of the proposed CRD IV and CRR.

#### ***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.

### ***Loss absorption***

Investors should be aware that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability should the Bank of Italy (or other authority having oversight of BMPS) be given the power to do so, whether as a result of the implementation of RRD or otherwise. The Terms and Conditions of Subordinated Notes issued under the Programme include provisions setting out that the obligations of BMPS under Subordinated Notes are subject to the powers of the Bank of Italy (or other authority having oversight of BMPS) pursuant to applicable law and/or regulation in force from time to time. To such extent investors should also consider Condition 2(d).

### ***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.

## 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 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 2011 and 31 December 2012, contained in the annual report as at 31 December 2011 and the 2012 Consolidated Financial Statements respectively (see cross-reference table below);
- (b) the consolidated unaudited semi- annual financial statements of BMPS as at 30 June 2013;
- (c) the consolidated unaudited quarterly report of BMPS as at 31 March 2013; and
- (d) the Terms and Conditions of the Notes contained in the Base Prospectus dated 21 June 2012, pages 50 to 80 (inclusive) prepared by the Issuer in connection with the Programme.

### Cross-reference table

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

<b>Document</b>	<b>Information incorporated</b>	<b>Location</b>
BMPS' unaudited Consolidated Semi-Annual Financial Statements as at 30 June 2013	Balance Sheet.....	79-80
	Income Statement.....	81-82
	Notes to the Financial Statements.....	99-204
	Audit Report .....	207-209
	Cash Flow Statement.....	87-88
	Changes in Equity.....	83-86
BMPS' Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December, 2012	Balance Sheet .....	89-90
	Income Statement .....	91-92
	Notes to the Financial Statements.....	101-429
	Audit Report .....	431-434
	Cash Flow Statement .....	98-100
	Changes in Equity.....	94-97
BMPS' Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December, 2011	Balance Sheet .....	95-96
	Income Statement .....	97-98
	Notes to the Financial Statements.....	104-405
	Audit Report .....	408-410
	Cash Flow Statement .....	102-103
	Changes in Equity.....	100-101
BMPS' Unaudited Consolidated Quarterly Report as at 31 March 2013		Entire document
Base Prospectus dated 21 June 2012 prepared by the Issuer in connection with the Programme	Terms and Conditions	50-80

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/*). 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 Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (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:	<p>The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.</p> <p>Unless otherwise permitted by current laws, regulations, directives and/or 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.</p>
Issue Price:	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "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:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(ii) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).</li> </ul> <p>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.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>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.</p>
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Exempt Notes: The Issuer may issue Exempt Notes which are Partly Paid Notes or Notes redeemable in one or more instalments.

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

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

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

Redemption: The 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.

The Notes may be also subject to optional redemption by the Issuer, including (in the case of Subordinated Notes), if Regulatory Call is specified in the applicable Final Terms, redemption due to regulatory reasons in accordance with Condition 5(d) (Redemption for Regulatory Reasons) if, subject to the prior approval of the Bank of Italy, a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes ceases to qualify as “Lower Tier II capital” or “Tier II capital”, as applicable, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines implementing the CRD IV in Italy. Any redemption of Subordinated Notes issued by BMPS is subject to the prior approval of the Bank of Italy.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “Certain Restrictions”.

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:	<p>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.</p> <p>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 <i>imposta sostitutiva</i> as defined therein in relation to interest payable in respect of any Notes.</p>
Negative Pledge:	None.
Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 8 (Event 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, 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 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 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 which have an original maturity of more than 1 year and on all receipts and interest coupons relating to such Notes:

"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 29 October 2013 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 29 October 2013 [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) 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 21 June 2012 which are incorporated by reference in the Base Prospectus dated 29 October 2013. 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 29 October 2013 [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) 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. 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 | The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of |

- single Series: 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: [Fixed rate - specify date/Floating rate - Interest Payment Date falling in or nearest to [specify month]]
- (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]  
  
[The loss absorption provisions set out in Condition 2(d) shall not apply to the 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]
- (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:

- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (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]
- (a) Reference Rate: Reference Rate: [ ] month [LIBOR/EURIBOR].
- (b) 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)*
- (c) 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) Margin(s): [+/-] [ ] per cent. per annum
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum
- (xi) 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 and method, if any, of calculation of such 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 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 issued by BMPS only 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 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

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 place of payment and not Interest Period end dates 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]

:

[[*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/*specify other Reference Rate*] rates can be obtained from Reuters.

**(6) OPERATIONAL INFORMATION**

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme 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) Deemed delivery of clearing system notices for the purposes of Condition 12: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [●] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (vii) 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 [Not Applicable/*give names*]

Managers:

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

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 29 October 2013 [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.

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 21 June 2012 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: *[Fixed rate - specify date/ Floating rate - Interest Payment Date falling in or nearest to [specify month]]*
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]*
- [The loss absorption provisions set out in Condition 2(d) shall not apply to the 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: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]]

- (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: Reference Rate: [ ] month [LIBOR/EURIBOR/specify other Reference Rate].
  - 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) Margin(s): [+/-] [ ] per cent. per annum
- (i) Minimum Rate of Interest: [ ] per cent. per annum
- (j) Maximum Rate of Interest: [ ] per cent. per annum
- (k) 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]  
(See Condition 3 for alternatives)



- (l) 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 relation to Early Redemption Amounts: [30/360]  
 [Actual/360]  
 [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 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 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 method of calculating the same (if required or if different from that set out in Condition 5(f)): [[ ] per Calculation Amount/specify other/see Appendix]

**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 place of payment and not Interest Period end dates 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 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 final terms: [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 should not be a regulated market] with effect from [ ].]

### 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 Bank S.A./N.V. and Clearstream Banking, société anonyme 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) Deemed delivery of clearing system notices for the purposes of Condition 12: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

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

that Eurosystem eligibility criteria have been met.]/

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

## 5. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Stabilising 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 29 October 2013 (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.

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 are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

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 29 October 2013 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 (for the time being *Passività Subordinate di 2° Livello*, as defined in the Regulations of the Bank of Italy (*Istruzioni di Vigilanza della Banca d'Italia*) and the Bank of Italy Note n.263 of 27 December 2006 (*Nuove Disposizioni di Vigilanza prudenziale per le Banche*) (together the **Bank of Italy's Regulations**), as amended from time to time) (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. 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.

- (ii) 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*

Subordinated Notes may be validly redeemed early by BMPS only with the prior consent of the Bank of Italy. Early redemption of the Subordinated Notes may not be made in circumstances other than those specified under this Condition 2(c).

- (iii)* each holder of Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement, or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such subordinated notes.

**(d) Special Provisions relating to obligations of BMPS under Subordinated Notes**

If so specified in the relevant Final Terms, the Subordinated Notes (including, for the avoidance of doubt, payments of principal, premium (if any) and/or interest) may be subject to loss absorption in accordance with the powers of the Bank of Italy or of any other authority or authorities having oversight of BMPS at the relevant time (the relevant **Competent Authority**) if the relevant Competent Authority determines that loss absorption of the Subordinated Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

**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:

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 0 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

the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

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

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 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

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, 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) *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.



(vi) *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 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:

the date on which all amounts due in respect of such Note have been paid; and

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, unmaturing 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)) 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.

*The redemption of Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on BMPS maintaining its minimum capital requirements (patrimonio di vigilanza) as prescribed in the Bank of Italy's Regulations immediately following redemption of the Subordinated Notes. If such approval is not given on or prior to the redemption date, BMPS will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having gained, by whatever means, such required minimum capital. BMPS will use its best endeavours to maintain such required minimum capital and to obtain such approval. Amounts that would otherwise be payable on the due date will continue to bear interest as provided in Condition 3(d).*

**(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, the Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy), in whole, but not in part, at any time (if the Note is not a Floating Rate Note) or on any Interest Payment Date (if the Note is 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, the Noteholders (which notice shall be irrevocable), if there is a change in the regulatory classification of the Subordinated Notes following their date of issue that (i) would be likely to result in a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes being excluded from "Lower Tier II capital" or "Tier 2 capital", as applicable, and (ii) was not reasonably foreseeable by BMPS as at the date of the issue of the relevant Subordinated Notes.

In this Condition 5(d), the "Minimum Disqualification Amount" means the percentage of the aggregate outstanding nominal amount of the relevant Subordinated Notes specified as such in the applicable Final Terms.

Upon the expiry of any such notice as is referred to in this Condition 5(d), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(d). Notes redeemed pursuant to this Condition 5(d) will be redeemed at their Early Redemption Amount referred to in Condition 5(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**(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, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at its Final Redemption Amount;
- (ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, 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 or any of the Issuer's Subsidiaries in the case (i) the prior written consent of the Bank of Italy has been obtained (where required pursuant to applicable laws and regulations) or (ii) the Subordinated Notes of any Series are purchased for the purposes of being placed back on the market and do not at any time exceed 10 per cent. of the aggregate principal amount of such Series (or the maximum amount provided pursuant to applicable laws and regulations from time to time) and (iii) are not purchased in order to be surrendered to any Paying Agent for cancellation.

“Subsidiary” means any entity which is a subsidiary within the meaning of Section 736 of the Companies Act 1985.

**(h) 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 0 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

**(i) 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)(iii) 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 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 such day as is specified in the applicable Final Terms 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 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) 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 EUR 7.5 billion as at 30 June 2013.

### 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.

On 8 November 2007 the BMPS Group and Banco Santander (“Santander”) reached an agreement for the sale of Banca Antonveneta S.p.A. (“Antonveneta”) to the BMPS Group.

On 22 December 2008 the deed of merger by incorporation of Antonveneta into BMPS was executed, with the simultaneous transfer of the business unit, in the value of €3,200 million and consisting of more than 400 branches, to the new Banca Antonveneta, a bank servicing north-eastern Italy which became operational effective 1 January 2009.

On 14 December 2009, the Italian Minister of Economy and Finance, Giulio Tremonti, approved the subscription by the Ministry of financial instruments convertible into ordinary shares to be issued by BMPS, for an amount of €1.9 billion, pursuant to art. 12 of Legislative Decree no. 185 of 29 November 2008, converted into law no. 2 of 28 January 2009. A Memorandum of Understanding setting out the terms for subscription has also been signed pursuant to art. 2, par. 2, of Ministerial Decree of 25 February 2009. See also Section 4 (*Recent Developments*), below.

On June 2011 Monte Paschi Banque SA sold its 100% shareholding in Monte Paschi Monaco SAM. The Monegasque bank, therefore, is no longer part of the BMPS Group.

On 28 December 2012 the Bank finalised the disposal of its 60.42% shareholding in Biverbanca to Cassa di Risparmio di Asti.

#### Shareholders' equity

On 7 and 16 June 2011 the Board of Directors of BMPS approved a pre-emptive rights issue, by virtue of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of 6 June 2011. All 4,824,826,434 newly issued ordinary shares, accounting for approx. 41.79% of the new share capital, were subscribed to for an overall equivalent amount of EUR 2,151,872,589.56 without the financial institutions forming part of the guarantee consortium (which was constituted in order to subscribe the shares, if any, not subscribed at the end of the relevant offer period) having to step in. In the second half of 2011, as a consequence of the exercise conducted by the European Banking Authority (“EBA”), in order to reduce the capital buffer required by the EBA, the Group has identified, among others, the following key initiatives:

- conversion to equity of BMPS shares underlying the convertible notes “FRESH 2003”;
- allocation to share capital of part of the “Share Premium Reserve” for a sum equal to the premium on 295,236,070 ordinary BMPS shares underlying the F.R.E.S.H notes issued by The Bank of New York for an amount of EUR 752,261,506.36 in April 2008 (the “2008 FRESH Notes”);
- at par conversion of 18,864,340 savings shares into ordinary shares for an amount of EUR 12,639,107.80;

- reduction in Risk Weighted Assets.

The Extraordinary Shareholders' Meeting of 1 February 2012 approved the allocation to share capital of part of the "Share Premium Reserve" for a sum equal to the premium on 295,236,070 ordinary BMPS shares underlying the 2008 FRESH Notes. In the same meeting, approval was also given to the conversion of 18,864,340 savings shares into ordinary shares for a total of EUR 12,639,107.80.

On 27 June 2012, with a view to improving and strengthening the quality of its core capital through the creation of Core Tier 1 Capital and managing its liabilities more efficiently, BMPS announced an invitation to the holders of nine series of subordinated securities (Tier 1, Upper Tier 2 and Lower Tier 2) to submit offers to exchange their securities for new Euro-denominated fixed-rate senior notes due 2015, to be issued under BMPS Debt Issuance Programme for an amount of EUR 50,000,000,000.

Upon expiry of the invitation on 5 July, EUR 1,007,495,510 worth of securities, in par value or liquidation preference, were validly offered for exchange and accepted by BMPS, corresponding to 30.74% of the overall par value/liquidation preference amount of EUR 3,277,809,765 in outstanding securities. On 10 July 2012, date of settlement for outstanding securities accepted for exchange by BMPS, a nominal value total of EUR 790,497,000 in new notes had been issued by BMPS and delivered to holders of existing securities. Following transaction finalisation, the Group posted a gross capital gain of approximately EUR 227 million.

#### Board of Directors' authority to increase capital and amendments to the Articles of Association

On 9 October 2012, the Extraordinary Shareholders' Meeting of BMPS resolved to grant authority to the Board of Directors to increase capital, in one or more tranches, pursuant to Articles 2443 and 2441, paragraph 5, of the Italian Civil Code, including through the issuance of convertible bonds in accordance with Article 2420-ter of the Italian Civil Code, for up to a maximum amount of EUR 1,000,000,000, in exclusion of the pre-emptive rights of existing shareholders.

The Shareholders' meeting also resolved to amend Articles 12, 13, 14, 16, 17 and 27 of the Articles of Association.

#### **4. Recent developments**

On 28 February 2013 the Bank announced that the issue of the new financial instruments, provided for by articles 23-sexies and followings of Law Decree no. 95 of 6 July 2012, as subsequently converted and amended (the "New Financial Instruments"), has been completed. The Ministry of the Economy and Finance subscribed to the New Financial Instruments issued by the Bank for an aggregate amount equal to EUR 4,071,000,000, of which EUR 1,900,000,000 replaced the so-called Tremonti Bonds previously issued by the Bank in 2009, and EUR 171,000,000, having an 'entitlement date' of 1 July 2013, as early payment of the interest accrued on the so-called Tremonti Bonds for the financial year 2012, considering the negative results of the Bank as at 31 December 2012. In relation to the above, please note that the issuance of the New Financial Instruments made by the Bank and their consequent subscription by the Ministry of the Economy and Finance and their partial replacement with the so-called Tremonti Bonds is subject to the approval of the Restructuring Plan by the competent authorities within the context of the approval procedure of "State Aid". For more information on the Restructuring Plan and its approval procedure, please see Section 5 (*Strategy*) below.

During the preparation of the Annual Report as at 31 December 2012, the Board of Directors, after detailed analysis carried out with the support of the Bank's counsel, has established the existence of certain errors in the accounting treatment of three structured transactions "Alexandria", "Santorini"

and “Nota Italia”<sup>2</sup>, as well as errors revealed by audits on accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel entered into in previous years.

The errors have been corrected in the Bank’s consolidated and non-consolidated draft financial statements as of and for the year ended 31 December 2012, as required by the IAS 8 accounting principles.

The restatement of prior period accounts in compliance with IAS 8, with retrospective correction of accounting errors in the financial statements, has determined a reduction of the net equity of about EUR 800,880 thousand as at 31 December 2011 divided as follows: valuation reserve EUR 11,709 thousand, reserve - EUR 803,524 thousand, operating loss - EUR 9,065 thousand.

For full information on the above please refer to the “*Notes to the consolidated financial statements - Restatement of prior period accounts – IAS 8*” in the Bank’s Annual Report as at 31 December 2012 and to the press releases published on the website [www.mps.it](http://www.mps.it).

On 1 March 2013 the Bank announced, by Board of Directors' resolution, that it has brought the following legal actions before the Civil Court of Florence:

- (i) a corporate liability action against former Chairman Giuseppe Mussari and former General Manager Antonio Vigni and an extra-contractual liability action against Nomura International Plc for its concurrence with the aforementioned Bank representatives in relation to the financial restructuring transaction of the Alexandria notes carried out in July-October 2009; the lawsuit seeks the joint and several judgment against the defendants for damages sustained and to be sustained by the Bank as a result of the challenged transaction;
- (ii) a corporate liability action against former General Manager Antonio Vigni and an extra-contractual liability action against Deutsche Bank AG for its concurrence with the aforementioned Bank representative in relation to the Total Return Swap transactions carried out through the special purpose vehicle, Santorini Investment Ltd, in December 2008; the lawsuit seeks the joint and several judgment against the defendants for damages sustained and to be sustained by the Bank as a result of the challenged transactions.

On 23 April 2013, (i) the deed of merger by absorption of Banca Antonveneta Spa into BMPS was signed with effect as of 28 April 2013 for civil code purposes and as of 1 January 2013 for accounting and tax purposes, and (ii) the Board of Directors has resolved to include the resolutions concerning the aforementioned liability actions against said former company representatives in the agenda of the Shareholders' Meeting which approved the consolidated annual results as at 31 December 2012.

On 29 April 2013, the Shareholders' Meeting of the Bank approved the Annual Report as at 31 December 2012; the election of Mr. Pietro Giovanni Corsa as Deputy Chairman of the Board of Directors; the new Shareholders' Meeting regulations; the Remuneration Report (prepared pursuant to art. 123-ter of the Consolidated Law on Finance and published under 'Investors & Research' on the corporate website at [www.mps.it](http://www.mps.it)).

Shareholders further resolved to take liability action, as proposed by the Board of Directors and brought before the Court of Florence, against former Chairman of the Board of Directors, Giuseppe Mussari, and former General Manager, Antonio Vigni, for all damages sustained and to be sustained by the Bank in relation to the transaction entered into with Nomura Int. Plc and against former General Manager, Antonio Vigni, for all damages sustained and to be sustained by the Bank in relation to the transaction entered into with Deutsche Bank AG.

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<sup>2</sup> For more information on the structured transactions “Alexandria”, “Santorini” and “Nota Italia”, please refer to section “Addition Information pursuant to Article 114, Paragraph 5, of Law Decree 58/1998” on page 453 of the Bank’s Annual Report as at 31 December 2012, available on the website of the Bank: [www.mps.it](http://www.mps.it).

On 6 May 2013, the deed of merger by absorption of MPS Gestione Crediti Banca Spa into the Bank was signed with effect as of 12 May 2013 for civil code purposes and as of 1 January 2013 for accounting and tax effect purposes.

On 14 May 2013, the Board of Directors of the Bank reviewed and approved the results for the third quarter of 2013.

On 5 July 2013, the Bank confirmed that the shareholders' agreement concerning Banca Popolare di Spoleto to the cooperative company, Spoleto-Credito e Servizi Società Cooperativa has been terminated as of 30 June 2013.

On 18 July 2013, the Extraordinary and Ordinary Shareholders' Meeting of BMPS approved the following amendments to the Articles of Association:

- removal of the share ownership limit of 4%;
- introduction of a maximum limit of two consecutive terms after the first mandate for members of the Board of Directors, with the exception of the outgoing Managing Director(s);
- adoption of new regulations on "gender quotas";
- introduction of upper age limits for Members of the Board of Directors, Chairman and Managing Director(s);
- termination of Mr. Michele Briamonte from his office as member of the Board of directors approved;
- Mr. Franco Michelotti elected alternate auditor.<sup>3</sup>

On 30 July 2013, the public prosecutors of the Court of Siena announced the main offences charged against the previous management in relation to the criminal proceedings connected with the acquisition of Banca Antonveneta. In particular, the offences relate to the crimes of market manipulation, obstruction of regulators, misstatement in prospectus, false disclosure and abuse of privileged information. On 2 October 2013, the public prosecutors of the Court of Siena filed a request to go to a preliminary trial against some members of the previous management for the charges notified on 30 July 2013.

In the same investigation, in their capacity as legal persons investigated pursuant to law no. 231 of 8 June 2011, the Bank and J.P. Morgan Securities Ltd. were notified by the public prosecutors of the Court of Siena of the conclusion of the preliminary investigations. The public prosecutors have decided not to request for the Bank to go to a preliminary trial on this matter.

Actions undertaken by the Issuer are carrying on in respect of a part of the previous management and third-parties involved in the same investigations – to whom the public prosecutor at the Court of Siena has served the same preliminary investigation closure notice notified to the bank – and which are preparatory to the compensation of damages that are still to be quantified.

On 2 October 2013, the public prosecutors of the Court of Siena called, among others, for former Chairman of the Board of Directors, Giuseppe Mussari, and former General Manager, Antonio Vigni to be put on trial in relation to the criminal proceedings connected with the acquisition of Banca Antonveneta.

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<sup>3</sup> On 28 May 2013 Mr. Gianni Tarozzi resigned from his duties as alternate auditor. Mr. Franco Michelotti has been elected for the remaining term of the mandate previously held by Mr. Tarozzi.

On 7 August 2013, the Board of Directors of the Bank reviewed and approved the results for the first half of 2013.

On 7 October 2013, the Issuer has confirmed that the Board of Directors of the Bank approved the Restructuring Plan. For more information please see Section 5 (*Strategy*) below.

### Ratings

On 18 January 2013, DBRS Ratings Limited (DBRS) assigned new ratings to BMPS. The ratings are of investment grade and include a Senior Long-Term Debt and Deposit Rating of 'BBB' with a Negative Trend, as well as a Short-Term Debt and Deposit Rating of 'R-2 (mid)' with a Stable Trend. This rating was affirmed on 8 February 2013.

On 31 January 2013, Standard&Poor's (S&P) lowered BMPS' ratings. Specifically, the agency revised down its assessment of BMPS' Stand Alone Credit Profile (SACP) to 'b' from 'b+' and its long term rating to 'BB' from 'BB+', with a CreditWatch negative outlook. The bank's short-term rating, 'B', has been affirmed.

On 18 March 2013, following the downgrade of Italy's sovereign rating on 8 March 2013, Fitch has revised BMPS' outlook to Negative from Stable. At the same time the long-term and short-term Issuer Default Ratings have been affirmed at 'BBB'/'F3'. On 1 February 2013 the Bank's Viability Rating (VR) was placed on Rating Watch Negative.

On 9 May 2013, Moody's downgraded the bank's long-term debt and deposit ratings to 'B2' from 'Ba2', with negative outlook. At the same time, the standalone bank financial strength rating (BFSR) of 'E' was remapped to a standalone baseline credit assessment (BCA) of 'caa3' from 'caal'.

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.

On 16 September 2013, Fitch confirmed the Bank's ratings (specifically the long-term rating at 'BBB', the short-term rating at 'F3' and the Support Rating Floor at 'BBB').

## **5. Strategy**

Against a persisting economic and financial crisis background, and in the presence of new regulatory constraints, the Group's strategy, outlined in the new 2012-2015 business plan which was approved by the Bank's Board of Directors on 26 June 2012 (the "2012-2015 Business Plan"), focuses upon: strengthening capital, rigorously safeguarding asset quality, achieving structurally balanced liquidity and a phasing-out of the need for funding from the European Central Bank.

The strong elements of innovation in the 2012-2015 Business Plan are set out in over 60 actions designed to achieve important objectives by 2015, aimed at returning the Bank to a sustainable level of profitability (ROTE ~ 7%).

In particular, the increase in capital was pursued through a series of actions which were in line with recommendations by the EBA and the national Supervisory Authorities following the EU capital exercise, so as to ensure an adequate level of Group capitalisation to cover exposure to lower-rated sovereign-issued securities.

Against this backdrop, recourse was made to "State Aid", i.e. financial instruments subscribed by the Ministry of Economy and Finance and included in Core Tier 1 capital, the amount of which was determined by also considering the requirements connected with the negative impact on capital following the assessment of a number of errors in the accounting representation of certain transactions and personnel expenses.

In particular, the issue of the New Financial Instruments was subject to the approval by the European Commission of a restructuring plan prepared by the Bank (the “Restructuring Plan”). In June 2013, the Restructuring Plan was approved by the Bank’s Board of Directors and later submitted by the Ministry of Economy and Finance to the European Commission as required by the procedures for the approval of “State Aid”.

The Restructuring Plan has been reviewed by the European Commission and some guidelines have been issued in this respect, amongst which an increase of the Bank’s share capital to EUR 2,500,000,000 to be carried out during the course of 2014 and to be allocated for the early redemption of a substantial part of the New Financial Instruments. The consent of the European Commission to the Restructuring Plan should follow the prior approval by the Bank’s Board of Directors of the Restructuring Plan and the subsequent submission by the Ministry of Economy and Finance and the Bank of Italy to the European Commission.

On 9 September 2013, the Bank gave notice that it was finalising the Restructuring Plan in coordination with the Ministry of Economy and Finance and with the Bank of Italy specifying that the Restructuring Plan has been prepared in accordance with the guidelines agreed with the European Commission, as clarified by the Ministry of Economy and Finance. On 24 September 2013, the Bank gave a further notice that the Board of Directors of the Bank discussed the guidelines set by the European Commission on the Restructuring Plan during a meeting held on 24 September 2013 taking the decision to postpone the approval of the Restructuring Plan to a forthcoming meeting in order to await for the completion of certain formal procedures required by the European Commission . On 7 October 2013, the Bank gave notice that the Board of Directors of the Bank approved on the date thereof the Restructuring Plan. Further to the approval of the Board of Directors, the Restructuring Plan has been submitted to the Ministry of Economy and Finance for subsequent transmission to the European Commission. The approval procedure is expected to be completed within November 2013.

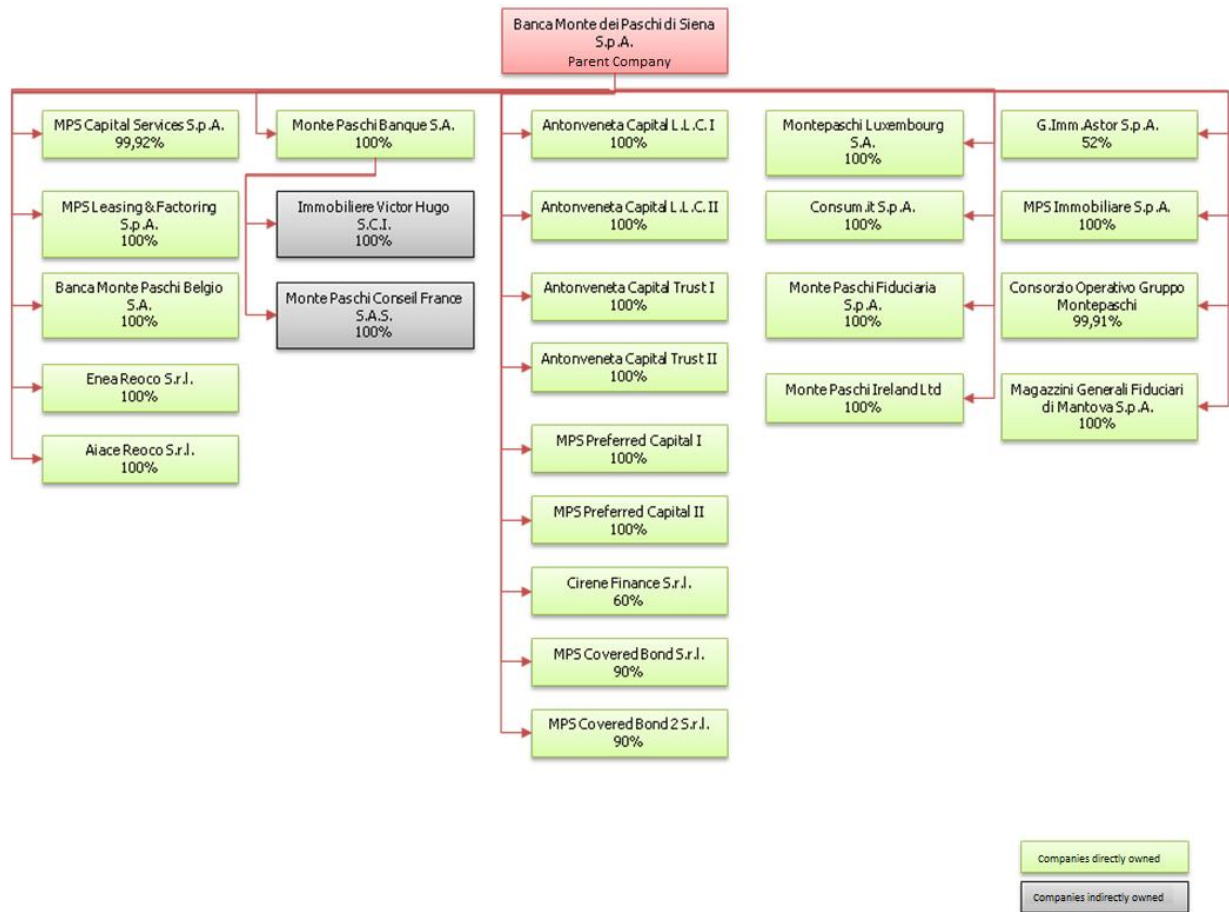
With regard to the implementation of the Restructuring Plan, the Bank will adopt an executive plan for the implementation of the guidelines set out in the Restructuring Plan once the Restructuring Plan will be definitively approved by the competent authorities. The Bank will give notice on its website ([www.mps.it](http://www.mps.it)) of the executive plan adopted for the implementation and of the actions consequently launched.

## **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.

The chart below sets out the main companies of the Group and their percentage ownership as at 19 July 2013.



## 1. **BMPS Group Profile**

As at 30 June 2013, the BMPS Group is one of the leading Italian banking institutions with 28,473 employees, 5.6 million customers, assets of over EUR 215,000,000,000 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 June 2013, 2,392 branches, 288 specialised centres dedicated to SME customers (134), private customers (87) and Institutions (66). Operations include a further 729 Financial Advisors supported by 131 regional offices.

The foreign network includes: 4 operational branches (London, New York, Hong Kong and Shanghai), 10 representative offices located in various "target areas" (EU, Central-Eastern Europe, North Africa, India and China), 2 banks under foreign law - MP Belgio (8 branches), MP Banque (17 branches).

## 2. **Funding**

### *General*

During 2012 the Group successfully continued to employ various sources of funding, both on the retail domestic market and on international markets dedicated to qualified investors.

As at 30 June 2013, total funding volumes for the Group amounted to approximately EUR 242,000,000,000, down 1.8% on the end of March 2013, as a combined result of an upturn in direct funding (+1.3%) and downturn in indirect funding (-5.5%). As compared to June 2012, total funding witnessed a reduction of 7.6%.

### *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 13 July 2012, EUR 800,000,000 worth of 3 year fixed rate unsecured senior notes as a result of the invitation for offers announced on 27 June 2012 by the Bank to holders of the securities of each series described in such invitation, and (iii) on 11 September 11 2012 EUR 500,000,000 worth of 2 year fixed rate unsecured senior notes.

### **3. 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.

### **4. 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.

### **5. Legal and Tax Proceedings**

The Group is involved in legal and tax proceedings arising in the ordinary course of business, several of which include claims for significant damages. Although the outcome of these proceedings cannot be predicted, management does not believe that liabilities arising out of these claims are likely to have a material adverse effect on the Group's consolidated results of operations or financial condition. Set forth below is a summary description of significant claims and legal proceedings which involve the Group and its directors:

- Civil lawsuit brought before the Court of Milan. The action, taken by the Extraordinary Administrators of a company against the former directors, auditors and (direct and indirect) shareholders of the same company (including BMPS), seeks the assessment of liabilities for damages, not yet quantified, allegedly caused by the appearing parties to the company. The action is grounded on intricate and complex corporate matters which saw the involvement of the company from 1999 to 2009 and which, as far as the Bank and other appearing parties are concerned, pivot around the company's demerger in 2003. The case is still in the initial phase.
- Civil lawsuit brought before the Court of Florence. The lawsuit concerns a claim for compensation for alleged damages due to contractual liability brought by the plaintiff against

the Bank jointly with other credit institutions. A ruling by the Court not yet covered by final judgment has rejected the claims against the Bank.

- Civil lawsuit brought before the Court of Salerno. This case, where BMPS is sued together with other credit institutions and companies, seeks the assessment of alleged damage suffered by the plaintiff, as a result of an alleged unlawful report filed with the Italian Central Credit Register. The case is under preliminary investigation by the Court of First Instance.
- Civil lawsuit brought before the Court of Brescia. The lawsuit concerns a claim for compensation for alleged damages brought before the Court by the Trustee in Bankruptcy due to banking transactions completed as part of the capital increase of the company which then failed. The case is under preliminary investigation by the Court of First Instance.
- Arbitration proceeding brought before the Arbitration Chamber in Milan. The case is an arbitration proceeding involving a claim for damages due to alleged documentary irregularities or shortcomings in relation to loans originated and sold by a Bank merged with the plaintiff company. The jurisdiction of the Arbitration Chamber stems from a clause in the disposal agreements. The case is in the initial phase.
- Appeal lodged with the Regional Administrative Court of Lazio. The appeal was lodged against the Bank with the Regional Administrative Court of Lazio by associations of consumers and users seeking annulment of deeds relating to the procedure for the issuance of New Financial Instruments (Monti Bonds) for the Bank. The Regional Administrative Court of Lazio and the Italian State Council rejected all petitions for precautionary measures submitted by the parties. Still pending is only an additional proceeding filed by a consumer group with the Regional Administrative Court of Lazio seeking annulment of the deeds which formalised the procedure for the issuance of Monti Bonds subsequent to the first ruling favourable to the Bank by the Regional Administrative Court of Lazio.
- Civil lawsuit brought before the Court of Palmi. This case, where BMPS is sued together with other credit institutions, seeks the assessment of alleged damage suffered by the plaintiff, as a result of purported usury-like interest. The case is still in the initial phase.
- Class action brought before the Court of Florence. Judgment passed, pursuant to art. 140 bis of the Consumer Code, by a Consumer Group acting under special power of attorney on behalf of certain investors/shareholders of the Bank to seek compensation for alleged damage suffered by investors who entered into financial transactions connected with the Bank's capital strengthening initiatives in previous financial years. The claims for damages were lodged on the basis of purportedly inaccurate disclosure of information by the Issuer in the course of the transactions. The case is still in the initial phase of judgment. It is noted that, although not material in amount, other individual actions have been brought against the Bank for similar reasons.
- Codacons appeal against the issuance of "Monti Bonds". On 28 January 2013 Codacons filed an appeal with the Lazio Regional Administrative Court (TAR) seeking annulment of the resolution whereby the Executive Board of the Bank of Italy gave the go-ahead for the issue of "Monti bonds" in favour of the Bank. On 22 February 2013 the Court rejected Codacons' appeal. On 2 March 2013 Codacons lodged a new appeal with the Regional Administrative Court, disputing the measure with which the Ministry of the Economy completed the issuance of "Monti bonds";
- Antitrust Authority ("AGCM") proceedings. Whereas the AGCM, with its resolution of 15 July 2009, had initiated proceedings to ascertain whether art. 81 of the EC Treaty had been breached by some companies and banking institutions including Bank, the latter has rejected all commitments undertaken in the meantime by all parties involved, as it considered them

inappropriate to solve the anti-competitive concerns focused upon in the proceedings. In this regard, AGCM imposed on the Bank an administrative sanction of EUR 910,000 with the order to abstain "from applying the rules of the circuit to which the license agreements are referred, and of contractual clauses with merchants which restrict competitive freedom in the Acquiring market." The proceeding has been appealed against before the first section of the Regional Administrative Court of Lazio, which accepted the appeal on 11 July 2011, partly declaring the challenged deeds null and void. In turn, AGCM has lodged an appeal, requesting a review of the case. The hearing has not yet been set.

- Bank of Italy proceedings. On 25 July 2013, the Bank of Italy notified some of the members of the former Board of Directors and the Remuneration Committee to the Bank, which is jointly and severally liable, of sanctions in relation to the breach of the regulations issued by the Bank of Italy in relation to the policies and practices of remuneration and incentives of the banks and the banking groups, as well as the violation of the same provisions and of the reporting requirements to the Supervisory Board by the members of the Board of Auditors relating to the determination of the economic benefits granted to the former General Director at the time of early termination of his employment. The total amount of the sanctions imposed is EUR 1,287,130. The Bank, after the payment of such imposed penalties, will exercise the mandatory recourse against the former corporate representatives sanctioned, by initiating, after taking all the legal steps in opposition to the sanction by the individual persons involved, the necessary legal and executive actions needed for the recovery of the amounts paid.
- Proceedings against the previous management and other third parties. In accordance with notifications by the judicial authorities, investigations are currently being conducted by the magistrates into financial transactions for funding of the acquisition of Banca Antonveneta and existing loans to the Monte dei Paschi di Siena Foundation. In this regard, the Bank initiated, against members of the previous management and third parties involved in the same investigations, a series of preliminary actions for compensation of damages, conditional upon positive developments in the civil lawsuits already instituted and any potential criminal lawsuits the Bank may file or in which it may claim damages as a civil party. On the other hand, as part of the same civil proceedings instituted by the Bank for liability actions and claims for damages, it cannot be excluded that the Bank may possibly be claimed against for further damages in a cross-action, which may reduce, even significantly, the prospects for compensation in its favour. The Bank is claimed against for compensation of damages by investors who entered into financial transactions connected with the capital strengthening initiatives put in place by the Bank in prior years. These claims were lodged on the basis of purportedly inaccurate disclosure of information by the Bank in the course of the transactions. In connection with the above, on 1 March 2013 the Bank has brought (i) a corporate liability action against former Chairman Giuseppe Mussari and former General Manager Antonio Vigni and an extra-contractual liability action against Nomura International Plc and a corporate liability action against former General Manager Antonio Vigni and (ii) an extra-contractual liability action against Deutsche Bank AG for its concurrence with the aforementioned Bank representative in relation to the Total Return Swap transactions carried out through the special purpose vehicle, Santorini Investment Ltd, in December 2008. For more information please see Section 4 (*Recent Development*) above.

## 6. Litigation

In the Notes to the Financial Statements for the year as at 31 December 2010 and accompanying accounting reports, disclosure was made of a claim by the Italian Revenue Agency against certain securities trading transactions, completed in the period straddling dividend payout dates, and certain repurchase agreements in foreign securities. Specifically, undue tax benefits (so-called "abuse of law") were claimed for these transactions, which were completed between 2002 and 2008, although they were obtained by legitimate application of existing rules and regulations.

On 2 December 2011, the Bank agreed to settle all claims raised by the Italian Revenue Agency by way of payment of a large proportion of tax due and sanctions (plus any interest required by law) for an amount of EUR 260.2 million (of which EUR 258.3 million was paid by the Bank and EUR 1.9 million was paid by the subsidiary, MPS Capital Services). This amount was posted to items 220 – Other operating expenses (income) (see Part C, Table 15.1) and 290 – Tax expense (income) on profit (loss) for the year (see Part C, Table 20.1).

Although fully convinced of its legitimate behaviour, the Bank opted for settlement after assessing with the utmost caution all risks and possible solutions that appeared to be connected with the claims, which saw the involvement of all main national banking groups. The assessment took account of the reduction in the extent of the amount due compared to the total amount of the original claims and the serious damage which was likely to be caused to the reputation of the Bank and the Group by a state of prolonged uncertainty.

On 31 May 2012 the Bank was served a tax audit report (*processo verbale di constatazione* or PVC) in relation to the transfer of a holding in BMPS that was formalised in 2006.

The tax audit report reconstructs the events stating that the transfer of the holding actually occurred in 2005, rather than in 2006: consequently, the capital gain realised would not have been eligible for the participation exemption regime (the so-called “pex” regime). Because this offence also gives rise to potential criminal issues, although the ordinary statute of limitation has run with respect to service of another tax audit report for the year in question, it will be possible for the tax authorities to serve a tax assessment, with the ordinary statute of limitations being doubled.

In the event that the Tax Authorities (Agenzia delle Entrate) decide to serve such a tax assessment, the parent company of the Group believes, on the basis of the advice of expert consultants, that it is unlikely that it would not prevail.

In July 2013, the Revenue Agency notified two notices of assessment (one for the subsidiary, Consumit S.p.A., and the securitisation vehicle, Consum.it Securitisation S.r.l.; the other for the Parent Company and the same securitisation vehicle, Consum.it Securitisation S.r.l.) in relation to the registry tax on two different deeds concerning the same securitisation transaction. The Company, supported by the opinions of dependable consultants, deems the risk of losing unlikely.

## MANAGEMENT OF THE BANK

The management of the Bank is divided among the Board of Directors and the Chief Executive Officer, who manages the day-to-day operations of the Bank. 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	Board member of Eni S.p.A.  Board member at Università Commerciale Luigi Bocconi  Member of the Executive Committee of ABI (Italian Banking Association)
Marco Turchi	1961	Deputy Chairman  Member Executive Committee	2012	Chairman of the board of statutory auditors of Agricola Merse S.r.l., CMP S.p.A., Frati Luigi S.p.A., Sta S.p.A., Terme Antica Querciolaia S.p.A., Toscana Discount S.r.l., CRAI Toscana Soc.Coop.r.l., Director of Alesund S.r.l., Toscana Discount S.r.l.  Member of the Board of ABI (Italian Banking Association)
Fabrizio Viola	1958	Chief Executive Officer  General Manager	2012	Director of AXA MPS Assicurazioni Vita S.p.a., Director

<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		of AXA MPS Assicurazioni Danni S.p.a.  Member of the Executive Committee of ABI (Italian Banking Association)
Alberto Giovanni Aleotti	1972	Director  Member Executive Committee	2012	Vice Chairman of A.Menarini I.F.R. S.r.l., Member of the supervisory board of Berlin-Chemie AG, Director of Menarini Partecipazioni S.r.l.  Director of Pharmafin S.p.A.  Director of Toscofarma S.r.l.
Pietro Giovanni Corsa	1955	Deputy Chairman  Member Executive Committee	2012	Director of companies belonging to Menarini Group, amongst which: A. Menarini Farmaceutica Internazionale, A. Menarini Diagnostica Internazionale, A. Menarini Pharma Messico.
Beatrice Bernard	Derouvroy 1963	Director	2013	General Manager of AXA MPS Assicurazioni Vita S.p.A.  General Manager AXA MPS Assicurazioni Danni S.p.A.  Director of AXA MPS Financial LTD
Paola Demartini	1962	Director	2012	Professor of Business Economy at

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Year Appointed</u>	<u>Other principal activities and roles</u>
				Università Roma Tre
Angelo Dringoli	1947	Director	2012	Professor of Business Finance at Università di Siena
Lorenzo Gorgoni	1942	Director	2012	
		Member Executive Committee		

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 Derouvroy Bernard, appointed as Director on 24 September 2013 after the resignation of Mr. Frédéric Marie de Courtois D'Arcollières. On 7 October 2013, the Bank announced the resignation for personal reasons from the Board of Directors of Ms. Tania Groppi, with effect as of 13 October 2013. On 15 October 2013, the Bank announced the resignation for personal reasons from the Board of Directors of Mr. Turiddo Campaini, with effect as of 22 October 2013. The present Board of Directors will remain in charge until the approval of the annual financial statements for the year ending 31 December 2014.

In relation to the potential conflict of interests between the members of the Board of Directors' duties and obligations towards the Bank and their private interests and/or other duties and obligations, it must be noted that the Board of Directors, on 22 March 2013 undertook the periodic assessment of the independence of the Directors on the basis of information supplied thereto (as provided for by the *Codice di Autodisciplina delle Società Quotate*, the "Code"). In addition, it should be noted that the independence of the Directors is ensured by the rules for the appointment of the Directors set out in the Bank's Bylaws.

Furthermore, it should be noted that pursuant to Article 26, paragraph 5, of the Bank's Bylaws, the members of the Statutory Auditors of the Bank may not hold offices in other banks which do not form part of the BMPS Group or are jointly controlled. In addition, with respect to companies being part of the BMPS Group or in which the Bank owns, either directly or indirectly, a strategic holding, the Statutory Auditors of the Bank may hold offices only in the relevant controlling bodies. 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*. The Chairman and the Deputy Chairmen are nominated by a majority of the voting Shareholders among the elected Board of Directors. Directors may be re-elected for consecutive terms and their office may be revoked at any time by the voting Shareholders in general meeting.

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.

## Conflicts of Interest of Members of the Board of Directors

At the date of this Prospectus, to the knowledge of the Bank, none of the Directors mentioned above have private interests that conflict with their functions or duties arising from their position on the Board of Directors.

### 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 delegated by the Chairman of the Board of Directors, to be exercised as a matter of urgency 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.

The Executive Committee was appointed by the Board of Directors on 14 May 2013. Its members are: Alessandro Profumo, Fabrizio Viola, Marco Turchi, Pietro Giovanni Corsa, Alberto Giovanni Aleotti and Lorenzo Gorgoni.

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 recruitment of officers and employees.

The address of the General Manager for the duties he discharges is: Piazza Salimbeni 3, Siena, Italy.

### Senior Management

The table below sets forth the names of the current senior management of the Bank, together with their positions.

The address of the senior management of the bank for the duties they discharge is: Piazza Salimbeni 3, Siena, Italy

<u>Name</u>	<u>Position</u>
Fabrizio Viola	Chief Executive Officer / General Manager



The CFO appointed on 15 May 2012 (effective as from 15 June 2012) is Bernardo Mingrone.

As at the date of this Prospectus, to the knowledge of the Bank, none of the General Manager, the Vice General Manager and/or the CFO has private interests that conflict with their duties to the Bank.

### **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 and must be present at meetings of the Board of Directors, 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 for consecutive terms. 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 2014 fiscal year, is as follows:

<b>Name</b>	<b>Year of Birth</b>	<b>Title</b>
Paolo Salvadori	1947	Chairman of the Board of Statutory Auditors
Paola Serpi	1965	Auditor
Claudio Gasperini Signorini	1966	Auditor
Stefano Andreadis	1956	Alternate 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.

### **Main Shareholders as at 18 July 2013.**

<b>Shareholders</b>	<b>% share capital on overall share capital</b>
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Fondazione Monte dei Paschi di Siena	<b>33.5%</b>
Finamonte S.r.l.	<b>4.00%</b>
Axa S.A.	<b>3.73%</b>
Unicoop Firenze S.c.a.r.l.	<b>2.72%</b>
JP Morgan Chase & Co. <sup>4</sup>	<b>2.53%</b>

A new provision was inserted in the BMPS By-laws which 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.

The Bank is not aware of the existence of any agreements which would lead to a change in the ownership of the company, resulting in a different subject being in control of the company.

## **CAPITAL ADEQUACY**

The Bank of Italy has adopted risk-based capital guidelines pursuant to the EU capital adequacy directives. Italy's current capital ratio requirements are in line with the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices (the "Basel Committee"). The capital adequacy guidelines set out Tier I and Tier II capital requirements relating to a bank's assets and certain off-balance sheet items weighted according to risks ("Risk-Weighted Assets"). Under the Bank of Italy's guidelines, risk-weighted capital ratios are required to be calculated for the Bank on a standalone basis and for the Bank and its consolidated subsidiaries as a group. In addition, certain of the Group's banking subsidiaries are subject to the capital adequacy guidelines on a stand-alone basis. The Group is required to maintain a consolidated total capital ratio (which is the ratio of total capital to total Risk-Weighted Assets) of at least 8%, and each of its banking subsidiaries is required to maintain a total capital ratio on a stand-alone basis of 6%.

BMPS Group capital consolidated ratios at 30 June 2013 are as follows:

- Tier 1 Ratio: 11.7 per cent (9.5 per cent at 31 December 2012, as published and revised<sup>5</sup>;

<sup>4</sup> Of such holding JP Morgan Chase & Co holds indirectly, through JP Morgan Securities Ltd and JP Morgan Whitefriars the ownership of n.. 295,236,070 ordinary shares, equal to 2.53 per cent. of the share capital, whilst the usufruct is held by BMPS. The voting right relating to such shares, and owing to the beneficiary of the usufruct, is suspended so long as the usufruct right will be held by BMPS.

<sup>5</sup> Data as at 31 December 2012 was partially restated after the Bank was requested by the Supervisory Authority on 7 May 2013 to apply a negative prudential filter of -EUR 76 million, having a retroactive effect on Tier 1. Therefore the capital ratios change as follows (as exposed in the "Consolidated quarterly financial report" at 1Q 2013):  
Tier 1 Ratio: 9.5 per cent

- Total Capital Ratio: 16.4 per cent (13.7 at 31 December 2012).

Nevertheless, it is important to underline that capital requirements are currently under revision. The Basel Committee on Banking Supervision Published final rules in December 2010, concerning capital framework changes, commonly known as Basel III.

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Total Capital Ratio: 13.7 per cent

## 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

#### 1. 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.

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.

#### 1.1 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 20 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 or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund 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 substitute tax of 20 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the “Collective Investment Fund Substitute 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 an 11 per cent. substitute tax.

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.

## 1.2 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 20 per cent. (or 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.

## 2. 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 20 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 20 per cent. withholding tax rate may be reduced by any applicable tax treaty.

## 3. 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 20%. 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.

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.

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 20 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.

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 Substitute 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 11 per cent. substitute tax.

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 20 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.

#### **4. 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.

#### **5. Transfer tax**

Following the repeal of the Italian transfer tax, as from 31 December 2007, 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 €168.00 (or €200 as from 1 January 2014, pursuant to Article 26 of Law Decree No. 104 of 12 September 2013, awaiting to be converted into law); (ii) private deeds are subject to registration tax only in the case of voluntary registration.

#### **6. 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 0.15 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. The stamp duty can be no lower than € 34.20 and, as of 2013, it cannot exceed €4,500, for taxpayers different from individuals. 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 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

## **7. 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 0.15 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). Although the wealth tax is already applicable, certain aspects of the relevant discipline should be clarified and implemented by a Decree of the Ministry of Economy and Finance.

## **8. EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), 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. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being 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). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The European Commission has proposed certain amendments to the Directive which, if implemented, may amend or broaden the scope of the requirements described above.

### **8.1 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 and subject to the laws of 21 June 2005, as amended (the “Laws”), 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.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “Territories”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent fiscal authority of Luxembourg, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. 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 Laws will be subject to withholding tax of 35 per cent.

### **(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 “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 Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg 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 would be subject to withholding tax of 10 per cent.

## **The proposed European financial transactions tax (FTT)**

The European Commission has published a 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 proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals 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.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("FATCA") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) 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 and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "Recalcitrant Holder"). The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1 January 2014 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 on or 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 before the grandfathering date, and additional Notes of the same series are issued on or 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 a Model 1 IGA jurisdiction would 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 (unless it has agreed to do so under the U.S. "qualified intermediary", "withholding foreign partnership", or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. 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 expressed the intention to enter 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 (i) 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 or (ii) an investor is a Recalcitrant Holder.

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 Depository / Common Safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the clearing systems 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 model IGAs, 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.

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

## 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 29 October 2013, 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 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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;
- (b) 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), and includes any relevant implementing measure in the Relevant Member State; and
- (c) the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

#### **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 a resolution of the Board of Directors of the Bank held on 20 December 2012.

### 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 2011 and 31 December 2012 (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. 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**

Save as disclosed in the “*Risk Factors Section*” of the Base Prospectus, there has been no significant change in the financial or trading position of BMPS or the Group since 30 June 2013.

There has been no material adverse change in the prospects of BMPS, or the Group since 31 December 2012.

## **Litigation**

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 2012.

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 2011.

## **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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Luxembourg

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*as to Italian and English law*

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*To the Dealers as to English and Italian law*

**Allen & Overy – Studio Legale Associato**

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

**Reconta Ernst & Young S.p.A.**

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## LUXEMBOURG LISTING AGENT

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