



**MONTE  
DEI PASCHI  
DI SIENA**  
BANCA DAL 1472

**Banca Monte dei Paschi di Siena S.p.A.  
and  
Monte Paschi Ireland Limited**

€50,000,000,000

Debt Issuance Programme

Unconditionally and irrevocably guaranteed by

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

Under this €50,000,000,000 Debt Issuance Programme (the “Programme”), Banca Monte dei Paschi di Siena S.p.A. (in its capacity as an issuer of Notes under the Programme (“BMPS”)) and Monte Paschi Ireland Limited (in its capacity as an Issuer of Notes under the Programme (“MPIL”)) together with any of BMPS’s subsidiaries subsequently appointed as an issuer (each a “New Issuer” and together with BMPS and MPIL, the “Issuers” and each an “Issuer”) may from time to time issue notes (the “Notes”) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of Notes issued by MPIL or any New Issuer will be unconditionally and irrevocably guaranteed by BMPS (in its capacity as such, the “Guarantor”). Upon the appointment of any New Issuer, a supplement (as defined in article 13 of the Luxembourg act dated 10 July 2005 on prospectuses for securities) to this Base Prospectus (or a new base prospectus issued in replacement for this Base Prospectus) will be prepared, describing the New Issuer.

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. This Base Prospectus replaces the base prospectus dated 16 March 2011 in respect of any Notes issued after the date hereof.

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 relevant 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 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. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a final terms document (the “Final Terms”) which, with respect to Notes to be listed on the Luxembourg Stock Exchange, will be filed with the CSSF.

The minimum denomination of each Note issued by MPIL and each Note (issued by any 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).

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 relevant Issuer, the Guarantor (where the relevant Issuer is other than BMPS) and the relevant Dealer. The relevant Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The relevant Issuer and the Guarantor (where the relevant Issuer is other than BMPS) may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus in the case of listed Notes only, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

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 7 (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. 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**

## *Responsibility Statement*

Each of BMPS and MPIL accepts responsibility for the information contained in this Base Prospectus (but for the avoidance of doubt MPIL does not accept responsibility for any information in this Base Prospectus relating to BMPS or any other Issuer other than MPIL). To the best of the knowledge of each of BMPS and MPIL (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 comprises two base prospectuses; a base prospectus for the issuance of Notes under the Programme by BMPS and a base prospectus for the issuance of Notes under the Programme by MPIL. Each base prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) as amended (which includes the amendments made by Directive 2010/73/EU (the “2010 PD Amending Directive”) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area).

Copies of the Final Terms will be available from the registered office of the relevant Issuer and the specified office set out below of each of the Paying Agents (as defined below).

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 any Issuer or the Guarantor 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 each of BMPS or MPIL in connection with the Programme.

No person is or has been authorised by either BMPS or MPIL 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 any Issuer, the Guarantor 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 either BMPS or MPIL 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 any Issuer and/or the Guarantor 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 BMPS, MPIL 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 BMPS and/or MPIL 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 BMPS and/or MPIL 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.

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).

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 Issuers, the Guarantor 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 Issuers, the Guarantor 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, the Republic of Italy (“Italy”) and the Republic of Ireland (“Ireland”)) and Japan, see “Subscription and Sale”.

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 2010 and 2011 audited, respectively, by KPMG S.p.A. and Reconta Ernst & Young S.p.A., independent accountants, and incorporated by reference in this Base Prospectus.

The Consolidated Financial Statements are denominated in euro.

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**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

*BMPS and MPIL, as the case may be, believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and BMPS and MPIL, as the case may be, are not in a position to express a view on the likelihood of any such contingency occurring.*

*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.*

*BMPS and MPIL, as the case may be, believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of BMPS and MPIL, as the case may be, to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by BMPS and MPIL, as the case may be, based on information currently available to them or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuers' ability to fulfil their 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 the 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 contributed to ease tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. The possibility that the European Central Bank could halt or reconsider the current set up of unconventional measures 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 2011 the Group total exposure in relation to these countries is approximately equal to €26.1 billion, almost entirely towards Italy (€25.6 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.

### ***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 and MPIL's business is concentrated in Ireland. 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 each of BMPS and MPIL.

#### *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 Issuers' 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 Issuers' 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 Issuers' securities trading activities and its asset management services, as well as the Issuers' 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 derivatives 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.

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

BMPS is rated by Fitch Ratings Limited (“**Fitch**”), by Moody’s Investors Service Limited (“**Moody’s**”) and by Standard & Poor’s Ratings Service, a Division of the McGraw Hill Companies Inc. (“**Standard & Poor’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 supervisory authorities mentioned above govern various aspects of BMPS, which may include, among other things, liquidity levels and capital adequacy, the prevention and combating 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, BMPS 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 compounded by 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.

Between the end of 2010 and the beginning of 2011 the Bank of Italy issued a series of measures which amended the 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.

EU Directive 2010/76/EU (“**CRD III**”) was issued on 24 November 2010 amending further the CRD as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies. This Directive introduces a number of changes in response to the recent and current market conditions, such as:

- increased capital requirements for trading books to ensure that a bank’s assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- the imposition of higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products; and

- a restriction on the remuneration payable to individuals fulfilling roles with a potential impact on a bank’s profile.

In December 2010, January 2011 and July 2011, the Basel Committee on Banking Supervision (the “**Basel Committee**”), issued documents containing a capital and liquidity reform package (the “**Basel III proposal**”). The main proposals are summarised as follows:

- revision of the regulatory capital definition and its components, setting higher minimum levels for Common Equity Tier I capital adequacy ratios and introducing requirements for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank’s non-viability;
- non-recognition or phasing-out of recognition of certain existing capital instruments as Common Equity Tier I Capital, Additional Tier I Capital or Tier II Capital starting from 1 January 2013;
- introduction of a capital conservation buffer designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred and a countercyclical buffer, and measures aimed at ensuring that systemically important financial institutions have loss-absorbing capacities which go beyond the minimum Basel III standards, in order to ensure that banking sector capital requirements take into account the macro-financial environment in which banks operate;
- enhancement of risk coverage of the capital requirements framework, especially regarding derivatives and other off balance sheet items (counterparty credit risk), the exposures to central counterparties (CCPs) and the values of the risk parameters under stress conditions (market, credit and counterparty credit risk);
- introduction of a leverage ratio requirement as a supplementary measure to the risk-based capital requirements;
- promotion of stronger provisioning practices mainly by moving towards a forward looking (Expected Loss) provisioning approach; and
- introduction of global common liquidity measurement standards for the banking sector, which will subject banks to minimum quantitative requirements for liquidity and increased risk weightings for “illiquid” assets.

The Basel III framework adopts a gradual approach, with the requirements to be implemented over the period from 1 January 2013 to 31 December 2019 (some of the new requirements which are still in the course of being defined will have to be adopted by individual member states).

In the European Union, Basel III will be reflected by an amended Capital Requirements Directive (known as the “**CRD IV**”) and the implementation of an EU regulation (the “**Capital Requirements Regulation**”) directly in each member state (known as the “**CRR**”) from 1 January 2013. Drafts of the CRD IV and the CRR have been released by the European Commission but are not scheduled to be published in final form until at least the middle of 2012. The rules are expected to enter into force by 1 January 2013 though subject to a series of transitional arrangements with phasing in of the rules occurring over a period of time.

The impact of these regulations could, therefore, have an adverse effect on the Group’s results of operations, business and financial condition.

Significant uncertainty remains around the implementation of some of these initiatives. To the extent certain of these measures are implemented as currently proposed or announced, in particular the changes proposed or announced by the Basel Committee, they would be expected to have a significant impact on the capital and asset and liability management of BMPS

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 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 Crisis Management Directive, once finalised and implemented, in the future**

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 "**Crisis Management Directive**" or "**CMD**"). The stated aim of the draft CMD 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 CMD 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 CMD 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 unsecured creditors 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).

The draft CMD contemplates that it will be implemented in Member States by 31 December 2014 except for the bail in tool which is to be implemented by 1 January 2018.

The powers currently set out in the draft CMD 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 CMD 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.

### **Risks related to the Issuer's potential implementation of capital strengthening initiatives in connection with the European Bank Authority (the "EBA") Capital Requirements**

The current Supervisory Regulations and the Basel III Rules include a set of rules for improve quality and quantity of capital as well as new rules for control the leverage and the pro cyclicity intermediation. The implementing reforms are aimed to empower the capacity of the banking system to absorb shocks resulting from financial and economic tensions, regardless their cause, reducing the risk of contagion of the financial sector by the real economy. In general, the evaluation of an appropriate bank capitalization could have direct impacts, among other things, on the rating and the cost of funding, and the necessity of any extraordinary transactions with consequent effects on economic and financial situation of each relevant financial institution and on its shareholders. In this context, the exercise carried out in the second half of 2011 by EBA on capital requirements of the main European banks has highlighted for the Group the need of a temporary capital increase. In this regard, the Issuer is considering the most appropriate initiatives to be undertaken in the near future. These initiatives, if carried out, will be made public in compliance with the rules applicable to notices of listed companies and will be promptly acknowledged on the illustration of implementing corporate strategy at the next revision of the business plan, which will be defined by the next month of June. In the event that such initiatives should not be carried out correctly and properly timed for the purpose of EBA, and in the event that remain a capital shortfall, the Issuer will evaluate further strengthening capital and, if applicable, temporary initiatives. The impossibility of implementing the above initiatives for unforeseeable factors could have an impact on economic and capital outlook of the Issuer and the Group.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

#### *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 should:

- (i) have 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) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to investors' overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to

evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

A wide 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:

#### *Notes subject to optional redemption by the Issuers*

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

Each of BMPS and MPIL 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 6(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", "Upper Tier II capital" or "Tier III capital", as applicable, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy. Any redemption of Subordinated Notes is subject to the prior approval of the Bank of Italy.

#### *Early Redemption of the Notes for tax reasons*

In the event that each of BMPS and MPIL 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, each of BMPS and MPIL may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes.

#### *Index Linked Notes and Dual Currency Notes*

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of the index during the term of any Index Linked Notes. Accordingly, potential investors should consult their own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of their particular circumstances.

#### *Partly-Paid Notes*

Each of BMPS and MPIL may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

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*

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.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the Issuers may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where each of BMPS and MPIL has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since each of BMPS and MPIL may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If each of BMPS and MPIL 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 each of BMPS and MPIL converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

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

#### *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.

*Under certain conditions, interest payments under Subordinated Notes must be deferred*

If BMPS's Total Amount of Regulatory Capital (as defined in Condition 2(c)(ii) (Deferral of interest and/or principal)) is, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk capital requirements of BMPS, as provided by the then applicable Bank of Italy's Regulations, on a consolidated or unconsolidated basis, or upon payment of interest and/or repayment of principal under the Tier III Subordinated Notes, BMPS' Total Amount of Regulatory Capital becomes, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk capital requirements of BMPS, as provided by the then applicable Bank of Italy's Regulations, on a consolidated or unconsolidated basis, then payment of any sums due with respect to interest and/or principal on the Tier III Subordinated Notes will be entirely suspended and deferred, and any such suspension and deferral to pay shall not constitute a default of BMPS.

BMPS will pay all deferred interest, and interest on that deferred interest, on all Tier III Subordinated Notes on the next scheduled Interest Payment Date that occurs in respect of any issue of Tier III Subordinated Notes after it no longer would be required to defer interest under the terms described above.

Any deferral of interest payments will likely have an adverse effect on the market price of the Tier III Subordinated Notes. In addition, as a result of the interest deferral provision of the Tier III Subordinated Notes, the market price of the Tier III Subordinated Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in BMPS' financial condition.

***Risks related to Notes generally***

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

*Modification and waivers*

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.

*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).

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 of the Issuers nor any Paying Agents 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 Issuers are 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 Withholding*

The Issuer, the Guarantor and other financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified from that date and (ii) any Notes characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (“**FATCA**”) or similar law implementing an intergovernmental approach to FATCA. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (“**FFI**”) (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide certain information on its account holders (making the Issuer a “**Participating FFI**”), (ii) the Issuer has a positive “passthru payment percentage” (as determined under FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Notes is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Notes issued after 31 December 2012 (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a supplement to the Base Prospectus, as applicable.

#### *Change of law*

Except for Conditions 2(b), (c), (d) and (e), 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.

*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 each of BMPS and MPIL*

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, each of BMPS and MPIL 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. Each of BMPS and MPIL has no responsibility or liability for the records relating to, or payment made in respect of, beneficial interests in the Global Notes.

#### *Notes where denominations involve integral multiples: definitive Notes*

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

#### *Regulatory classification of the Notes*

The intention of BMPS is for Subordinated Notes to qualify on issue as “Lower Tier II capital”, “Upper Tier II capital” or “Tier III capital”, as applicable. Current regulatory practice by the Bank of Italy (acting as Lead Regulator) does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

Although it is BMPS’ expectation that the Notes qualify as “Lower Tier II capital”, “Upper Tier II capital” or “Tier III 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”, “Upper Tier II capital” or “Tier III capital”, as applicable, BMPS will have the right to redeem the Notes in accordance with Condition 6(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:

- (a) 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;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) 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.

There has not yet been an official proposal for the implementation of the Non-Viability Requirement in the European Union, although a draft of a new EU directive (called the **Crisis Management Directive**, or the **CMD**) containing rules in relation to bank resolution and recovery was released on 6 June 2012. The CMD, although currently in draft form, includes provisions relating to, *inter alia*, “bail-in” (write-down or conversion into equity) of subordinated debt, certain types of senior debt and certain other liabilities at the point of a bank’s non-viability. The draft CMD proposes that, with application from 1 January 2015, national authorities in each Member State will be given the power to write down or convert Additional Tier 1 and Tier 2 instruments at the point of the Issuer’s non-viability. It is expected that each Member State will be required to implement CMD into its national law. However, it is possible that all or some of the CMD provisions will eventually be implemented by way of a directly-applicable regulation, similar to the CRR.

There can be no assurance that existing legislation or new legislation will be amended or introduced in Italy to reflect the January 2011 Press Release or that any existing legislation or new legislation applying in Italy will be confirmed in due course by a peer group review (as referred to in paragraph (b) of the Non-Viability Requirement above) to conform with paragraph (a) above such that Subordinated Notes would be subject to being written down or fully loss absorbing on the basis set out in paragraph (a) above. In such circumstances, however, the Terms and Conditions of the Subordinated Notes may still need to provide for such Non-Viability Requirement in order to qualify as regulatory capital under the CRR. As at the date of this Prospectus, there has been no official notification that a peer group review of the kind referred to in paragraph (b) above has been undertaken in respect of any laws of any EU member state.

**Investors should be aware, however, that Subordinated Notes may nevertheless 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 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 Relevant 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 brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

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. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

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

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

#### *Interest rate risks*

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

#### *Ratings of the Notes*

One or more independent credit rating agencies may assign credit ratings to 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 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). 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. Where a Tranche of Notes is rated, the rating assigned to the Notes and details of the relevant rating agency will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms.

### ***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.

### **Risk Factors relating to each Issuer incorporated in Ireland (such as MPIL) (each an “Irish Issuer”)**

#### ***Unsecured Status/Claims of Creditors under Irish Law***

Under Irish law, upon an insolvency of an Irish company such as MPIL, when applying the proceeds of assets that may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company’s requirements for the duration of his appointment) which have been approved by the Irish courts (see “**Examinership**” below).

The Notes issued by any Irish Issuer will, unless otherwise indicated in the applicable Final Terms, be unsecured obligations of such Issuer and therefore will not rank in priority to the obligations of the Issuer to any other creditors on an insolvency. Secured and certain unsecured creditors will rank in priority to the holders of such Notes. The Noteholders may take comfort from their ranking in priority ahead of the equity shareholders. As of the date of the Base Prospectus, MPIL has equity capital (comprised of share capital, capital contribution and capital contribution reserve fund) totalling €653,270,266.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

#### ***Examinership***

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended to facilitate the survival of Irish companies in financial difficulties.

An Irish Issuer, the directors of such Irish Issuer, a contingent, prospective or actual creditor of such Irish Issuer, or shareholders of such Irish Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Irish Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a

negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised, he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. The primary risks to the holders of Notes issued by an Irish Issuer if an examiner were to be appointed to such Irish Issuer are as follows:

1. the potential for a scheme of arrangement to be approved involving the writing down of the debt owed by the Irish Issuer to the Noteholders;
2. the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the relevant Irish Issuer to enable the examiner to borrow to fund the Irish Issuer during the protection period; and
3. in the event that a scheme of arrangement is not approved and the Irish Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Irish Issuer and approved by the Irish High Court) will take priority over the moneys and liabilities which from time to time are or may become due, owing or payable by the Irish Issuer to the Noteholders.

#### *Status of investment in Notes*

An investment in any Notes does not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Central Bank of Ireland nor any other Irish government guarantee scheme nor would the issuer of any Notes covered by notice BSD C 01/02 be regulated by the Central Bank of Ireland arising from the issue of any Notes in compliance with that notice or otherwise.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been previously published or are published simultaneously with this Base Prospectus 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 2010 and 31 December 2011, contained in the annual report as at 31 December 2010 and the 2011 Consolidated Financial Statements respectively (see cross-reference table below);
- (b) the auditors' report and audited annual financial statements of MPIL for each of the financial years ended 31 December 2010 and 31 December 2011 contained in the 2010 Financial Statements and the 2011 Financial Statements respectively (see cross-reference table below); and
- (c) the Press Release dated 15 May 2012 issued by BMPS.

### Cross-reference table

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

<u>Document</u>	<u>Information incorporated</u>	<u>Location</u>
BMPS' Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December, 2011	Balance Sheet	101-102
	Income Statement	103
	Notes to the Financial Statements	101-444
	Audit Report	449
	Cash Flow Statement	109-110
BMPS' Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December, 2010	Balance Sheet	101-102
	Income Statement	103
	Notes to the Financial Statements	109/403
	Audit Report	407-409
MPIL's Audited Annual Financial Statements for the 12 months ended 31 December 2011	Cash Flow Statement	107-108
	Balance Sheet	10
	Income Statement	9
	Notes to the Financial Statements	24-53
	Audit Report	7-8
MPIL's Audited Annual Financial Statements for the 12 months ended 31 December 2010	Cash Flow Statement	13
	Balance Sheet	10
	Income Statement	9
	Notes to the Financial Statements	24-53
	Audit Report	7-8
Press Release dated 15 May 2012 issued by BMPS		Entire document

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the office of BMPS and MPIL 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)). Information contained in the documents incorporated by reference other than the information listed in the cross-reference table above is for information purposes only.

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.

Each Issuer (to the extent relevant to it) and the Guarantor 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

*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.*

Issuers:	Banca Monte dei Paschi di Siena S.p.A. (“BMPS”) Monte Paschi Ireland Limited (“MPIL”)
New Issuer:	Any subsidiary of BMPS appointed as an issuer of Notes under the Programme Agreement pursuant to a letter of accession in the form provided in the Programme Agreement, a deed of accession and such other documents as are required under the Programme Agreement.
Guarantor:	BMPS (in the case of issues of Notes other than by 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 Ltd. 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.  <b>Notes (where the relevant Issuer is not BMPS) having a maturity of less than one year</b>  Notes (where the relevant Issuer is not BMPS) having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “Subscription and Sale”. In addition, in the case of such Notes issued by MPIL, MPIL shall comply with

notice BSD C01/2 issued by the Central Bank of Ireland (as may be amended, supplemented, replaced or otherwise superseded from time to time).

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 Issuers and the Guarantor 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 relevant Issuer, the Guarantor (where the relevant Issuer is not BMPS) and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 3 (Redenomination).
Maturities:	<p>Such maturities as may be agreed between the relevant Issuer, the Guarantor (where the relevant Issuer is not BMPS) and the relevant Dealer, subject to, in the case of Notes issued by MPIL, such Notes having a minimum maturity of one year (unless MPIL complies with notice BSD C01/02 issued by the Central Bank of Ireland (as may be amended, supplemented, replaced or otherwise superseded from time to time)), and otherwise 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 relevant 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 to the issue of Subordinated Notes, (i) Lower Tier II Subordinated Notes must have a minimum maturity of five years (or, if issued for an indefinite duration, the redemption may only occur upon five years' prior written notice after the date of issue) and (ii) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years.</p>
Issue Price:	Notes may be issued on a fully-paid or 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 relevant 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 relevant Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.

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

Index Linked Notes:

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

Linked Notes:

Notes may be issued under the Programme which are either Credit Linked Notes or Equity Linked Notes. The specific terms of any linked Notes will be set out in a supplement to this Base Prospectus and/or the applicable Final Terms.

Credit Linked Notes may be principal protected securities (in which the relevant obligation to pay interest is linked to the credit of one or more reference entities) and/or full securities (i.e. securities whereby the relevant Issuer may redeem either at a cash redemption amount or physically by delivering deliverable obligations upon the occurrence of certain events relating to the credit of one or more reference entities).

Equity Linked Notes may be either cash settled (in which payments of principal will be calculated by reference to the value of the underlying shares, as will be set out in the applicable Final Terms) and/or physically delivered equity securities (in which the relevant Issuer will deliver a specific number of the underlying shares in respect of such securities).

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant 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 relevant Issuer and the relevant Dealer.

Dual Currency Notes:

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

Zero Coupon Notes:

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

Redemption:

The applicable Final Terms (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 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 relevant 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 6(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”, “Upper Tier II capital” or “Tier III capital”, as applicable, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy. Any redemption of Subordinated Notes issued by BMPS is subject to the prior approval of the Bank of Italy.

The redemption of Upper Tier II Subordinated Notes issued by BMPS 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 Upper Tier II Subordinated Notes. If such approval is not given on or prior to the relevant 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 the Conditions and the Agency Agreement.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “Certain Restrictions: Notes (where the relevant Issuer is not BMPS) having a maturity of less than one year” above.

Denomination of Notes:

Notes will be issued in such denominations as may be agreed between the relevant Issuer, the Guarantor (where the relevant Issuer is not BMPS) 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, see (Certain Restrictions: Notes (where the relevant Issuer is not BMPS) having a maturity of less than one year” above, and save that the minimum denomination of each Note issued by MPIL, and each Note issued by an Issuer other than MPIL that is admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 7 (Taxation). In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than BMPS) will, save in certain limited circumstances provided in Condition 7 (Taxation), be required to pay additional amounts to cover the amounts so deducted.

As more fully set out in Condition 7 (Taxation), BMPS in its capacity as Issuer or Guarantor shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as amended or supplemented) and related regulations of implementation which have been or may subsequently be enacted (“Legislative Decree 239”) on account of *imposta sostitutiva* as defined therein in relation to interest payable in respect of any Notes.

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 5(b) (*Payments Subject to Fiscal and Other Laws*).

Negative Pledge:

None.

Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 9 (Event of Default). Subordinated Notes will not have the benefit of the cross default.
Status of the Senior Notes:	The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant 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 relevant Issuer.
Subordination:	Payments in respect of the Subordinated Notes will be subordinated as described in Condition 2 (Status of the Notes, Subordination and status of the Guarantee). Unless otherwise indicated in the applicable Final Terms, Subordinated Notes may only be issued by BMPS.
Guarantee:	Each Tranche of Notes issued by MPIL or a New Issuer will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee in respect of Senior Notes will be direct, unconditional and unsecured obligations of the Guarantor 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 unsecured obligations (other than subordinated obligations, if any) of the Guarantor.
Listing and admission to trading:	<p>Application has been made to the CSSF to approve this document as a base prospectus and 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. 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 relevant Issuer, the Guarantor (where the relevant Issuer is not BMPS) 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 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. Please also refer to "Ratings of the Notes" in the "Risk Factors" section of this Base Prospectus.

Governing Law:	The Notes will be governed by, and construed in accordance with, English law, except Conditions 2(b), (c), (d) and (e) 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, Italy and Ireland) 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”.
Limited Recourse	Payments of principal and interest in respect of any series of limited recourse Notes may, if so specified in a supplement to this Base Prospectus and/or in the applicable Final Terms, be restricted upon the occurrence of any event described in a supplement to this Base Prospectus and/or in the applicable Final Terms, as the case may be.

## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially 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.

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 9 (Events of Default)) has occurred and is continuing or (ii) the relevant 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 relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 (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 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, 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 at least 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 9 (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 relevant 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 21 June 2012 executed by the relevant Issuer.

## APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

*[Date]*

**[Banca Monte dei Paschi di Siena S.p.A./Monte Paschi Ireland Limited]**

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

**[Guaranteed by Banca Monte dei Paschi di Siena S.p.A.] 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 21 June 2012 [and the supplement to the Base Prospectus dated *[date]*] and must be read in conjunction with such Base Prospectus [and the supplement to the Base Prospectus dated *[date]*] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (as defined below). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. Full information on the Issuer[, the Guarantor] 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 [and the supplement to the Base Prospectus] [is/are] available for viewing at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained from the Agent at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Base Prospectus dated *[original date]* [and the supplement to the Base Prospectus dated *[date]*]. 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 21 June 2012 [as so supplemented] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 21 June 2012 [and the supplement to the Base Prospectus dated *[date]*] and are attached hereto. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 21 June 2012 [and the supplement to the Base Prospectus dated *[date]*]. Copies of such Base Prospectuses [and the supplement to the Base Prospectus dated *[date]*] are available for viewing at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained from the Agent at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]

The 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 the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

*[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.]*

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

- (1) (i) Issuer: [Banca Monte dei Paschi di Siena S.p.A./Monte Paschi Ireland Limited]
- (ii) Guarantor: [Banca Monte dei Paschi di Siena S.p.A./Not Applicable]
- (2) (i) Series Number: [ ]
- (ii) Tranche [ ]
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
- (3) Specified Currency or Currencies: [ ]
- (4) Aggregate Nominal Amount:
- (i) Series: [ ]
- (ii) Tranche: [ ]
- (5) 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)]
- (6) (i) Specified Denominations: [ ]

*(N.B. Following the entry into force of the 2010 PD Amending Directive on 31 December 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1 July 2012) must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of €100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*

*(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].”*)

*(N.B. If an issue of Notes by an Issuer other than MPIL is (i) NOT admitted to trading on a European Economic Area Exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the*

*Prospectus Directive the [€100,000] minimum denomination is not required. For the avoidance of doubt, in the case of Notes issued by MPIL, the [€100,000] minimum denomination will be required).*

- (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.)*
- (7) (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [ ]
- (8) 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, (i) Lower Tier II Subordinated Notes must have a minimum maturity of five years and (ii) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years. Furthermore, in the case of Notes issued by MPIL, such Notes must have a minimum maturity of one year (unless MPIL complies with notice BSD C01/02 issued by the Central Bank of Ireland (as may be amended, supplemented, replaced or otherwise superseded from time to time)).*
- (9) Interest Basis: [ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
- (10) Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).*

- (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]
- (12) Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
- (13) [(i)] Status of the Notes: [Senior Notes/Tier III Subordinated Notes/Lower Tier II Subordinated Notes/Upper Tier II Subordinated Notes] [The Conditions contemplate that only BMPS will issue Subordinated Notes]
- [(ii)] Status of Guarantee: Senior]
- [(i)/(ii)] Date of [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] (N.B. Only required where Board (or similar) authorisation is required for the particular tranche of Notes)
- (14) Method of distribution: [Syndicated/Non-syndicated]

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

- (15) Fixed Rate Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest for Fixed Rate Notes: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]  
(If payable other than annually, consider amending Condition 4)
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date]/[specify other]]  
(NB: This will need to be amended in the case of a long or short 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] [ ]  
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.  
NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration.  
(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))]

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/*Give details*]
- (16) Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs 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/*specify other*]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vi) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [ ]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)*
- Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination [Applicable/Not Applicable]
- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- (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/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360 (ISDA)  
Other]  
(See Condition 4 for alternatives)
- (xii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
- (17) Zero Coupon Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference: Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6(f)(iii) and 6(k) apply/specify other]  
(Consider applicable day count fraction if not U.S. dollar denominated)
- (18) Index Linked Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)  
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustments provisions]
- (v) Specified Period(s)/Specified Interest Payment Dates: [ ]

- (vi) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]*
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]
- (19) Dual Currency Note Provisions: *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).*
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[give or annex details]*
- (ii) Party, if any, responsible for calculating the principal and/or interest payable (if not the Agent): [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustments provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

## **PROVISIONS RELATING TO REDEMPTION**

- (20) 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 issued by BMPS, 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, the Optional Redemption Date shall not be earlier than (i) in the case of Lower Tier II Subordinated Notes, five years after the Issue Date, and (ii) in the case of Upper Tier II Subordinated Notes, 10 years after the Issue Date.*  
*In the case of Notes issued by MPIL, the Optional Redemption Date shall not be earlier than one year after the Issue Date (unless MPIL complies with notice BSD C01/02 issued by the Central Bank of*



*Ireland (as may be amended, supplemented, replaced or otherwise superseded from time to time)).]*

- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):  per Calculation Amount/specify other/see Appendix
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount:
- (b) Higher Redemption Amount:
- (iv) Notice period (if other than as set out in the Conditions):   
*(N.B. If setting notice periods which are different to those provided in the Conditions, the relevant Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the relevant Issuer and the Agent)*
- (21) 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 6(d) and/or the method of calculating the same (if required or if different from that set out in Condition 6(f)):  per Calculation Amount/as set out in Condition 6(f)/specify other]
- (22) 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 and method, if any, of calculation of such amount(s):  per Calculation Amount/specify other/see Appendix
- (iii) Notice period (if other than as set out in the Conditions):   
*(N.B. If setting notice periods which are different to those provided in the Conditions, the relevant Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the relevant Issuer and the Agent)*
- (23) Final Redemption Amount:  per Calculation Amount/specify other/see Appendix

*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirement of Annex XII to the Prospectus Directive Regulation will apply.)*

- (24) 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 6(f)):

[[ ] per Calculation Amount/specify other/See Appendix]

See also paragraph 21 (Regulatory Call:)] *(Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable)*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- (25) Form of Notes:

- (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 6 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]

- (26) Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/give details]

*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(iii) and 18(vi) relate)*

- (27) Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. If yes, give details]

- (28) 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].  
(NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)
- (29) Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
- (30) Redenomination applicable: Redenomination [not] applicable  
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
- (31) Governing law: [As set out in Condition 17/other]
- (i) Limited recourse: [Applicable/Not Applicable]
- (ii) Credit Linked Notes: [Applicable/Not Applicable]
- (iii) Equity Linked Notes: [Applicable/Not Applicable]  
(If any of these items is applicable, details to be set out in a supplement to the Base Prospectus and/or in a schedule to the Final Terms. When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)
- (32) Other final terms: [Not Applicable/give details]
- (33) Whether the Notes are typical securities or atypical securities: [Typical/Atypical] securities  
(This relates to the part of the Taxation section in the Base Prospectus headed “Republic of Italy”. See “Tax treatment of Notes issued by an Italian resident Issuer” on page 94 of the Base Prospectus, “Tax treatment of Notes issued by a non-Italian resident issuer” on page 96 and “Atypical securities” on page 98.)

## DISTRIBUTION

- (34) (i) If syndicated, names of Managers: [Not Applicable/give names]  
(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)

- (ii) Date of Subscription Agreement: [ ]  
*(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)*
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
- (35) If non-syndicated, name of relevant Dealer: [ ]
- (36) U.S. Selling Restrictions: [Reg. S Compliance Category: [2]; TEFRA D/TEFRA C/TEFRA not applicable]
- (37) Additional selling restrictions: [Not Applicable/give name]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [*specify relevant regulated market and, if relevant, admission to an official list*] of the Notes described herein pursuant to the €50,000,000,000 Debt Issuance Programme of Banca Monte dei Paschi di Siena S.p.A. and Monte Paschi Ireland Limited.

## RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

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

Signed on behalf of [name of the Issuer]:

By: .....  
*Duly authorised*

[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 *[specify relevant regulated market and, if relevant, admission to an official list]* with effect from [ ].]  
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market and, if relevant, admission to an official list]* with effect from [ ].]
- (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*[insert details]* by *[insert the legal name of the relevant credit rating agency entity(ies)]*.
- [Depending on the status of the credit rating agency with respect to the CRA Regulation, the wording below should be considered.]*
- [[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended). As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]*
- [[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and it is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]*
- [[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). The ratings [[have been]/[are expected to be]] endorsed by *[insert the legal name of the relevant EU-registered credit rating agency entity]* in accordance with the CRA Regulation. *[Insert the legal name of the relevant EU-registered credit rating agency entity]* is established in the European Union and registered under the CRA Regulation. As such*

[*insert the legal name of the relevant EU credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”), but it [is]/[has applied to be] certified in accordance with such Regulation [and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation]/[although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

**(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. – *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) REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer [ ]

(ii) Estimated net proceeds: [ ]

(iii) Estimated total expenses: [ ]

*(N.B. Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

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

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**1. PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index Linked Notes only)**

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, 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.)]*

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

*(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**(6) PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)**

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[(When completing this paragraph, 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.)]*

*(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**(7) 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) and number(s)]   |
| (iv)  | Delivery:  | Delivery [against/free of] payment  |
| (v)   | Names and addresses of additional Paying Agent(s) (if any):  | [ ]   |
| (vi)  | Intended to be held in a manner which would allow Eurosystem eligibility:  | [Yes] [No]<br><br>[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 satisfaction of the Eurosystem eligibility criteria.] <i>[include this text if “yes” selected in which case the Notes must be issued in NGN form]</i> |



## 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 relevant 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 Final Terms in relation to any Tranche of 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 “Form of the Notes” 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 the issuer named in the applicable Final Terms (as defined below) (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 21 June 2012 (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the “Agency Agreement”), and made between Monte Paschi Ireland Limited (“MPIL”), Banca Monte dei Paschi di Siena S.p.A. (in its capacity as an issuer, “BMPS” and in its capacity as guarantor of Notes issued other than by BMPS, the “Guarantor”), 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).

Interest bearing definitive Notes have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, 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. Definitive Notes repayable in instalments have receipts (“Receipts”) for the payment of instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

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 supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

If this Note is issued by BMPS, references in these Terms and Conditions to the Guarantor and the Guarantee, and related expressions, are not applicable. The payment of all amounts in respect of this Note (if the Issuer is other than BMPS) have been guaranteed by the Guarantor pursuant to a guarantee (the “Guarantee”) dated 21 June 2012 and executed by the Guarantor. The original of the Guarantee is held by the Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

Any reference to “Subordinated Notes” in these Terms and Conditions shall mean Tier III Subordinated Notes, Lower Tier II Subordinated Notes and Upper Tier II Subordinated Notes and such Notes may only be issued by BMPS, unless otherwise indicated in the applicable Final Terms.

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 (the “Deed of Covenant”) dated 21 June 2012 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, the Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and copies may be obtained from the Agent at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB save that, if this Note 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 Directive 2003/71/EC, the applicable Final Terms 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 Guarantee (the terms of which the Noteholders, the Receiptholders and the Couponholders accept), the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and 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 these Terms and 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 Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency 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, a Tier III Subordinated Note, a Lower Tier II Subordinated Note or an Upper Tier II 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 these Terms and 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, the Guarantor 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, the Guarantor 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.

## **2. Status of the Notes, Subordination and status of the Guarantee**

### **(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 Tier III Subordinated Notes (*Passività Subordinate di 3° 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”), the Lower Tier II Subordinated Notes (*passività subordinate di 2° livello*, as defined in the Bank of Italy’s Regulations) and the Upper Tier II Subordinated Notes (*strumenti ibridi di patrimonializzazione*, as defined in the Bank of Italy’s Regulations), and any relative Receipts and Coupons constitute unconditional, unsecured and subordinated obligations of BMPS. Tier III Subordinated Notes, Upper Tier II Subordinated Notes and Lower Tier II Subordinated Notes rank at least *pari passu* with all other subordinated obligations of BMPS which do not rank or are not expressed by their terms to rank junior or senior to the Tier III Subordinated Notes, Upper Tier II Subordinated Notes and the Lower Tier II Subordinated Notes and in priority to the claims of shareholders of BMPS. In addition, save as otherwise provided in this Condition 2(a)(i), the Tier III Subordinated Notes rank senior to the Upper Tier II Subordinated Notes and the Lower Tier II Subordinated Notes, and the Lower Tier II Subordinated Notes rank senior to the Upper Tier II Subordinated Notes in accordance with Conditions 2(c), 2(d) and 2(e). In relation to each Series of Tier III Subordinated Notes, Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, all Tier III Subordinated Notes, Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, 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 Tier III Subordinated Notes, Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, of such Series.

- (ii) In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Article 80 to 94 of Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “Italian Banking Act”)) of BMPS, the payment obligations of BMPS under the Subordinated Notes and the relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of BMPS. Tier III Subordinated Notes rank senior to both Upper Tier II Subordinated Notes and Lower Tier II Subordinated Notes. Lower Tier II Subordinated Notes rank senior to Upper Tier II Subordinated Notes. Tier III Subordinated Notes, Lower Tier II Subordinated Notes and Upper Tier II Subordinated Notes rank at least *pari passu* with all other subordinated obligations of BMPS which do not rank or are not expressed by their terms to rank junior or senior to the Tier III Subordinated Notes, Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, and in priority to the claims of shareholders of BMPS.
- (iii) Each holder of a 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 Note.

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

*This Condition 2(c) applies only to the Tier III Subordinated Notes.*

- (i) Payment of principal and interest

The repayment of the principal and the payment of interest (as defined below) in respect of the Tier III Subordinated Notes are obligations of BMPS. The repayment of the Tier III Subordinated Notes is not covered by the guarantee of the “*Fondo Interbancario di Tutela dei Depositi*” (Italian Inter-Bank Fund for the Protection of Deposits).

- (ii) Deferral of interest and/or principal

- (a) The payment of any sums due with respect to interest and/or principal on the Tier III Subordinated Notes will be entirely suspended and deferred, and any such suspension and deferral to pay shall not constitute a default of BMPS under these Conditions if, at the time any such payment becomes due:

- (A) BMPS’s Total Amount of Regulatory Capital (as defined below) is, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (*rischio creditizio*) capital requirements of BMPS, as provided by the then applicable Bank of Italy’s Regulations, on a consolidated or unconsolidated basis; or
- (B) upon payment of interest and/or repayment of principal under the Tier III Subordinated Notes, BMPS’s Total Amount of Regulatory Capital becomes, on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (*rischio creditizio*) capital requirements of BMPS, as provided by the then applicable Bank of Italy’s Regulations, on a consolidated or unconsolidated basis.

- (b) “Total Amount of Regulatory Capital” means:

- (A) on an unconsolidated basis, the aggregate amount of the items stated and defined in (I), (II), (III), (IV), (V), and (VI) and/or any additional, replacement and/or adjusted or other items, in each case which may from time to time be required to be included pursuant to the then applicable Bank of Italy’s Regulations for the purposes of calculating BMPS’s Total Amount of Regulatory Capital; or

- (B) on a consolidated basis, the aggregate amount of the items listed in (A) above, calculated on a consolidated basis, according to the Bank of Italy's Regulations from time to time applicable,

WHERE:

- (I) means, taken as a positive figure, the aggregate amount of the regulatory capital of BMPS (*Patrimonio di Vigilanza*), calculated on an unconsolidated basis, as set forth in the then applicable Bank of Italy's Regulations;
- (II) means, taken as a positive figure, the aggregate amount of any indebtedness of BMPS qualified by the Bank of Italy as "*passività subordinate di 3° livello*" (Subordinated Tier 3 Capital), intended to cover the minimum capital requirements for market risks, calculated on an unconsolidated basis (as defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition) in accordance with the following paragraph (II), provided however that the amount of such indebtedness can only be included up to the absolute amount of the following paragraph (III);
- (III) means, taken as a negative figure, the minimum capital requirements for market risks of BMPS, calculated on an unconsolidated basis (as defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition);
- (IV) means, taken as a negative figure, the excess over the limit on the ownership of shareholdings in non-financial companies acquired by BMPS following the recovery of credits (as defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition);
- (V) means, taken as a negative figure, the excess over the limit on the ownership of real estate acquired by BMPS following the recovery of credits (as defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition); and
- (VI) means, taken as a negative figure, any additional specific capital requirements imposed on BMPS by the Bank of Italy, to the extent not taken into account in paragraphs (III) to (V).
- (c) For the purposes of the Tier III Subordinated Notes, BMPS's Total Amount of Regulatory Capital is deemed to be equal to or more than the minimum credit risk (*rischio creditizio*) capital requirements of BMPS as required by the then applicable Bank of Italy's Regulations, when:
- (A) BMPS's Total Amount of Regulatory Capital, calculated on an unconsolidated basis, is equal to or more than 7 per cent. (or such other percentage as may be, from time to time, set forth, on an unconsolidated basis, by the Bank of Italy) of the aggregate weighted assets to be comprised in the calculation, on an unconsolidated basis, of the minimum capital requirements of BMPS (such assets as being defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition); and
- (B) BMPS's Total Amount of Regulatory Capital, calculated on a consolidated basis, is equal to or more than 8 per cent. (or such other percentage as the Bank of Italy may, from time to time, require on a consolidated basis) of the aggregate weighted assets to be comprised in the calculation of the consolidated minimum capital requirements of the banking group controlled directly or indirectly by BMPS (such assets as being defined in the Bank of Italy's Regulations or any provision which amends or replaces such definition).

- (d) The obligations of BMPS to effect the payment of interest (including Arrears of Interest and Default Interest (each as defined below)) not paid when due and/or to repay principal not repaid when due, in each case in accordance with Condition 2(c)(ii)(a), will (subject to, and to the extent provided in, Condition 2(c)(ii)(e)), be reinstated and will start to accrue in whole and as if the payment obligations of BMPS had never been so suspended (but without prejudice to the subordination provided for in Condition 2(b)):
- (A) in the event of a bankruptcy, dissolution, liquidation or winding-up of BMPS or in the event that BMPS becomes subject to an order for Liquidazione Coatta Amministrativa; or
  - (B) in the event that BMPS's Total Amount of Regulatory Capital (as defined above) after the payment of interest and/or repayment of principal is, both on an unconsolidated and on a consolidated basis, equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements of BMPS, both on an unconsolidated and consolidated basis, as respectively required by the then applicable Bank of Italy's Regulations.
- (e) Where, following any suspension and deferral pursuant to Condition 2(c)(ii)(a), the obligation to pay interest (including Arrears of Interest and Default Interest) and/or to repay principal has been reinstated pursuant to Condition 2(c)(ii)(d)(B), the obligation will become effective at and will be paid on the first Interest Payment Date immediately following the date of receipt by the Bank of Italy of a Report (as defined below), according to which BMPS's Total Amount of Regulatory Capital net of amounts to be paid in respect of interest and/or repayment of principal, both on an unconsolidated and consolidated basis, is equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements set forth by the then applicable Bank of Italy's Regulations.

If the payment of interest and/or the repayment of principal has been suspended pursuant to the provisions of Condition 2(c)(ii)(a), the reinstatement of the obligation to make payment and/or repayment in respect thereof pursuant to Condition 2(c)(ii)(d) shall, where there are insufficient amounts pursuant to the foregoing provisions to make full payment in respect thereof, be made in part as such amounts become so available pursuant to the foregoing provisions in the following order:

- (A) payment of any Default Interest (where not paid in full, Default Interest shall be paid in the order in which it accrued);
- (B) payment of any Arrears of Interest (where not paid in full, Arrears of Interest shall be paid in the order in which it accrued);
- (C) payment of interest otherwise due pursuant to Condition 4; and
- (D) repayment of principal.

All payments to holders of the Tier III Subordinated Notes will be made on a pro rata basis.

- (f) If for any reason (including, but not limited to, merger or any other extraordinary transaction) BMPS, in accordance with any applicable laws and regulations, ceases to be a member of a banking group, the percentage referred to in Condition 2(c)(ii)(c)(A) will be the percentage required by the then applicable Bank of Italy's Regulations on an unconsolidated basis (currently, 8 per cent.).
- (g) If for any reason (including, but not limited to, merger or any other extraordinary transaction) BMPS, in accordance with any applicable laws and regulations, ceases to be a member of a banking group, all references in this Condition 2(c) to parameters referred to consolidated figures of BMPS will automatically be voided, becoming references to

parameters calculated on an unconsolidated basis (but without prejudice to the provisions of Condition 2(c)(ii)(f) above).

- (iii) Arrears of Interest and Default Interest Any interest that BMPS does not pay when due shall constitute, for the purposes of the Tier III Subordinated Notes, “Arrears of Interest”.

Arrears of Interest not paid by BMPS in accordance with Condition 2(c)(ii)(a) shall not bear default interest. In all other cases, Arrears of Interest not paid by BMPS when due for reasons other than those provided for in this Condition 2(c), shall accrue default interest (“Default Interest”) at the Rate of Interest. Such Default Interest will accrue during the entire period from and including the date of the failure to pay Arrears of Interest until but excluding the date of their full payment.

In this Condition 2(c), “Report” means the report that BMPS under the Bank of Italy’s Regulations, is required to send semi-annually to the Bank of Italy for purposes of the control of compliance with minimum regulatory capital requirements, on an unconsolidated and consolidated basis, as of 31 December and 30 June of each fiscal year. For the purposes of this Condition 2(c), neither the quarterly report which Italian banks are currently required to send for the sole purposes of the control of compliance with the minimum regulatory capital requirements on an unconsolidated basis as of 31 March and 30 September of each fiscal year, nor any such other reporting which the Bank of Italy may in the future require to be made, will be taken into account.

**(d) Special provisions applicable to Lower Tier II Subordinated Notes**

*This Condition 2(d) applies only to Lower Tier II Subordinated Notes.*

(i) *Minimum maturity*

Lower Tier II 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 Lower Tier II Subordinated Notes are outstanding. In such latter circumstance the Lower Tier II Subordinated Notes can be validly redeemed by giving a minimum five years’ prior written notice to the Noteholders in accordance with Condition 13.

(ii) *Early redemption*

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

**(e) Special provisions relating to Upper Tier II Subordinated Notes**

*This Condition 2(e) applies only to Upper Tier II Subordinated Notes.*

(i) *Redemption at maturity and Early Redemption*

The Upper Tier II Subordinated Notes may be perpetual (*passività irredimibili*) or with fixed maturity of 10 years or longer (*altri strumenti rimborsabili*). The Upper Tier II Subordinated Notes may be redeemed early by BMPS only with the prior consent of the Bank of Italy. Redemption of the Upper Tier II Subordinated Notes at maturity is also subject to the prior written consent of the Bank of Italy.

(ii) *Loss Absorption*

To the extent that BMPS at any time suffers losses which in accordance with applicable provisions of Italian law and regulation would require BMPS to reduce its capital below the minimum capital as provided for by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy’s authorisation to carry on banking activities and as determined by the external auditors of BMPS and certified in writing to the Agent by two

Directors of BMPS (the “Minimum Capital”), the obligations of BMPS in respect of principal and interest under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable BMPS, in accordance with requirements under Italian legal and regulatory provisions, to maintain at least the Minimum Capital. The obligations of BMPS in respect of principal and interest under the Upper Tier II Subordinated Notes which are reduced in accordance with this Condition 2(e)(ii) will be reinstated whether or not the Maturity Date of the relevant obligations has occurred:

- (A) in whole, in the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of BMPS and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*), as if such obligations of BMPS had not been so reduced in accordance with this Condition 2(e)(ii); and
- (B) in whole or in part, from time to time, to the extent that BMPS, by reason of its having profits, or by reason of its obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and, therefore, would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition 2(e)(ii).

BMPS shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders in accordance with Condition 13.

(iii) *Deferral of Interest*

BMPS will not be required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (A) no annual dividend has been approved, paid or set aside for payment by a shareholders’ meeting of BMPS or paid in respect of any class of shares of BMPS during the 12-month period ending on, but excluding, the second London Business Day (as defined in Condition 4(b)(v)) immediately preceding such Interest Payment Date or (B) the Board of Directors of BMPS has announced, at the time of the release of any interim accounts published during the six-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date, that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, in accordance with Article 2433-bis of the Italian Civil Code.

Any such unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amount in respect of such arrears of interest) will become due and payable (i) in part *pari passu* and *pro rata* if and to the extent that BMPS makes payments of or in respect of amounts of interest on or in relation to any other *pari passu* claims with the exception of Lower Tier II and Tier III Subordinated Notes; and (ii) in full on the earliest to occur of (A) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of shares of BMPS; (B) the date for repayment of the Upper Tier II Subordinated Notes; or (C) the date on which the *Liquidazione Coatta Amministrativa* of BMPS is commenced pursuant to Article 83 of the Italian Banking Act or on which the Issuer becomes subject to a liquidation order.

**(f) Special Provisions relating to obligations of BMPS under Lower Tier II Subordinated Notes**

The Lower Tier II 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 pursuant to applicable law and/or regulation in force from time to time.



**(g) Status of the Guarantee**

The obligations of the Guarantor under the Guarantee in respect of Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

**3. Redenomination**

**(a) Redenomination**

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 13, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of €0.01 with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes held (or, as the case may be, in respect of which Coupons are presented for payment) by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of €100,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than €100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 5; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Agent may approve) €0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "Exchange Notice") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
  - (A) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
  - (B) in the case of definitive Notes, by applying the Rate of Interest to 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; and
- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

**(b) Definitions**

In these Terms and Conditions, the following expressions have the following meanings:

“Established Rate” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

“euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

“Redenomination Date” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

“Relevant Notes” means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least €100,000 and which are admitted to trading on a regulated market in the European Economic Area; and

“Treaty” means the Treaty on the Functioning of the European Union, as amended.

#### **4. 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 4(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 these Terms and 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 and Index Linked Interest Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest 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 (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

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

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

- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “Business Day” means a day which is both:

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

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest 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 either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Eurozone inter-bank offered rate (“EURIBOR”), the first day of that Interest Period or (ii) in any other case, as 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 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.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(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, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, 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. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

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

- (i) in the case of Floating Rate Notes or Index Linked Interest 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 or Index Linked Interest 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 or an Index Linked Interest 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, the Guarantor and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest 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 13 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 be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13. 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 4(b), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the Calculation Agent (if applicable), 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 Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Interest on Dual Currency Notes**

In the case of Dual Currency Notes, 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 Final Terms.

**(d) 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 Final Terms.

**(e) 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:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) 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 13.

**5. 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, but without prejudice to the provisions of Condition 7, to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, 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, official interpretations thereof, or 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)).

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

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) 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 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) 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, Dual Currency Note, Index Linked 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 on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg as applicable.

**(e) 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 or, as the case may be, the Guarantor 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 or, as the case may be, the Guarantor 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 and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

**(f) 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 8) 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.

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

Any reference in these Terms and 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 7;
- (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 Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(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 these Terms and 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 7.

**6. Redemption and Purchase**

**(a) Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will (subject, with respect to Tier III Subordinated Notes, to the provisions of Condition 2(c)) be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

*The redemption of Upper Tier II 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 Upper Tier II 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 4(e).*

**(b) Redemption for tax reasons**

The 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 neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more

than 60 days' notice to the Agent and, in accordance with Condition 13, 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 7 or the Guarantor is or would be unable for reasons outside its control to procure payment by the Issuer 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 7) 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 or, as the case may be, the Guarantor 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 or, as the case may be, the Guarantor 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 a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor 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 an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor 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 6(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 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:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent,

(which notices 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, or determined in the manner 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 equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No

exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

**(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 neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 15 nor more than 30 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if, after consultation with the Bank of Italy in the case of Subordinated Notes, a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes ceases to qualify as "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines implementing CRD IV in Italy which were not reasonably foreseeable by BMPS as at the date of the issue of the relevant Subordinated Notes of the Bank of Italy.

In this Condition 6(d), the "Minimum Disqualification Amount" means 10 per cent. of the aggregate outstanding nominal amount of the relevant Subordinated Notes.

**CRD IV** means the legislative package consisting of the Directive and the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the most recent drafts of which were dated 11 May 2012).

Upon the expiry of any such notice as is referred to in this Condition 6(d), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(d). Notes redeemed pursuant to this Condition 6(d) will be redeemed at their Early Redemption Amount referred to in Condition 6(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 6(e) applies only to Senior Notes.

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, 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. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

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 9.

**(f) Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 9, 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 but including an Instalment Note and Partly Paid 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, or determined in the manner 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 a fraction the numerator of which is 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 of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

**(g) Instalments**

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (f) above.

**(h) 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 Final Terms.

**(i) Purchases**

The Issuer, the Guarantor or any Subsidiary (as defined below) of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation. References in these Conditions to the purchase of Notes shall not include the purchase of Notes by the Issuer, the

Guarantor 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 with the prior approval of the Bank of Italy.

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

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

**(k) 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 9 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 13.

**7. Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor 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 or, as the case may be, the Guarantor 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) (in the case of payments by BMPS or the Guarantor) 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, as the case may be, the Guarantor 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 the Guarantor; 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 5(f)); 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 the case of payments by BMPS or the Guarantor) in respect of any Note where such withholding or deduction is required pursuant to Presidential Decree No. 600 of 29 September 1973, as amended and supplemented and/or pursuant to Law Decree No. 512 of 30 September 1983.

As used herein:

- (i) “Tax Jurisdiction” means Ireland or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by MPIL) or the Republic of Italy (“Italy”) or any political subdivision of any authority thereof or therein having power to tax (in the case of payments by BMPS or the Guarantor); 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 13.

## **8. 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 7) 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 5(b) or any Talon which would be void pursuant to Condition 5(b).

## **9. Events of Default**

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

This Condition 9(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 or the Guarantor 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 or the Guarantor 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 the Guarantor; or
- (iii) BMPS or the Guarantor 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 or the Guarantor 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 the Guarantor; or
- (v) the Issuer or the Guarantor 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 or the Guarantor 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 or the Guarantor 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 or the Guarantor 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 9(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 9(a)(viii) applies and/or (II) any guarantee to which any part of Condition 9(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 or the Guarantor is restrained by an order of any court of competent jurisdiction from discharging its liability in respect thereof) given by the Issuer or the Guarantor of any indebtedness for borrowed money shall not be honoured when due and called, provided that, for the purpose of this Condition 9(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 9(a)(viii) applies and/or (II) any other guarantee to which any part of this Condition 9(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 or the Guarantor 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 6(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 9(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 6(f)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

**10. 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.

**11. Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below.

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 5(e). Notice of any variation, termination, appointment or change will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor 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.

**12. 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 8.

### **13. Notices**

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

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

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

### **14. 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 or the Guarantor 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 13 as soon as practicable thereafter.

## **15. Further Issues**

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

## **16. Contracts (Rights of Third Parties) Act 1999**

No 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.

## **17. Governing Law and Submission to Jurisdiction**

### **(a) Governing law**

The Agency Agreement, the Deed of Covenant, the Notes, the Guarantee, 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 Conditions 2(b), (c), (d) and (e) relating to the Subordinated Notes are governed by, and will be construed in accordance with, Italian law.

### **(b) Submission to jurisdiction**

The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings arising out of or in connection with any of the above (together referred to as "Proceedings") may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

### **(c) Appointment of Process Agent**

The Issuer appoints Banca Monte dei Paschi di Siena S.p.A., London branch at its registered office at 6th Floor, Capital House, 85 King William Street, London EC4N 7BL as its agent for service of

process, and undertakes that, in the event of such agent ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

**(d) Other documents**

The Issuer and, where applicable, the Guarantor have in the Agency Agreement, the Guarantee 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 relevant Issuer for its general corporate purposes, which include making a profit, and for general capital requirements. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, 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.

### 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 to 31 December 2100 and 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).

As at 31 December 2011, the BMPS Group had a distribution network in Italy that comprised 2,915 branches, of which approximately 34.7 per cent. were based in central Italy, 43.3 per cent. were based in northern Italy and 22 per cent. were based in southern Italy, Sicily and Sardinia.

As at 31 December 2011, the BMPS Group had approximately 6.2 million clients, including the division based commercial networks, Biverbanca, and clients handled directly by Consum.it.

### 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. At that time the Bank was incorporated as a Società per azioni or joint stock company, and was owned by Monte dei Paschi di Siena — Istituto di Diritto Pubblico (the “Foundation”), a newly-formed non-profit entity. In accordance with the Amato Law, the Bank was given sole responsibility for all banking activities, while the objects of the Foundation were limited to pursuing projects of social importance in the areas of scientific research, education and health care.

On 25 June 1999 the Bank and the Foundation completed an initial public offering of 575,728,000 ordinary shares (representing approximately 28 per cent. of the then outstanding ordinary shares of the Bank) to investors in Italy and to institutional investors in certain other jurisdictions.



From 1998 to 2000 the Group strengthened its presence in Italy through the purchase of other regional banks, among others Banca Agricola Mantovana S.p.A. (“**BAM**”) 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 (“**B 121 PF**”), 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 Biverbanca which has a network of 105 branches concentrated in the Biella and Vercelli provinces.

On 26 July 2007 AXA and BMPS entered into a transaction whereby the BMPS Group significantly strengthened its competitive position in the Italian asset gathering market, increasing the size of its financial advisers’ distribution network and improving its geographic coverage, achieving a better presence in some areas of the country that were scarcely covered.

On 23 March 2007 AXA and BMPS announced that they had reached an agreement for the establishment of a long term strategic partnership in life and non-life bancassurance as well as in the pensions business.

On 10 September 2007 the capital market activities of MPS Finance Banca Mobiliare S.p.A. were integrated into the corporate line of business of MPS Banca S.p.A. per l’Impresa S.p.A. and a new company, MPS Capital Services Banca per le Imprese S.p.A, was created.

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.

To finance the acquisition, the BMPS Group increased its paid up share capital by a €5 billion rights issue capital increase offered pre-emptively to all shareholders and by a €1 billion issue of ordinary shares reserved for subscription by a JP Morgan Chase & Co. subsidiary, with the exclusion of any option rights.

In September 2008 BAM was merged by incorporation into BMPS.

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.

In March 2009 Banca Toscana S.p.A. (“**BT**”) was merged by incorporation into BMPS.

On 2 April 2009 BMPS and Clessidra SGR, on behalf of the fund managed by the latter, Clessidra Capital Partners II, signed the definitive agreement for their partnership in the asset management sector. Based on the agreements made, Clessidra has acquired an indirect 67 per cent. equity interest in the BMPS companies active in asset management (Monte Paschi Asset Management SGR and ABN Amro Asset Management Italy SGR), while BMPS has acquired a 33 per cent. indirect equity interest. The deal obtained the necessary approvals of the relevant authorities.

On 21 July 2009 BMPS and the Banca Popolare di Puglia e Basilicata (“**BPPB**”) signed an agreement for the disposal of 15 branches of the Group to BPPB (of which 7 in Lombardy, 6 in Piedmont and 2 in the Lazio region), in alignment with the announced asset disposal programme and Italian Antitrust Authority directions. BPPB purchased the assets at a purchase price of €73.5 million, equal to 11.2 per cent. of the Total Funding of the branches.

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.

In April 2010 MPS Banca Personale was merged by incorporation into its parent company BMPS.

On 28 May 2010, BMPS and Banca Carige signed a final agreement providing for the disposal of 22 branches of BMPS to Gruppo Carige for a total consideration of €130 million.

On 11 June 2010, Intesa Sanpaolo and BMPS finalised the sale of 50 branches of BMPS to Banca CR Firenze (an Intesa Sanpaolo Group company) for a consideration of €200 million.

On 23 July 2010, BMPS published two press releases on the results of the EU stress test. In particular, Banca Monte dei Paschi di Siena S.p.A. was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and the Bank of Italy. This stress test complements the risk management procedures and regular stress testing programmes set up in BMPS under the Pillar 2 framework of the Basel II, CRD<sup>1</sup> requirements and National Legislation.

The results of the stress suggested a buffer of 235 million EUR of the Tier 1 capital against the threshold of 6% of Tier 1 capital adequacy ratio for Banca Monte dei Paschi di Siena S.p.A. agreed exclusively for the purposes of this exercise. This threshold should by no means be interpreted as a regulatory minimum (the regulatory minimum for the Tier 1 capital ratio is set to 4%), nor as a capital target reflecting the risk profile of the institution determined as a result of the supervisory review process in Pillar 2 of the CRD.

#### Remarks by BMPS over the Group passing the Eu-wide stress test

With respect to the recently disclosed results from the stress tests, considered by the Group as an important process to restore confidence in the financial markets, Banca Monte dei Paschi di Siena has been satisfied to note the adequacy of its capital ratios.

The BMPS Group has passed the stress test exercise even under test conditions that were detrimental to the Group's asset structure, as they were simulated on the basis of a particularly negative scenario, reflective of the 5.1% GDP decline in 2009.

The base level assumptions for the stress test exercise (2009 data) included approximately a 25% higher cost of credit than the one currently measured, which has seen a considerable reduction in 2010 as a result of the credit policies implemented in the course of the last two years.

The good stress test results, however, have not weakened the Bank's commitment to its pass towards capital strengthening, which has already led to a Tier 1 organic growth of approximately 100 basis points since 2009, even in the presence of extensive Group reorganisation.

Following the good stress test results, the Bank has confirmed its commitment to improving profit from continuing operations, maintaining risk levels under stringent control and further rationalising current equity investments, consistently with its business strategy and with a view to further optimising the capital position achieved.

Further information on the 2010 EU-wide stress testing and on the related results for the BMPS Group can be obtained from CEBS / EBA website, from the website of Bank of Italy, and from the website of BMPS where are available the above mentioned press releases.

On 21 September 2010, Fitch Ratings Services lowered its long and short-term counterparty credit rating on BMPS to "A-/F2" from "A/F1". The outlook was confirmed stable.

On 20 October 2010, the rating agency Moody's Investors Service lowered its long term counterparty credit rating on BMPS from "A1" to "A2" and led the evaluation of financial strength from "C-" to "D+". The outlook was confirmed stable.

On 3 December 2010, the extraordinary shareholders' meeting of BMPS approved the mergers by absorption of Paschi Gestioni Immobiliari S.p.A. and MPS Investments S.p.A. into BMPS, as well as the partial demerger of MPS Immobiliare S.p.A. to BMPS and Banca Antonveneta S.p.A.

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1 Directive EC/2006/48 – Capital Requirement Directive (CRD)

On 16 December 2010, Standard & Poor's Ratings Services lowered its long- and short-term counterparty credit rating on BMPS to 'A-/A-2' from 'A/A-1'. The outlook was confirmed stable.

On 23 December 2010, the shareholding structure of Perimetro GPI, the consortium joint-stock company managing properties rented to the BMPS Group, was defined. In charge of the administration, extraordinary maintenance and other ancillary services relating to the properties, the company has expanded its shareholding structure. Perimetro has been established as part of the BMPS Group's wider plan of real estate rationalisation. Transferred from MPS Immobiliare to Perimetro GPI for an amount of €1.7 billion in 2009, the undertaking consists of 683 properties used in the business (branches and offices).

On 30 December 2010, BMPS, Banca Popolare di Milano and Clessidra sgr, on behalf of the Clessidra Capital Partners II Fund (the "**Partners**") announced the closing of the operation, previously announced on 29 October after the parties signed the agreement, which will lead to the birth of the largest independent operator in Italy in the field of asset management with more than €40 billion assets under management. The Partners have settled all of the details and closed the agreement, after having obtained the approval of the relevant supervisory authorities on 28 December 2010.

## **Developments in 2011**

On 29 April 2011 the BMPS shareholders' meeting approved the 2010 results. In this ordinary session the shareholders' meeting also approved the engagement of Reconta Ernst & Young to audit the company's financial statements for each of the nine fiscal years ending on 31 December from 2011 through 2019.

Other significant events of the BMPS Group in 2011 are summarized below and extracted from the 2011 Annual Report of the Bank:

### *Shareholders' equity*

Pre-emptive rights issue approved by the Board of Directors of BMPS on 7 and 16 June 2011, 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 Guarantee Consortium having to step in.

Sale of a commercial office building in Rome -which once housed the central tax collection agency- located between via dei Normanni, via Labicana and via San Giovanni in Laterano to a real estate closed-end fund managed by Mittel R.E. Sgr S.p.A. The transaction resulted in a Tier 1 increase of 3 basis points.

Following prudential recognition of the pre-conditions required by the supervisory authorities, the bank has been able to fully recognise the Tier 1 benefits arising from its real estate deal, which were reflected in an increase of approx. 40 bps in Tier 1.

The exercise conducted by the European Debt Authority ("EBA") in the second half of 2011 on the capital requirements of major European banks (71 lenders were involved) revealed BMPS's need for capital strengthening in the amount of EUR 3,267 million. To reduce the capital buffer required by the EBA, the Group has identified the following key initiatives, some of which were already implemented in 2011:

- conversion to equity of BMPS shares underlying the convertible notes "FRESH 2003" . As a result of this initiative, which was completed in 2011, the number of ordinary shares increased from 10,844,097,796 to 10,980,795,908 and the share capital increased from EUR 6,654,282,746.76 to EUR 6,732,246,664.72; the share premium reserve was increased from EUR 3,938,619,733.85 to EUR 4,150,455,814.13;
- 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"). The initiative was approved by the Shareholders' Meeting in its extraordinary session on 1 February 2012;

- at par conversion of 18,864,340 savings shares into ordinary shares for an amount of EUR 12,639,107.80. The initiative was approved by the Shareholders' Meeting in its extraordinary session on 1 February 2012;
- reduction in Risk Weighting Asset, as a consequence of the overall trend in assets and their continuing shift towards less risky and/or more collateralised forms of lending as well as routine maintenance of risk measurement parameters; and
- other initiatives arising from the asset disposals specified in the capital plan submitted by the Bank in response to the EBA's Capital Exercise and required capital buffer.

#### Business combinations and changes in ownership interests

Incorporation of Aiace REOCO S.r.l. and Enea REOCO S.r.l., fully-owned subsidiaries of MPS Gestione Crediti Banca S.p.A. that engage in real-estate transactions, typically associated with debt recovery, with the aim of maximising the value of the properties pledged as collateral for loans, by acquiring them (either out of court or at auction) and subsequently reselling them.

Merger of MPS Commerciale Leasing S.p.A. into MPS Leasing & Factoring S.p.A.

#### Bond issuances

On May 11, 2011 BMPS successfully issued a 2.5 year fixed rate senior unsecured note with a size of EUR 1,750,000,000 under its EUR 50,000,000,000 Debt Issuance Programme.

Covered bonds intended for institutional Eurozone investors were issued for a total amount of EUR 2,250,000,000, as part of the bank's EUR 10,000,000,000 Programme announced at the end of June 2010, which is entirely backed by residential mortgage loans of the BMPS Group.

#### Ratings

Downgrade of Italy's sovereign debt rating had repercussions on the ratings assigned to Banca Monte dei Paschi di Siena. More specifically:

- On 5 October 2011, international ratings agency Moody's lowered its rating on BMPS from A2/P-1 to Baa1/P-2 with a stable outlook. The Bank Financial Strength Rating was affirmed at D+ with a stable outlook.
- On 17 October 2011, international ratings agency Fitch lowered its rating on BMPS from 'A-' to 'BBB+' with a negative outlook. The short-term rating was confirmed at F2 as was the individual rating of 'B/C'. These ratings, together with the support rating floor ('BBB'), were later placed on Credit Watch Negative.
- On 18 October 2011, international ratings agency Standard & Poor's lowered its long-term rating on BMPS from 'A-' to 'BBB+'. The short-term rating was confirmed at "A-2", with a stable outlook. The rating on Upper Tier 2 hybrid instruments was revised up from 'BB+' to 'BBB-'.

#### Taxes and duties

BMPS has agreed to pay the Italian Revenue Agency EUR 260 million, plus interest, to settle all pending litigation arising from claims in relation to certain transactions carried out from 2002 to 2008.

#### **Recent Developments**

Below is a summary of the more significant events of the BMPS Group after the 2011 balance sheet:

### Management of the Bank

At its session on 12 January 2012, the Board of Directors of BMPS formalised the departure, by mutual consent, of the Group General Manager, Antonio Vigni, as already announced to the market on 31 December 2011.

In the same meeting, the Board of Directors also appointed Fabrizio Viola as the new General Manager.

### Shareholders' equity

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 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"). 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.

### Bond issuances

In early March 2012 a 2-year senior unsecured bonds issue was launched for a total of EUR 1,250,000,000 as part of BMPS's Euro Medium Term Notes Plan intended for professional investors and international financial intermediaries. The bond is listed on the Luxembourg Stock Exchange and in the over-the-counter markets, as is usual.

### Ratings

The further downgrade of Italy's sovereign debt rating, announced in January 2012, had repercussions on the ratings assigned to BMPS. In particular:

- Fitch lowered the bank's long- and short-term Issuer Default Ratings from "BBB+" / "F2" to "BBB" / "F3" with a stable outlook;
- Standard & Poor's lowered the bank's long-term rating from "BBB+" to "BBB" while the short-term rating remain unchanged ("A-2"). The outlook is negative.

Furthermore, Moody's placed the following on creditwatch for possible downgrade; individual rating "D+" ("Bank Financial Strength Rating" or BFSR), long-term rating "Baa1" and short-term rating "Prime-2". The ratings agency also put other companies belonging to the Group under creditwatch for possible downgrade.

### BMPS 2011 Results and new appointed Board of Directors

On 27 April 2012, BMPS Shareholders Meetings approved the 2011 results and resolved upon, *inter alia*, the members of the new Board of Directors.

Such resolution provided for the Board of Banca Monte dei Paschi S.p.A. to be composed of 12 Directors two of whom as Deputy Chairmen. The following nominees have been appointed as Directors:

Mr. Alessandro Profumo as Chairman;  
Mr. Fabrizio Viola;  
Ms. Paola Demartini;  
Mr. Angelo Dringoli;  
Ms Tania Groppi;  
Mr. Marco Turchi;  
Mr. Turiddo Campaini;  
Mr. Alberto Giovanni Aleotti;  
Mr. Michele Briamonte;  
Mr. Lorenzo Gorgoni;  
Mr. Pietro Giovanni Corsa;  
Mr. Frédéric Marie de Courtois d'Arcollières;

Mr. Alessandro Profumo was elected Chairman, while Marco Turchi and Turiddo Campaini were elected Deputy Chairman of the Board of Directors.

For the same term, the following nominees were elected as standing members of the Board of Statutory Auditors: Paolo Salvadori (Chairman); Mr. Lorenzo Gorgoni; Paola Serpi; Claudio Gasperini Signorini. Elected as alternate auditors were Stefano Andreadis and Gianni Tarozzi.

Finally, two proposed mergers by absorption of Agrisviluppo S.p.A. and Ulisse 2 S.p.A. into BMPS were approved in the extraordinary session of the meeting.

On 3 May 2012 the new Board of Directors resolved to appoint the General Manager Mr. Fabrizio Viola to also serve as Chief Executive Officer. In the same session, the Executive Committee was also formed, consisting of Alessandro Profumo, Fabrizio Viola, Marco Turchi, Turiddo Campaini, Alberto Giovanni Aleotti, Lorenzo Gorgoni.

On 15 May 2012, BMPS published a press release relating to, and containing in summary form, the unaudited interim consolidated financial statements of the BMPS Group as at and for the three month period ended 30 March 2012 (the "Press Release"). The Press Release has been filed with the *Commission de Surveillance du Secteur Financier* and, other than any reference in the Press Release to pro-forma financial information, it is incorporated by reference in, and forms part of, this Base Prospectus.

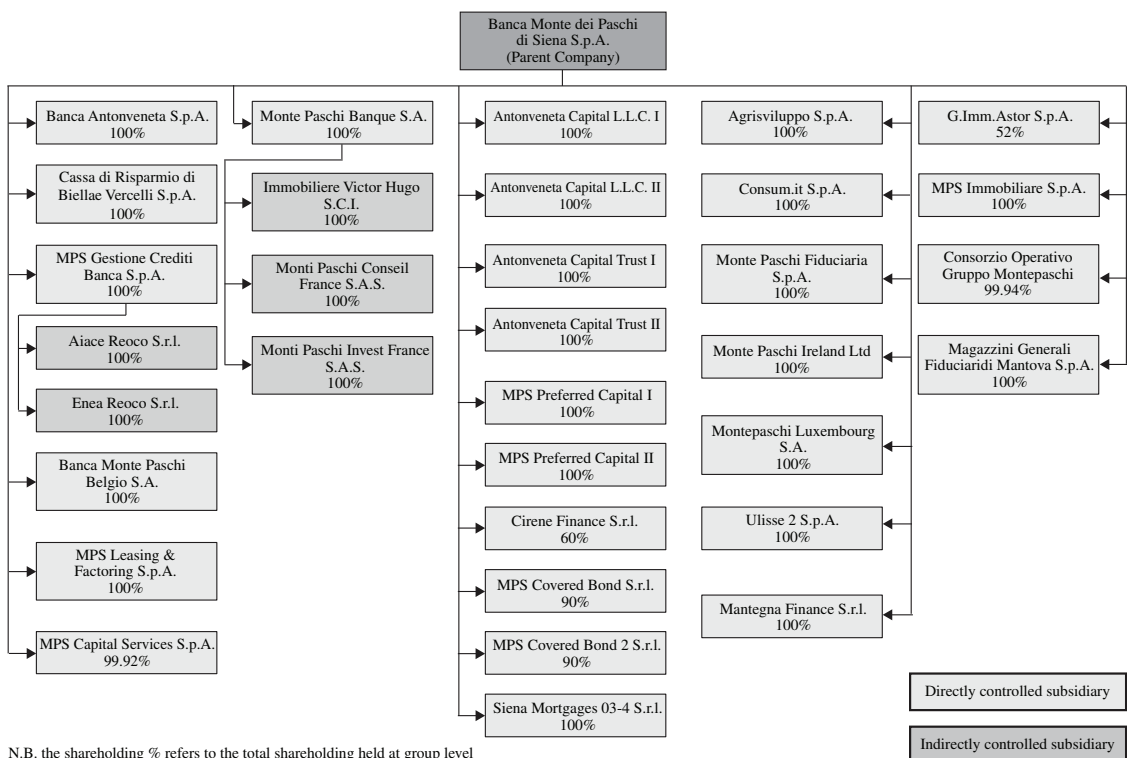
## Principal companies of the Group

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 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, even for the 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 30 May 2012.

### Organisation Structure



## Group Profile

The BMPS Group is one of the leading Italian banking institutions with 31,170 employees, 6.2 million customers, assets of EUR 240,701,970,588 and significant market shares in all the areas of business in which it operates as at 31 December 2011.

Consumer banking, which has a strong retail footprint, constitutes the Group's main activity (75% of revenues). Operations are carried out through the distribution networks of BMPS, Banca Antonveneta, Biverbanca (60.42% shareholding), which are present across the entire national territory with 2,915 branches, 276 specialised centres and 143 financial advisory offices, and through the support of Banca Popolare di Spoleto (26.005% shareholding).

The BMPS Group is also active through specialised product companies in business areas such as leasing, factoring, consumer loans, corporate finance and investment banking. Foreign banking operations are focused on supporting the internationalisation processes of Italian corporate clients in all major international financial markets as well as some emerging countries that have relations with Italy.

Pursuant to art. 2497 and following of the Civil Code, the role of 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 Monte di Pietà, BMPS has been a member of FTSE MIB40 since September '99 with market capitalisation in the region of EUR 3,000,000,000 as at 31 December 2011.

### Distribution network

The BMPS Group operates in a logic of developing and streamlining its distribution network, focusing both on growing network coverage and strengthening the innovative channels with a view to making the branch a highly-evolved centre for customer relations.

Traditional domestic branches are supported by specialised business centres, which develop customer relations with and specifically manage target client segments (Small Medium Enterprises, Private, Institutions), as well as 828 Financial Advisors who provide services through offices open to the public across the national network.

BMPS Group ATMs totalled 3,614, of which 3,130 in traditional branches (2,865 in locations with a separate entrance that can also be accessed outside branch-hours) and 484 installed in public places with high operational potential (345) and in companies/organisations (139). The number of ATMs increased by 39 units in 2011 and the installation of cash-in machines continued with the aim of giving a sharp boost to the migration of low added-value transactions. Consequently, the number of cash-in ATMs rose to 381, with 227 machines located in self-service areas.

Internationally, the BMPS Group has a foreign network that is geographically distributed across all major financial markets as well as in emerging countries with the highest rates of growth and/or key relations with Italy. The network is currently structured as follows: 4 operational branches located in London, New York, Hong Kong and Shanghai, 11 representative offices located in various "target areas (EU, Central-Eastern Europe, North Africa, India and China, 2 banks governed by foreign law: MP Belgium (8 branches), MPS Banque (18 branches), 2 Italian Desks in Spain and Romania.

### The Customer Base

The BMPS Group performs its banking activities with approx. 6.2 million customers, approx. 5.8 million of whom are managed by the Distribution Networks of BMPS, Banca Antonveneta and Biverbanca, while the remainder (around 400 thousand customers) are managed exclusively by Consum.it, the group company specialised in consumer loans, and by the Financial Advisory network.

Customers managed by the distribution networks are spread throughout the country, with a higher concentration in the regions of central Italy; they 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.

## **Funding**

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

### *Retail domestic market*

The BMPS Group issues various kinds of securities, including fixed rate bonds or floating rate bonds and zero coupons, with different maturities ranging from two years up to ten years, placed to retail customers of the BMPS Group throughout its network of branches, including the previous Antonveneta 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 acting 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 public 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”.

Since the last update of the Programme, BMPS Group carried out a number of new trades under its programmes for a total amount of approximately EUR 3,000,000,000 of senior debt and EUR 2,250,000,000 of covered bonds, all with maturities from eighteen months up to ten years.

## **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.

## **Competition**

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

A relevant process 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 deposit 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 Intesa SanPaolo, UniCredit Group, Banco Popolare and UBI Banca.

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.



## 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:

- Proceedings for contractual liability involving the Bank. The Bank is currently involved in some civil proceedings before the Italian Courts and the management expects that the claims, although significant, could be settled with no significant losses or expenses on the Bank's side. Without prejudice to the above, no governmental, legal or arbitration proceedings (including pending or threatened litigation known to BMPS ) were initiated in the months prior to the reporting date, which may have - or did in the recent past - a significant impact on the Issuer's financial position or profitability
- Anatocism Litigation. In 1999 the Italian Supreme Court modified its prior jurisprudence in relation to anatocism and stated the non validity pursuant to Article 1283 of the Italian civil code of the quarterly capitalisation of interest on current account transactions, stating the nonexistence of "market uses" in the matter; a position which has been confirmed by the *Sezioni Unite* of the Supreme Court with its ruling No. 21095 of 4 November 2004 and, more recently, with ruling No. 24418 of 2 December 2010.

Given the position taken and consolidated by the Supreme Court in relation to anatocism, it is expected that the proceedings which have been brought against BMPS by BMPS account holders in relation to the management of their accounts before 2000 will have a negative outcome, save for a limited number of exceptions where the judges decide not to adhere to the Supreme Court's jurisprudence or in cases where the acting party's request is rejected due to procedural reasons. Management believes that sufficient funds have been allocated to cover the potential loss.

- Financial Products structured or placed by the Group during the past 10 years. The claims and proceedings relevant to these products involve corporate bonds or other structured financial products placed by the Group and issued by sovereign countries, financial institutions or companies, either Italian or international which, on the expiry date, did not repay the outstanding debt (in terms of principal and/or interest) and are technically in default, being then declared insolvent or in bankruptcy.

Having regard to the numerous complaints relevant to certain financial and structured products sold by the Bank during the past ten to fifteen years, management expects that the amounts potentially payable as settlement for the complaints will not exceed the amounts allocated to the related risk fund and expressly reserved for this type of risk. Notwithstanding the above, considering the lapse of time, the potential risk arising from this litigation is going to be reconsidered by the Bank in connection with (i) the claimant's right lapse as applicable to the relevant financial products and (ii) the orientation recently expressed by the competent Italian Courts on such matters.

The mentioned reconsideration is possible due to the fact that the Bank has implemented proper procedures which enable management to reconsider on a timely basis the potential risk associated to pending litigation procedures.

On May 9, 2012 certain searches were held as part of inspection activities coordinated by the Public Prosecutor's Office at the Courts of Siena concerning to certain investigations relating to financial transactions for the necessary resources of Banca Antonveneta acquisition and the outstanding loans on behalf of the Foundation. The investigative suppositions, as disclosed by the judiciary, concern market manipulation and block of the Supervisory Authority activities relating to financial transactions for the necessary resources of Banca Antonveneta acquisition and outstanding loans on behalf of the Foundation, the investigations are still ongoing.

## 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 the Executive Committee to which it can delegate its own attributions determining the limits of such delegation. Board of Directors.

The Board of Directors of the Bank is composed of the following persons:

Name	Year of Birth	Position	Year Appointed	Other principal activities and roles
Alessandro Profumo	1957	Chairman Member Executive Committee	2012	Board member of Eni S.p.A. Board member at Università Commerciale Luigi Bocconi
Marco Turchi	1961	Deputy Chairman Member Executive Committee	2012	Chairman of the board of statutory auditors of Agricola MMerse S.r.l., CMP S.p.A., Confiomm S.r.l., Eacos s.c., Frati Luigi S.p.A., Lasa Idea S.p.A., Sta S.p.A., Società Cooperativa di Promozione Turistica Siena, Terme Antica Querciolaia S.p.A., Toscana Discount S.r.l.
Turiddo Campaini	1940	Deputy Chairman Member Executive Committee	2012	Chairman of the supervisory board Unicoop Firenze s.c.
Fabrizio Viola	1958	Chief Executive Officer General Manager Member Executive Committee	2012	
Alberto Giovanni Aleotti	1972	Director Member Executive Committee	2012	Director of Industrie Farmaceutiche Menarini Director of Menarini Partecipazioni S.r.l. Director of Pharmafin S.p.A. Director of Toscofarma S.r.l.

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>	<b>Year Appointed</b>	<b>Other principal activities and roles</b>
Michele Briamonte	1977	Director	2012	Director and corporate secretary of the executive committee Juventus Football Club S.p.A. Director of IT Holdings S.p.A.
Pietro Giovanni Corsa	1955	Director	2012	Director of companies belonging to Menarini Group, amongst which: A. Menarini Farmaceutica Internazionale, A. Menarini Diagnostica Internazionale, A. Menarini Pharma Messico.
Frédéric Marie de Courtois d'Arcollières	1967	Director	2012	Chief Executive Officer of AXA MPS Assicurazioni Vita S.p.A. Chief Executive Officer of AXA MPS Assicurazioni Danni S.p.A. Chairman of AXA MPS Financial LTD Board member of AXA Assicurazioni S.p.A: Board member of IPA S.p.A.
Paola Demartini	1962	Director	2012	Professor of Business Economy at Università Roma Tre
Angelo Dringoli	1947	Director	2012	Professor of Business Finance at Università di Siena
Lorenzo Gorgoni	1942	Director	2012	Board member of Telecom Italia Media S.p.A. Board member of Fondo Italiano di Investimento SgR
Tania Groppi	1965	Director	2012	Professor of Public Law at Università di Siena Member of European Network of Constitutional Law

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. 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 2012 has undertaken the periodic assessment of the independence of the Directors on the basis of information supplied thereby (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 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 functions performed by any of the Directors mentioned above have interests that conflict with their duties arising from the positions 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 manners determined by the Board of Directors. The Chief Executive Officer is given by the Chairman of the Board of Directors, powers to be exercised as a matter of urgency in the event of absence or impediment of himself or any substitute.

The Chief Executive Officer is Mr. Fabrizio Viola who has been appointed by the Board of Directors of the Bank on 3 May 2012.

### **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 has been appointed by the Board of Directors on 3 May 2012. Its members are: Alessandro Profumo, Fabrizio Viola, Marco Turchi, Turiddo Campaini, Alberto Giovanni Aleotti and Lorenzo Gorgoni.

### **General Manager**

The current General Manager (*Direttore Generale*) is Fabrizio Viola who has been appointed by the Board of Directors on 12 January 2012. Mr. 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.

### Senior Management

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

<b>Name</b>	<b>Position</b>
Fabrizio Viola	Chief Executive Officer / General Manager
Fabrizio Rossi	Deputy General Manager
Antonio Marino	Vice General Manager

The introduction of a CFO, responsible for financial planning and reporting, tax planning, treasury, and capital allocation and management, completes the Group's reorganisation.

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

### 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, 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 and Shareholders' meetings and 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 has been appointed on 27 April 2012 and 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>	<b>Other principal activities and roles</b>
Paolo Salvadori	1947	Chairman of the Board of Statutory Auditors	Chief Executive Officer of Previra Invest Sim
Claudio Gasperini Signorini	1966	Auditor	Auditor of Consorzio Coop Consumo Sardo
Paola Serpi	1965	Auditor	Auditor of the Pension Fund for BMPS employees Deputy Chairman of Mens Sana Basket S.p.A. Auditor of Società Agricola Tenuta della Selva S.r.l.
Stefano Andreadis	1956	Alternate Auditor	Sole director of Il Trentusimo S.r.l., D&D S.r.l. Board member of Prometeo S.r.l. Chairman of the Board of Statutory Auditors of Remobil S.r.l., Itar S.p.A., Albergo Ristorante S.r.l., Soc. Agr. La Selva Auditor of Immobiliare Idea S.p.A.
Gianni Tarozzi	1964	Alternate Auditor	Tax and corporate consultant of public and private companies and entities

The business address of each member of Statutory Auditors of the Bank is Banca Monte dei Paschi di Siena S.p.A., Piazza Salimbeni 3, 53100, Siena, Italy.

### **Independent Auditors**

The financial statements of the Issuer as at 31 December 2011 and 31 December 2010 have been audited, respectively by Reconta Ernst & Young S.p.A. and KPMG S.p.A. without qualification and in accordance with generally accepted standards in the Republic of Italy. The audit reports of Reconta Ernst & Young S.p.A. and of KPMG S.p.A. are available to the public and incorporated by reference herein.

The appointment of KPMG S.p.A. has expired on the date of the approval of the Bank's financial statements for the year ended 31 December 2010.

Reconta Ernst & Young S.p.A. has been appointed by the Bank to audit the Bank's financial statements for each of the nine fiscal years ending on 31 December from 2011 through 2019. The appointment of KPMG S.p.A. has expired on the date of the approval of the Bank's financial statements for the year ended 31 December 2010.

## Main Shareholders (as at 27 April 2012)

<b>Shareholders</b>	<b>No. of shares held</b>	<b>% capital and right of vote in ordinary shares</b>	<b>% share capital on overall share capital</b>
Fondazione Monte dei Paschi di Siena	4,246,097,997 ordinary shares	36.35	36.35
Finamonte S.r.l.	467,261,588	4.00	4.00
Axa S.A.	434,551,634 ordinary shares	3.72	3.72
Unicoop Firenze S.c.a r.l.	318,503,114 ordinary shares	2.73	2.73
JP Morgan Chase & Co. <sup>2</sup>	295,236,070 ordinary shares	2.53	2.53

Within the framework of the programme aimed at complying with the obligations relating to the handover of control over the Bank by Fondazione Monte dei Paschi di Siena, on 14 June 2003 the extraordinary shareholders' meeting resolved the conversion of part of the ordinary shares held by Fondazione Monte dei Paschi di Siena into privileged shares (pursuant to which the Fondazione Monte dei Paschi di Siena's ordinary share capital fell to 49 per cent. of the Bank's ordinary share capital); furthermore, 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.

<sup>2</sup> Of such holding JP Morgan Chase & Co holds indirectly the bare ownership through JP Morgan Securities Ltd and JP Morgan Whitefriars, 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.

## 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 per cent., and each of its banking subsidiaries is required to maintain a total capital ratio on a stand-alone basis of 6 per cent.

MPS Group capital consolidated ratios at 31 December 2011 are as follows: Tier 1 Ratio: 11.07 per cent.; Total Capital Ratio: 15.69 per cent.

Nevertheless, it is important to highlight that capital requirements are currently under revision. In fact, on 16 December 2010 the Basel Committee on Banking Supervision issued the Basel III rules text, which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision and endorsed by the G20 Leaders at the Seoul summit in November 2010 and which will become effective on 1 January 2013. Please see "Risk Factors - Changes in the Italian and European regulatory framework could adversely affect the Issuer's business."



## MONTE PASCHI IRELAND LIMITED

### Introduction

121 Financial Services Limited (“121FS”) was incorporated under the laws of the Republic of Ireland on 23 October 1998 as a private limited company under the Companies Acts 1963 to 2009, with company registration number 295318. On 7 January 2004, 121FS changed its name to Monte Paschi Ireland Limited (“MPIL”). On 22 April 2004 MPIL incorporated the entire business of Mantovana Ireland Limited (“MIL”), another Irish subsidiary previously owned by Banca Monte dei Paschi di Siena (“BMPS”). MPIL is a wholly owned subsidiary of BMPS and part of the BMPS Banking Group.

On 22 December 1998 MPIL obtained the relevant authorisation from the Central Bank of Ireland (“CBI”, formerly Irish Financial Services Regulatory Authority) under the Irish Investment Intermediaries Act, 1995 (IIA Authorisation), and was subject to the relevant regulatory and supervisory requirements. MPIL also obtained the relevant approval from the Irish Department of Finance to carry out certain financial trading and services activities within the International Financial Services Centre in Dublin.

In November 2006 the Board of Directors of BMPS decided that the mission of MPIL would be changed and that the company should become involved in the Asset and Liability and Capital Management of the Group. Accordingly the Company was reorganised at the beginning of 2007 and as the IIA Authorisation was no longer a prerequisite to carry out its activities the authorisation was revoked by the CBI in March 2007 at the request of MPIL.

The registered office of MPIL is at AIB International Centre, International Financial Services Centre, Dublin 1, Ireland, telephone number: +353 16702692.

### Capitalisation

MPIL’s equity capital amounts to €653,270,266, divided into €154,937 as issued and fully paid share capital (300,000 Ordinary Shares of €0.5 each plus €4,937 of Capital Conversion Reserve) and €653,115,329 as Capital Contribution (both subscribed and contributed by BMPS).

MPIL 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 entity being in control of the company.

### Business Activities

MPIL is strongly focused on liquidity management through the following main business activities:

- (a) portfolio management, involving the management of a portfolio of securities, including government and corporate bonds and also bonds issued by BMPS Group Banks and Companies;
- (b) lending, involving the provision of selective financing facilities to Banks and Companies within the BMPS Group. It is also foreseen that MPIL could also provide lending facilities to major corporate customers of the BMPS Group; and
- (c) debt issuance, involving the issuance of debt securities for funding purposes.

As business develops, MPIL may consider entering into new areas of business in accordance with market opportunities and conditions.

A major part of MPIL’s business is lending to the BMPS Group Companies. MPIL is accordingly dependent on the parent company and other members of the BMPS Group to service its loans.

### Recent Developments

None.

## **Risk Management/Control**

MPIL risk management/control functions are performed by a dedicated control unit in BMPS in accordance with a Service Level Agreement entered into between MPIL and BMPS. BMPS will be responsible for monitoring the risk profile of MPIL in respect of its activities, ensuring *inter alia* that the business units into which the activities outlined above will be grouped comply with the investment guidelines, limits and policies established by the Board of Directors from time to time.

MPIL use adequate information systems and procedures enabling them to control in real time the financial risk underlying the activities.

## **Litigation**

MPIL is currently involved in a legal action brought against it by the liquidators of Fairfield Sigma Limited (“Sigma”) and Fairfield Sentry Limited (“Sentry”) in connection with the redemption by MPIL in July 2007 of certain redeemable participating shares in Sigma for an amount of €6.79 million. Sigma, in which MPIL invested an amount of €6 million in 2005, was a feeder fund which through Sentry invested in funds managed by Bernard Madoff whom, at the end of 2009, was exposed as having operated a “Ponzi” scheme. As such the liquidators of Sigma and Sentry have instigated legal actions to recover monies paid out to numerous investors in both Sigma and Sentry who exited such funds prior to the collapse of Madoff’s investment firm. The Directors of MPIL consider this action against MPIL to be unfounded and, as such, MPIL will continue to rigourously defend itself in this matter and has engaged U.S. counsel to do so.

## **Board of Directors**

MPIL is administered by a Board of Directors which comprises the following: Mr. Massimo Molinari, Chairman (Divisional Head, Treasury and Capital Management BMPS), Mr. Marco di Santo (Head of Capital Management, ALM & Group ACPM, BMPS), Mr. Enrico Vignoli (General Manager, BMPS London Branch), Mr. Keith White (Chief Dealer, BMPS London Branch), Mr. Andrew Bates (Legal Advisers, Dillon Eustace), Ms. Sinead Keaveney (Company Secretary, Capita International Financial Services Limited) and Mr. Duncan Rouse (General Manager).

## **Conflicts of Interest**

There are no potential conflicts of interest between the duties to MPIL of the persons listed above under “Board of Directors” and their private interests or other duties.

## **Employees**

Mr. Duncan Rouse, General Manager and Director

Ms. Rossella Milanovic, Chief Operations Officer

Mr. Francescopaolo Nigro, Treasury/Middle Office

Mr. Lucio Cosi, Back Office

MPIL has entered into outsourcing agreements with Capita International Financial Services Limited who provide MPIL with accounting and company secretarial services, and with the Internal Controls Area of BMPS, Siena who provide MPIL with internal audit services.

## 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 issued by an Italian resident issuer

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.

##### 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, 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 (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

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.

### 3. Tax treatment of Notes issued by a non-Italian resident issuer

Decree 239 also 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 non-Italian resident issuers.

#### 3.1 Italian resident Noteholders

Where an Italian resident Noteholder is (i) 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 “Capital Gains Tax” below); (ii) a non-commercial partnership; (iii) a non-commercial private or public institution; or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as “*imposta sostitutiva*”, levied at the rate of 20 per cent. In the event that Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the relevant Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an 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 annual 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 IRAP).

Under the current regime provided by Decree 351, as clarified by the Italian Revenues Agency through Circular No. 47/E of 8 August 2003, payments of interest in respect of Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is a Fund, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management result of the Fund. The Fund will not be subject to taxation on such result, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders. 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 an Intermediary.

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of 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 such 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.

#### 3.2 Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to Notes issued by a non-Italian resident issuer provided that, if the Notes are deposited with an Intermediary in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

#### **4. Payments made by an Italian resident guarantor**

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 20 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, the withholding tax may be applied at 20 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

#### **5. 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.

In case of Notes issued by an Italian resident issuer, 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.

If the Notes are issued by a non-Italian resident issuer, the 20 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (a) a company or similar commercial entity (including the Italian permanent establishment of foreign entities); (b) a commercial partnership; or (c) a commercial private or public institution.

#### **6. 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 issued by an Italian resident issuer, which are 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 issued by an Italian resident issuer 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 issued by an Italian resident issuer 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 issued by an Italian resident issuer 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 Notes issued by an Italian resident issuer.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by a non-Italian resident issuer are not subject to Italian taxation, provided that the Notes are held outside Italy.

## **7. 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.

## **8. 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; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

## **9. 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 0.1 per cent. for year 2012 and at 0.15 per cent. for subsequent years; 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, for the year 2012 only, it cannot exceed € 1,200. Although the stamp duty is already applicable, certain aspects of the relevant discipline should be clarified and implemented by a Decree of the Ministry of Economy and Finance.

Under a preliminary interpretation of the law, it may be understood that the stamp duty applies both to Italian resident and non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.



## **10. 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 0.1 per cent. for 2011 and 2012, and at 0.15 per cent. for subsequent years.

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.

## **11. 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).

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

### **11.1 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 fiscal authorities of his/her/its country of residence or establishment, 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.

#### **Ireland Taxation**

##### ***With respect to Notes issued by an Issuer incorporated in Ireland (such as Monte Paschi Ireland Limited):***

The following is a summary based on the laws and practices currently in force in the Republic of Ireland regarding the tax position of investors beneficially owning their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

#### **Withholding Tax**

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which may include interest payable on the Notes. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the “Taxes Act”) for certain interest bearing securities (“quoted Eurobonds”) issued by a body corporate (such as the Issuer) which are quoted on a recognised stock exchange (the Luxembourg Stock Exchange is such an exchange). The Irish Revenue Commissioners has previously confirmed that Notes issued for principal (Zero Coupon Notes issued at their principal amount) which carry no interest but instead pay an amount on redemption (greater than the original principal amount) may qualify as an interest bearing security and consequently may potentially qualify for the quoted Eurobond exemption if all other conditions of the quoted Eurobond exemption are satisfied.

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

- (i) the person by or through whom the payment is made is not in Ireland; or
- (ii) the payment is made by or through a person in Ireland, and either:
  - (a) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear, Clearstream Frankfurt, Clearstream, Luxembourg and the Depository Trust Company of New York are so recognised); or
  - (b) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes are quoted on a recognised stock exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

If, for any reason, the quoted Eurobond exemption referred to above does not apply (e.g. where the Notes carry no interest or where the Notes are not quoted on a recognised stock exchange) or the quoted Eurobond exemption ceases to apply, then under Section 246 of the Taxes Act, the Issuer can pay interest on the Notes free of withholding tax provided the interest is paid by the Issuer to a Qualifying Noteholder (as defined below).

The Irish Revenue Commissioners has also previously confirmed that Notes issued at a discount will not attract Irish withholding tax in respect of the discount. Therefore, there should be no withholding tax on the discount arising on the Zero Coupon Notes issued at a discount to their principal amount.

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any quoted Eurobond, where such interest is collected by a bank in Ireland on behalf of any Noteholder who is Irish resident.

“Qualifying Noteholder” means a Noteholder which is beneficially entitled to interest payable to that Noteholder and which is:

- (a) a company (which receives the payment from the Issuer and which is made by the Issuer in the ordinary course of the Issuer’s trade or business) resident for tax purposes in a country with which Ireland has a double taxation treaty (including a country with which Ireland has signed a double tax agreement that does not have the force of law but which on completion of the procedures set out in Section 826(1) of the Taxes Act will have the force of law) or a member state of the European Communities (other than Ireland) (together a “Relevant Territory”) where residence is determined under the tax laws of the relevant country or Member State, provided that the interest is not paid to that company in connection with a trade or business which is carried on in Ireland by it through a branch or agency and either (i) the Relevant Territory imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory; or (ii) the company is exempted from a charge to income tax on the interest under a double taxation treaty with Ireland or would be exempted from a charge to income tax on the interest under a double taxation treaty with Ireland which has been signed but does not yet have the force of law;

and provided that where the recipient is:

- a U.S. corporation, the U.S. corporation is incorporated in the U.S. and subject to tax in the U.S. on its worldwide income; or
- a U.S. LLC, the ultimate recipients of the interest are resident in and under the laws of a Relevant Territory and the business conducted through the LLC is so structured for market reasons and not for tax avoidance purposes; or

- (b) a qualifying company within the meaning of Section 110 of the Irish Taxes Consolidation Act, 1997 (as amended) (“Taxes Act”) and the interest is paid in Ireland; or
- (c) a person who is treated as a resident of a Treaty State for the purposes of a double taxation agreement and who does not carry on a business in Ireland through a permanent establishment with which the holding of the Notes can be connected and who has completed any required procedural formalities to enable the relevant payment to be made without a tax deduction whereby the Irish Revenue Commissioners have provided clearance to the Issuer to make such payments without deduction of Irish tax. Treaty State means a jurisdiction having a double taxation agreement with Ireland which makes provision for full exemption from tax imposed by Ireland on interest; or
- (d) a Company which advances money in the ordinary course of a trade which includes the lending of money and in whose hands any interest payable in respect of monies so advanced is taken into account in computing the trading income of such company and which has made the appropriate notifications under Section 246(5)(a) of the Taxes Act, to the Irish Revenue Commissioners and to the Issuer; or
- (e) a person which is, pursuant to Section 9 of the Central Bank Act, 1971 of Ireland licensed to carry on banking business in Ireland and which is carrying on a bona fide banking business in Ireland for the purposes of Section 246(3)(a) of the Taxes Acts with which the holding of the Notes is connected and the interest is paid in Ireland; or
- (f) an authorised credit institution under the terms of EU Council Directive 2000/12/EC of 20 March 2000 which has duly established a branch in Ireland or has made all necessary notifications to its home state competent authorities required thereunder in relation to its intention to carry on banking business in Ireland and carries on a bona fide banking business in Ireland for the purposes of Section 246(3)(a) of the Taxes Act, with which the holding of the Notes is connected and the interest is paid in Ireland.

### **Taxation of Noteholders**

Notwithstanding that a Noteholder may receive interest, or a discount on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax and levies. Any interest or discount paid on the Notes may have an Irish source and therefore be within the charge to Irish income tax and levies. Ireland operates a self assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

However, any interest or discount on the Notes will be exempt from Irish income tax if the recipient of the interest or discount is resident in a Relevant Territory provided either:

- (a) the Notes are quoted Eurobonds and are exempt from withholding tax as set out above;
- (b) the Notes qualify as wholesale debt instruments within the meaning of Section 246A of the Taxes Act and are exempt from withholding tax;
- (c) in the event of the Notes not being or ceasing to be quoted Eurobonds or wholesale debt instruments exempt from withholding tax, where the interest is paid by a company (such as the Issuer) in the ordinary course of its trade or business to a company that is resident in a relevant territory and the interest is not paid to that Company in connection with a trade or business which is carried on in Ireland by it through a branch or agency and either (i) the Relevant Territory imposes a tax that generally applies to interest receivable in that territory by Companies from sources outside that territory; or (ii) the company is exempted from a charge to income tax on the interest under a double taxation treaty with Ireland or would be exempted from a charge to income tax on the interest under a double taxation treaty with Ireland which has been signed but does not yet have the force of law; or

- (d) the Notes are issued in the ordinary course of a trade or business carried on by the Issuer at a discount to principal amount.

For the above purposes of (a) – (d) above, residence is determined under the terms of the relevant double taxation agreement, or in the case of a person not resident in a country with which Ireland has a double taxation agreement but is tax resident in an EU Member State, the law of the Member State.

A further exemption from Irish income tax on interest arising on the Notes was introduced by the Finance Act 2012 in the case of a) and b) above, where the recipient is:-

- (i) a company where either:-
- (1) the company is under the control, whether directly or indirectly, of a person or persons who, by virtue of the law of a Relevant Territory, is or are resident for the purposes of tax in the Relevant Territory and who is or are, as the case may be, not under the control, whether directly or indirectly, of a person who is, or persons who are, not so resident; or
  - (2) the company's principal class of shares are shares of which, or
    - (A) where the company is a 75 per cent subsidiary of another company, of that other company, or
    - (B) where the company is wholly-owned by 2 or more companies, of each of those companies,

is substantially and regularly traded on a stock exchange in Ireland, on one or more than one recognised stock exchange in a Relevant Territory or territories or on such other stock exchange as may be approved by the Minister for Finance.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on any interest or discount.

If, however, the exemption under Section 198 does not apply and the double tax treaty does not exempt the interest earned or there is no double tax treaty between Ireland and the jurisdiction of the holder of the Notes, there is a long standing practice (as a consequence of the absence of a collection mechanism rather than adopted policy) whereby the Revenue Commissioners do not take any action to pursue any liability to such tax in respect of persons who are not regarded as being resident in Ireland except where such persons:

- are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or
- are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of the Noteholders.

### **Capital Gains Tax**

A holder of Notes will be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Notes are used or held.

## Stamp Duty

Irish stamp duty will not be imposed on the issue and/or the transfer of the Notes once the Notes satisfy the “loan capital” exemption. Loan capital is defined as any debenture stock, bonds or funded debt, by whatever name known, or any capital raised which is borrowed or has the character of borrowed money, whether in the form of stock or in any other form. The Notes should qualify as loan capital. Under this exemption Irish stamp duty does not apply in respect of the issue and/or transfer of “loan capital” provided certain conditions are met:

*On the Issue:* The issue of the Notes will be exempt from stamp duty provided the Notes are not a charge or incumbrance on property situated in Ireland:

*On the Transfer:* The transfer of the Notes will be exempt from stamp duty provided all of the following conditions are met:

- the Notes are not convertible into Irish registered shares or into loan capital having such right of conversion;
- the Notes do not carry rights of the same kind as shares in the capital of a company (such as voting rights a share in the profits or a share in the surplus upon liquidation);
- the Notes are issued for a price which is not less than 90 per cent. of their nominal value; and
- the Notes do not carry a right to a sum in respect of repayment of interest which is related to certain movements in an index or indices (based wholly or partially and directly or indirectly on stocks or marketable securities) specified in any instrument or other document relating to the Notes.

Alternatively, with regard to the transfer of the Notes, where title to the Notes passes by the delivery of a bearer instrument, no duty should be payable once the transfer occurs outside Ireland, the Notes do not end up located in Ireland and the Notes are not secured over Irish property.

## Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situate in Ireland.

If the Notes are comprised in a gift or inheritance taken from an Irish resident or ordinarily resident disponent or taken by an Irish resident or ordinarily resident beneficiary, or if any of the Notes are regarded as property situate in Ireland, the beneficiary of such Notes may be liable to capital acquisitions tax. It is possible that Notes issued by the Note Issuer may be regarded as property situate in Ireland. Accordingly, if such Notes are comprised in a gift or inheritance, the beneficiary of such Notes may be liable to capital acquisitions tax, even though the disponent or beneficiary may not be resident or ordinarily resident in Ireland. A person who is not domiciled in Ireland for the purposes of Irish tax may be deemed to be Irish resident or Irish ordinary resident for capital acquisitions tax in certain circumstances. The standard rate of capital acquisition tax is currently 30 per cent.

With regard to Irish tax residency for capital acquisitions tax purposes, special rules apply for non-Irish domiciled persons. A non-Irish domiciled donee or disponent will not be deemed to be resident or ordinarily resident in Ireland at the relevant date unless:

- that person has been resident in Ireland for the 5 consecutive years of assessment immediately preceding the year of assessment in which that date falls; and
- that person is either resident or ordinarily resident in Ireland on that date.

## **Implementation in Ireland of the EU Savings Directive**

The Council of the European Union has adopted a directive regarding the taxation of interest income known as the European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC). Ireland has implemented the directive into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European Union or certain associated and dependent territories of a Member State will have to provide details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address) to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 21 June 2012 (the “Programme Agreement”), agreed with the Issuers and the Guarantor 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 Issuers (including the Guarantor) have 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.

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.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer, the Guarantor (where the relevant Issuer is other than BMPS) and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

### **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 relevant Issuer and the Guarantor (where the relevant Issuer is other than BMPS) 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 relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, 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 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 issued by MPIL having 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 MPIL;
- (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 does not, or in the case of BMPS, would not, if it was not an authorised person, apply to the relevant 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.

## Ireland

Each Dealer has warranted and agreed, and each further Dealer appointed under the Programme will be required to warrant and agree, that, to the extent applicable:

- (a) it has not and will not underwrite the issue of, or place, offer or sell or otherwise act in Ireland in respect of any Notes other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation and Irish market abuse law (as such term is defined in the Irish Investment Funds Companies and Miscellaneous Provisions Act, 2005 (the “2005 Act”) including the Market Abuse (Directive 2003/6/EC) Regulations 2005 (S.I. No. 342 of 2005) and any rules issued under section 34 of the 2005 Act (as each of the foregoing may be amended, varied or supplemented from time to time));
- (b) it has not underwritten and will not underwrite the issue of or place the Notes or take any other action in connection with the Notes otherwise than in conformity with the provisions of (i) the Irish Investor Compensation Act, 1998 including, without limitation, Section 21 thereof; (ii) the Irish Investment Intermediaries Act, 1995 (as amended, supplemented and replaced) and any codes of conduct, guidance and other requirements issued in connection therewith with respect to anything done by it in relation to the Notes; and (iii) the European Communities (Markets in Financial Instruments) Regulations, 2007 (S.I. No. 60 of 2007) (as amended) including, without limitation, Parts 6, 7 and 12 thereof and any codes of conduct, other requirements and guidance issued in connection therewith (as each of the foregoing may be amended, varied or supplemented from time to time);
- (c) it has not underwritten and will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the Companies Acts 1963-2009, the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued

under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 (as each of the foregoing may be amended, varied or supplemented from time to time);

- (d) where an Irish Issuer wishes to issue Notes with a maturity of less than one year it shall ensure that it is in full compliance with notice BSD C01/02 issued by the Central Bank of Ireland. An investment in any such Notes does not have the status of a bank deposit and is not within the scope of the Deposit Protection Scheme operated by the Central Bank of Ireland nor any Irish government guarantee scheme and the Issuer of any Notes covered by the foregoing notice would not be regulated by the Central Bank of Ireland arising from the issue of such Notes; and
- (e) it has not underwritten and will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942-2010 (as amended) and any codes of conduct or rules made under Section 117(1) of the Central Bank Act, 1989 (as amended).

## **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 neither of the Issuers nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers 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.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuers and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## 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, the 2001 update and increase of the Programme were duly authorised by a resolution of the Board of Directors dated 18 January 2001, the 2002 update of the Programme was duly authorised by a proposal of the Finance Department of the Bank dated 9 January 2002 as accepted by the Managing Director on 22 January 2002, the 2003 update and increase of the Programme were duly authorised by a resolution of the Board of Directors dated 10 April 2003, the 2004 update of the Programme was duly authorised by a proposal of the Finance Department of the Bank dated 30 April 2004 as accepted by the Managing Director on 12 May 2004, the 2005 update and increase of the Programme were duly authorised by a proposal of the Finance Department of the Bank dated 12 April 2005 as accepted by the Board of Directors on 14 April 2005, the 2006 update of the Programme was duly authorised by a proposal submitted by the Treasury and Capital Management Department - Capital Management, ALM and ACPM of the Group Office, dated 9 November 2006 as accepted by the Board of Directors on 23 November 2006 and the 2007 update of the Programme was duly authorised by a resolution of the Board of Directors of MPIL dated 12 December 2007 and by a resolution of the Board of Directors of BMPS dated 5 December 2007. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 7 June 2007 and 5 December 2007.

The 2009 update was duly authorised by a resolution of the Board of Directors of MPIL dated 23 January 2009 and by a resolution of the Board of Directors of BMPS dated 11 December 2008 and the 2010 update was duly authorised by a resolution of the Board of Directors of MPIL dated 22 January 2010 and by resolutions of the Board of Directors of BMPS dated 11 December 2008 and 10 December 2009. The previous update was duly authorised by a resolution of the Board of Directors of MPIL dated 10 March 2011 and by a resolution of the Board of Directors of BMPS dated 13 January 2011. The current update has been duly authorised by a resolution of the Board of Directors of MPIL dated 1 June 2012 and by a resolution of the Board of Directors of BMPS dated 24 November 2011.

### 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 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 Issuers 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 and the constitutional documents of MPIL;
- (ii) the consolidated and non-consolidated audited financial statements of BMPS in respect of the financial years ended 31 December 2010 and 31 December 2011 (with an English translation thereof) and the audited financial statements of MPIL in respect of the financial years ended 31 December 2010 and 31 December 2011, in each case together with the audit reports prepared in connection therewith. BMPS currently prepares audited consolidated and non-consolidated accounts on an annual basis and MPIL currently prepares audited financial statements 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 Guarantee, 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 including Final Terms (save that a Final Terms relating to an unlisted Note 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).

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

### **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. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

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 relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

Save as disclosed at pages 85, 86, 87 and 90 of the Base Prospectus, there has been no significant change in the financial or trading position of BMPS or the Group since 31 December 2011 or of MPIL since 31 December 2011 and there has been no material adverse change in the prospects of BMPS, MPIL or the Group since 31 December 2011, or in the prospects of MPIL since 31 December 2011.

### **Litigation**

Neither BMPS or MPIL 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 or MPIL are 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 MPIL or the Group, save (in the case of MPIL) as disclosed under “Monte Paschi Ireland Limited - Litigation”, above.

### **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 2011.

KPMG S.p.A., independent accountants 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 2010.

The auditors of MPIL are KPMG, Ireland, independent accountants and a member of the chartered accountants qualified to practice in Ireland, who have audited MPIL’s accounts, without qualification, in accordance with International Standards on Auditing (UK and Ireland) for the financial years ended on 31 December 2010 and on 31 December 2011.

### **Post-issuance Information**

Save as set out in the Final Terms, the Issuers do not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities.

### **Dealers Transacting with the Issuers**

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 Issuers or Issuers’ affiliates. If any of the Dealers or their affiliates has a lending relationship with the Issuers, certain of the Dealers or their affiliates may routinely hedge their credit exposure to the Issuers 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 ISSUERS

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