

**FIRST SUPPLEMENT DATED 22 JANUARY 2016 TO THE BASE PROSPECTUS DATED 11
NOVEMBER 2015**



BANCA IMI S.p.A.

(incorporated with limited liability in the Republic of Italy)

STRUCTURED NOTE PROGRAMME

This first supplement (the **First Supplement**) to the Base Prospectus dated 11 November 2015 (the **Base Prospectus**) constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the **Prospectus Regulations**) and is prepared in connection with the Structured Note Programme (the **Programme**) established by Banca IMI S.p.A. (the **Issuer**). Terms defined in the Base Prospectus have the same meaning when used in this First Supplement.

This First Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus issued by the Issuer.

This First Supplement has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this First Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

Any websites referred to herein do not form part of the First Supplement.

The Issuer accepts responsibility for the information contained in this First Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this First Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

In accordance with Article 16.2 of the Prospectus Directive, in the case of an offer of Notes to the public, investors who have already agreed to purchase or subscribe for Notes issued under the Structured Note Programme before this First Supplement, dated 22 January 2016, is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date of publication of this First Supplement to withdraw their acceptances. This right to withdraw shall expire by close of business on 26 January 2016.

1. PURPOSE OF THIS SUPPLEMENT

The purpose of this First Supplement is to update the risk factor "*Banca IMI operates within a highly regulated industry and its business and results are affected by the regulations to which it is subject including the Banking Resolution and Recovery Directive*" as a result of the implementation of Directive 2014/59/EU in Italy ("**BRRD**"). Since the Issuer is an Italian bank, the information concerning the implementation of BRRD in Italy is capable of affecting the assessment of the Notes by the investors.

The section "Risk Factors" will be amended as better specified under paragraph 2 of this First Supplement:

Save as disclosed in this First Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen since the publication of the Base Prospectus.

Copies of the Base Prospectus and of this First Supplement can be obtained from the registered office of the Issuer and from the specified offices of the Principal Security Agent for the time being in Luxembourg. The Base Prospectus and this First Supplement are available on the official website of the Issuer at

<https://www.bancaimi.prodottiequotazioni.com/EN/Legal-Documents> and on the official website of the Irish Stock Exchange at <http://www.ise.ie/Market-Data-Announcements/Debt/Individual-Debt-Instrument-Data/Dept-Security-Documents/?progID=859&FIELDSORT=docId>

2. RISK FACTORS

The risk factor “*Banca IMI operates within a highly regulated industry and its business and results are affected by the regulations to which it is subject including the Banking Resolution and Recovery Directive*” of Section “Risk Factors” on pages 38-40 of the Base Prospectus shall be replaced by the following:

Banca IMI operates within a highly regulated industry and its business and results are affected by the regulations to which it is subject including the Banking Resolution and Recovery Directive

Banca IMI operates within a highly regulated environment and it is subject to extensive regulation and supervision by the Bank of Italy, the Italian Securities and Exchange Commission (CONSOB), the European Central Bank and the European System of Central Banks. The regulations to which Banca IMI is subject will continue to have a significant impact on Banca IMI's operations and the degree to which it can grow and be profitable. Regulators to which Banca IMI is subject have significant power in reviewing Banca IMI's operations and approving its business practices.

Areas where changes or developments in regulation and/or oversight could have an adverse impact include, but are not limited to (i) changes in monetary, interest rate and other policies, (ii) general changes in government and regulatory policies or regimes which may significantly influence investor decisions or may increase the costs of doing business in the markets where Banca IMI carries out its business, (iii) changes in capital adequacy framework, imposition of onerous compliance obligations, restrictions on business growth or pricing and requirements to operate in a way that prioritises other objectives over shareholder value creation, (iv) changes in competition and pricing environments, (v) differentiation amongst financial institutions by governments with respect to the extension of guarantees to banks and the terms attaching to such guarantees, and (vi) further developments in the financial reporting environment.

The regulatory framework governing international financial markets has been amended in response to the credit crisis, and new legislation and regulations have been introduced in Italy and the European Union that will affect Banca IMI. Such initiatives include, but are not limited to, requirements for liquidity, capital adequacy and handling of counterparty risks, regulatory tools provided to authorities to allow them to intervene in scenarios of distress and the introduction of a common system of financial transaction tax in the euro area.

In detail, the Basel Committee on Banking Supervision has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks, the principal elements of which are set out in its papers released on December 2010, January 2011 and July 2011 (“Basel III”). The European Commission proposed a legislative package to strengthen the regulation of the banking sector through the combination of an amendment to the Capital Requirements Directive (Directive 2013/36/EU, known as the **CRD IV**) and the implementation of the Capital Requirements Regulation (Regulation 575/2013, known as the **CRR**, together with the CRD IV, the **CRR/CRD IV Package**). The CRD IV and the CRR have entered into force on 1 January 2014 based on a progressive implementation plan.

Developments in the regulatory framework include, among the main innovations, increased level and enhanced quality of banks' capital (with the introduction of the Common Equity Tier 1 - CET1), the introduction of the Leverage Ratio (ratio between the Core Tier I and Total Assets, including the off balance sheet adjusted for the actual exposure in derivatives), changes to the assessment of counterparty risk and introduction of two new regulatory liquidity ratios (Liquidity Coverage Ratio - LCR and Net Stable Funding Ratio - NSFR).

On 2 July 2014, the Directive 2014/59/EU of the Parliament and of the Council of the European Union establishing a framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) entered into force. It is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable

prospect that any alternative private sector measures or supervisory action would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest:

- (i) the sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms;
- (ii) the creation and use of a bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control);
- (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and
- (iv) bail-in which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including Notes to equity, which equity could also be subject to any future application of the bail-in tool.

The BRRD also provides as a last resort the right for a Member State, having assessed and utilised the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

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

When applying the bail-in, the resolution authority must first reduce or cancel common equity tier one, thereafter reduce, cancel, convert additional tier one instruments, then tier two instruments and other subordinated debts to the extent required and up to their capacity. If and if only this total reduction is less than the amount needed, the resolution authority will reduce or convert to the extent required the principal amount or outstanding amount payable in respect of unsecured creditors in accordance with the hierarchy of claims in normal insolvency proceedings.

The BRRD excludes certain liabilities from the application of the bail-in tool and provides also that the resolution authorities may exclude or partially exclude certain further liabilities from the application of the bail-in tool. Accordingly, *pari passu* liabilities may be treated unequally and, for example, holders of Notes of a Series may be subject to write-down or conversion upon an application of the bail-in tool while other Series of Notes (or other *pari passu* ranking liabilities) are partially or fully excluded from such application of the bail-in tool. As a result, the claims of other holders of junior or *pari passu* liabilities may be excluded from the application of the bail-in tool and therefore the holders of such claims may receive a treatment which is more favourable than that received by Noteholders.

Furthermore, the resolution authorities will have the power to cancel debt instruments, and the power to amend or alter the maturity of debt instruments and other eligible liabilities or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The BRRD provides that Member States shall apply those measures from 1 January 2015, except for the bail-in tool which is to be applied from 1 January 2016 at the latest. The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Furthermore, when implemented in the Member States, the relevant provisions, including the bail-in tool, may be applied to the outstanding financial instruments, even to those already issued before 1 January 2016 and, therefore, it may have retroactive effect. In addition, the BRRD does not prevent Member States, from amending

national insolvency regimes to provide other types of creditors, such as holders of deposits or other operating liabilities of the Banca IMI with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors such as the Noteholders. In Italy, the provisions of the BRRD have been implemented into national law through Legislative Decrees no. 180 and no. 181, published in the Official Gazette on 16 November 2015 (the "**Decrees**").

Noteholders should be aware that, as part of the reforms introduced by the Decrees, an extended depositor preference will be applicable in national insolvency hierarchy. In particular, all deposits (including large corporate and interbank deposits) will be preferred in the insolvency hierarchy ahead of all other unsecured senior creditors. Therefore, in addition to the statutory preference provided by Article 108 of the BRRD to (i) covered deposits and (ii) non-covered deposits from natural persons and micro, small and medium-sized enterprises (preferred after covered deposits), applicable as of 16 November 2015, the Decrees establish a further preference for all other deposits that is expected to enter into force from 1 January 2019.

The Notes may thus be subject to write-down or conversion into equity on any application of the bail-in tool, which may result in such holders losing some or all of their investment.

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

The Regulation 806/2014/EU of the European Parliament and of the Council of 15 July 2014 establishes a Single Resolution Mechanism (**SRM**) for the Banking Union (i.e. Euro-zone and participating countries). Under this Regulation, a centralised power of resolution is established and entrusted to a Single Resolution Board and to the national resolution authorities. The SRM is directly applicable in participating EU countries (including Italy) starting since 1 January 2016. It is aimed at ensuring a full harmonisation of the resolution, including the bail-in tool, in the Banking Union.

Under the Single Supervisory Mechanism (**SSM**), the European Central Bank has been granted direct powers of supervision over banks resident in the Euro area and other Member States that are part of the Banking Union with the responsibility to ensure inter alia consistent application of legal provisions across the Euro Area. The Issuer belongs to the Intesa Sanpaolo Group, which is one of the Italian banking groups that is monitored by the European Central Bank.

Such enhanced capital requirements, restrictions on liquidity, increased ratios applicable to the Issuer on the basis of laws and/or regulations that will be adopted and/or will enter into force in the future, are expected to have a significant impact on the capital and asset and liability management of Banca IMI and costs involved could have a material adverse effect on the Banca IMI's business, financial condition and results of operations. In addition, as Banca IMI expands its international operations, its activities will become subject to an increasing range of laws and regulations that will likely impose new requirements and limitations on certain of Banca IMI's operations.

3. GENERAL

All references to pages, sections, sub-sections, paragraphs, sub-paragraphs, sentences and lines referred to in this First Supplement are intended to be to the original unsupplemented Base Prospectus, notwithstanding any amendments described herein.

To the extent that there is any inconsistency between (a) any statement in this First Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this First Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

Banca IMI S.p.A.

22 January 2016