

**FIRST SUPPLEMENT DATED 18 JULY 2014 TO THE BASE PROSPECTUS DATED 24
APRIL 2014**



BANCA IMI S.p.A.

(incorporated with limited liability in the Republic of Italy)

HYBRID CERTIFICATES PROGRAMME

This first supplement (the **First Supplement**) to the Base Prospectus dated 24 April 2014 (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 Hybrid Certificates 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.

The language of the First Supplement is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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.

1. PURPOSE OF THIS SUPPLEMENT

On 29 April 2014 Banca IMI S.p.A. approved its audited company financial statements and the audited consolidated financial statements for the financial year ending 31 December 2013.

On 14 May 2014 Banca IMI S.p.A. approved its unaudited financial statements and its unaudited consolidated financial statements as at and for the three months ending 31 March 2014.

By virtue of this First Supplement, both the audited financial statements for the financial year ending 31 December 2013 and the unaudited financial statements as at and for the three months ending 31 March 2014 are incorporated in, and forms part of, the Base Prospectus.

The purpose of this First Supplement is to:

- (i) disclose the audited company financial statements and the audited consolidated financial statements of the Issuer for the financial year ending 31 December 2013;

- (ii) disclose the unaudited financial statements and the unaudited consolidated financial statements of the Issuer as at and for the three months ending 31 March 2014; and
- (iii) update certain information contained in the Base Prospectus in light of recent changes in the taxation of the certificates in the Republic of Italy.

The following sections will be amended and/or updated, as the case may be and as better specified under paragraphs 2 to 7 of this First Supplement:

- Summary of the Programme;
- Risk Factors;
- Documents incorporated by reference;
- Description of the Issuer;
- Taxation in the Republic of Italy; and
- General Information.

Except as disclosed in this Supplement, there has been:

- (i) no significant change in the financial or trading position of the Issuer since 31 March 2014; and
- (iii) no material adverse change in the prospects of the Issuer since 31 December 2013.

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 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 <http://retailhub.bancaimi.com/retailhub/DOCUMENTAZIONE-LEGALE/PROSPETTI-BANCA-IMI.html> and on the official website of the Irish Stock Exchange at www.ise.ie and all documents incorporated by reference herein are available on the official website of the Issuer at <http://www.bancaimi.com/bancaimi/en/chi-siamo/bilanci-e-relazioni.html> and on the official website of the Irish Stock Exchange at www.ise.ie.

2. SUMMARY OF THE PROGRAMME

- I. Section B "**Issuers and Guarantor**" on page 12 of the Summary of the Programme in the Base Prospectus shall be replaced by the following:

As a result of the approval of both the audited financial statements for the financial year ending 31 December 2013 and the unaudited financial statements as at and for the three months ending 31 March 2014, as stated above, the Section B "Issuers and Guarantor" of the "Summary of the Programme" in the Base Prospectus is no longer correct and the current information is set out in the amended "Summary of the Programme" in Schedule 1 hereto.

- II. Element D.2 "**Key risks specific to the Issuer**" of section D "**Risks**" on page 21 of the Summary of the Programme in the Base Prospectus shall be replaced by the following:

The paragraph "Factors that may affect the Issuer's ability to fulfil its obligations under Certificates issued under the Programme" of the section "Risk Factors" on page 29 of the Base Prospectus (please see paragraph 3 "Risk Factors" of this First Supplement) has been updated, therefore the Element D2 "Key risks specific to the Issuer" of section D "Risks" of the Summary of the Programme in the Base Prospectus is no longer correct and has been updated accordingly, as set out in the amended "Summary of the Programme" in Schedule 1 hereto.

- III. Paragraph "**U.S. Foreign Account Tax Compliance Withholding**" of Element D.6 "**Key risks specific to the securities**" of section D "**Risks**" on page 26 of the Summary of the Programme in the Base Prospectus shall be amended as follows:

As a result of the latest legislative innovations concerning foreign account tax compliance provisions (**FATCA**), the paragraph "U.S. Foreign Account Tax Compliance Withholding" of Element D.6 "Key risks specific to the securities" of section D "Risks" of the Base Prospectus (please see paragraph 3 "Risk Factors" of this First Supplement) has been updated accordingly, as set out in the amended "Summary of the Programme" in Schedule 1 hereto.

3. RISK FACTORS

- I. The paragraph "**Factors that may affect the Issuer's ability to fulfil its obligations under Certificates issued under the Programme**" of the section "**Risk Factors**" on page 29 of the Base Prospectus shall be replaced by the following:

Factors that may affect the Issuer's ability to fulfil its obligations under Certificates issued under the Programme

Banca IMI's business may be adversely affected by international markets and economic conditions

Banca IMI's business may be adversely affected in a material extent by conditions in the global financial markets and economic conditions generally both in Italy and internationally. Factors such as the liquidity of the global financial markets; the level and volatility of equity and bond prices; interest rates and commodities prices; investor sentiment; inflation; and the availability and cost of credit may significantly affect Banca IMI's business and as a result Banca IMI's operating results, financial condition and prospects. The possibility that one or more EU Member State may leave the European Monetary Union or, in an extreme scenario, the European Monetary Union may be dissolved, may affect as well with unpredictable consequences Banca IMI's business and as a result Banca IMI's operating results, financial condition and prospects.

A market downturn would likely lead to a decline in the volume of transactions that Banca IMI executes for its customers and, therefore, lead to a decline in the revenues it receives from trading commissions and spreads. In addition, lower market volatility will reduce trading and arbitrage opportunities, which could lead to lower trading revenues. Higher interest rates or weakness in the markets also could adversely affect the willingness of financial sponsors or investors to participate in loan syndications or underwritings managed by Banca IMI. In addition, the revenues derived from mark-to-market values of Banca IMI's financial and other assets may be affected by many factors, including its credit standing, its success in proprietary positioning, volatility in interest rates and equity and debt markets and other economic and business factors and other factors. There can be no assurance that any volatility relating to the above factors or other conditions could not materially adversely affect Banca IMI's operating results, financial condition and prospects.

Disruptions and volatility in the global and the Euro-zone financial markets may adversely impact Banca IMI's business

From August 2007, the global financial system has experienced unprecedented credit and liquidity conditions and disruptions leading to a reduction in liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency in money and capital markets interest rates. Following a period of stabilisation in 2010 and the first half of 2011, the recovery was adversely affected by turmoil and disruptions in the capital markets that were triggered by high sovereign budget deficits and rising direct and contingent sovereign debt in certain EU countries. Despite rescue packages provided to certain of these countries during the past years, uncertainty over the outcome of these measures and worries about sovereign finances continued to persist, which, together with concerns about the overall stability and sustainability of the euro area, resulted in further volatility in the global credit and liquidity markets. Reflecting these concerns, Standard & Poor's, Moody's and Fitch have repeatedly downgraded the credit ratings of several EU countries. Market concerns over the direct and indirect exposure of European banks and insurers to these countries as well as to each other also resulted in a widening of credit spreads, increased costs of funding and negative credit ratings outlook for some European financial institutions. Even though market conditions have improved somewhat, the developments in the financial markets were driven mainly by central bank initiatives and markets remained volatile with uncertainty about future macroeconomic developments. It cannot be excluded that, for example, a further deterioration of public finances of certain European countries would lead to new funding uncertainty, resulting in increased volatility, and a potential tightening of liquidity conditions in the future widening credit spreads. Risks related to the European economic crisis have also had, and are likely to continue to have, a negative impact on global economic activity and the financial markets. If these conditions continue to persist, or should there be any further turbulence in these or other markets, this could have a material adverse effect on the Banca IMI's ability to access capital and liquidity on financial terms acceptable to it. Further, as Banca IMI's businesses and revenues

are mainly derived from operations in the Italian and Euro-zone markets, they may be subject to negative fluctuations as a result of the above considerations. There can be no assurance that Banca IMI will not suffer losses in the future arising from its trading activities or operations in the Italian and Euro-zone markets. In addition, there is no assurance that the debt crisis in the Euro-zone will not affect Banca IMI's liquidity sources and funding capabilities.

Negative economic developments and conditions in the markets in which Banca IMI operates may adversely affect the Banca IMI's business and results of operations.

Banca IMI's performance is significantly influenced by the general economic condition in the countries in which it operates, in particular Italy and, to a lesser degree, other EU countries.

Adverse economic developments have affected and may continue to affect the Banca IMI's business in a number of ways, including, among others, the income, wealth, liquidity, business and/or financial condition of the Banca IMI's customers, which, in turn, could further reduce the Banca IMI's credit quality and demand for the Banca IMI's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Banca IMI's business, financial condition and results of operations, and measures implemented by Banca IMI might not be satisfactory to reduce any credit, market and liquidity risks.

Banca IMI's business is sensitive to current adverse macroeconomic conditions in Italy

Although Banca IMI operates in many countries, Italy is its primary market. Banca IMI's businesses are therefore particularly sensitive to adverse macroeconomic conditions in Italy.

The persistence of adverse economic conditions in Italy, or a slower recovery in Italy compared to other Euro-zone and OECD nations, could have a material adverse effect on Banca IMI's business, results of operations or financial condition.

In addition, any downgrade of the Italian sovereign credit rating, or the perception that such a downgrade may occur, may destabilise the markets and have a material adverse effect on the Banca IMI's operating results, financial condition and prospects.

As Banca IMI's businesses and revenues are mainly derived from operations in the Italian and Euro-zone markets, they may be subject to negative fluctuations as a result of the above considerations. There can be no assurance that Banca IMI will not suffer losses in the future arising from its trading activities or operations in the Italian and Euro-zone markets. In addition, there is no assurance that the debt crisis in the Euro-zone will not affect Banca IMI's liquidity sources and funding capabilities.

Banca IMI's business is exposed to counterparty credit risk

Counterparty credit risk is the risk of losses due to the failure on the part of Banca IMI's counterparties to meet their payment and/or deliveries obligations to the Issuer, or the risk that Banca IMI's counterparties creditworthiness may be adversely affected. Counterparty credit risk refers to all claims against customers, mainly loans, but also liabilities in the form of other extended credits, guarantees, holding of securities, approved and undrawn credits, as well as counterparty risk arising through derivatives (including over-the counter derivatives) and foreign exchange contracts.

In particular, Banca IMI routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, funds and other institutional and corporate clients. Many of these transactions expose Banca IMI to the risk that the Banca IMI's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults on its obligations prior to maturity when Banca IMI has an outstanding claim against that counterparty. Due to volatility in foreign exchange and fixed income markets during the past years, this risk has remained at an elevated level compared to the period preceding the global financial and economic crisis.

Banca IMI's counterparties may be unable to meet their obligations to the Issuer due to bankruptcy, lack of liquidity, operational malfunctioning or for any other reasons and any such default could have an adverse effect on Banca IMI's operating results, financial condition and prospects.

In addition, the default of any important participant in the financial market or even the likelihood of such a default, even where such a participant is not a direct Banca IMI's counterparty, may give rise to significant liquidity problems or losses or defaults on the part of other banks, which in turn could have an adverse effect on the Issuer. Furthermore, a downgrading in the credit rating of third parties in which the Issuer holds securities and bonds could result in losses and/or have an adverse effect on the Issuer's capacity to enter into transactions on such securities or bonds, or to use such securities for liquidity purposes. A significant downgrading of the Issuer's counterparties could therefore have a negative impact on the Issuer's own results. Whereas, in many cases, the Issuer may be entitled to ask for additional guarantees from counterparties in financial difficulties, disputes may arise regarding the amounts of the guarantees that the Issuer is entitled to receive and/or the value of the assets required as security and/or additional security. Defaults, credit rating downgradings and disputes with counterparties regarding the valuation of guarantees usually increase substantially in circumstances where market turmoil and illiquidity are prevailing.

The credit quality of Banca IMI's on-balance sheet and off-balance sheet assets may be affected by business conditions. In a poor economic environment there is a greater likelihood that more of Banca IMI's customers or counterparties could become delinquent on their loans or other obligations to Banca IMI which, in turn, could result in a higher level of charge-offs and provision for credit losses, all of which are likely to adversely affect Banca IMI's operating results, financial condition and prospects.

Deterioration in Banca IMI's loan portfolio to corporate customers may affect Banca IMI's financial performance

Banca IMI makes provisions for loan losses in accordance with IFRS; however, the provisions made are based on available information, estimates and assumptions and are subject to uncertainty, and there can be no assurances that the provisions will be sufficient to cover the amount of loan losses as they occur. Adverse changes in the credit quality of Banca IMI's borrowers or a decrease in collateral values are likely to affect the recoverability and value of Banca IMI's assets and require an increase in Banca IMI's individual provisions and potentially in collective provisions for impaired loans, which in turn would adversely affect Banca IMI's financial performance. In particular, Banca IMI's exposure to corporate customers is subject to adverse changes in credit quality should the economic environment in the Banca IMI's markets deteriorate. Further, actual loan losses vary over the business cycle. It should also be pointed out that the Issuer's loan portfolio is subject to the asset quality review diligence by European Central Bank acting in cooperation with national supervisory authorities.

A significant increase in the size of the Banca IMI's allowance for loan losses and loan losses not covered by allowances would have a material adverse effect on the Banca IMI's business, financial condition and results of operations.

Banca IMI's business is exposed to settlement risk and transfer risk

As a consequence of its transactions in financial instruments, including foreign exchange rate and derivative contracts, Banca IMI is exposed to settlement risk and transfer risk. Settlement risk is the risk of losing the principal on a financial contract due to default by the counterparty or after when Banca IMI has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding payment or security has been finally confirmed, and transfer risk is the risk attributable to the transfer of money from a country other than the country where a borrower is domiciled, which is affected by the changes in the economic conditions and political situation in the countries concerned.

Banca IMI's business is exposed to market risk

Banca IMI is exposed to market risk, as the value of the financial and other assets held by Banca IMI in its trading portfolio may decrease as a result of changes in market variables (such as interest rates, exchange rates and currencies, stock market prices, the prices of raw materials, credit spreads and/or other variables). Such changes could be generated by changes in general economic trends, changes in investors' propensity to invest, monetary and fiscal policies, market liquidity on a global scale, reduced availability and increased cost of capital, rating agency decisions, political events at both local and international level, military conflicts.

To the extent volatile market conditions persist or recur, the fair value of Banca IMI's bond, derivative and credit portfolios, as well as other classes, could fall more than estimated, and therefore cause Banca IMI to record write-downs. Future valuations of the asset for which Banca IMI has already recorded or estimated write-downs, which will reflect the then prevailing market conditions, may result in significant changes in the fair values of these assets. Further, the value of certain financial instruments are recorded at fair value, which is determined by using financial models incorporating assumptions, judgments and estimations that are inherently uncertain and which may change over time or may ultimately be inaccurate. Any of these factors could require Banca IMI to recognise further write-downs or realise impairment charges. There can be no assurance that any reduction in value of the financial and other assets held by Banca IMI in its trading portfolio could not materially adversely affect Banca IMI's operating results, financial condition and prospects.

In addition, because Banca IMI's trading and investment income depends to a great extent on the performance of financial markets, volatile market conditions could result in a significant decline in the Banca IMI's trading and investment income, or result in a trading loss, which in turn could have a material adverse effect on the Banca IMI's business, financial condition and results of operations.

Banca IMI's business is exposed to operational risks

Operational risk is the risk of incurring losses as a result of the inappropriateness or the malfunctioning of procedures, of mistakes or shortcomings of human resources and internal systems, or external events. Among the main sources of operational risk there are: frauds, mistakes, business interruption, insecure information systems, failures to meet contractual obligations and finally social and environmental impacts. The legal risk is included, while the strategic and reputational risks are not. It is not possible to identify a prevailing source of operational risk constantly present within the Group, since said risk is inherent in all corporate processes and activities.

Banca IMI is exposed to many types of operational risk, and operational losses, including monetary damages, reputational damage, costs, and direct and indirect financial losses and/or write-downs, may result from inadequacies or failures in internal processes, systems (for example, information technology ("IT") systems), licences from external suppliers, fraud or other criminal actions, employee errors, outsourcing, failure to properly document transactions or agreements with customers, vendors, sub-contractors, co-operation partners and other third parties, or to obtain or maintain proper authorisation, or from customer complaints, failure to comply with regulatory requirements, including but not limited to anti-money laundering, data protection and antitrust regulations, conduct of business rules, equipment failures, failure to protect its assets, including intellectual property rights and collateral, failure of physical and security protection, natural disasters or the failure of external systems, including those of Banca IMI's suppliers or counterparties and failure to fulfil its obligations, contractual or otherwise.

If any of financial, accounting, or other data processing systems used by Banca IMI fail or have other significant shortcomings, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates such operations or systems, Banca IMI could be materially adversely affected, as any of these occurrences could result in a diminished ability of Banca IMI to operate one or more of its businesses, potential liability to clients, reputational damage and regulatory intervention.

Banca IMI may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control, which may include, for example, computer viruses or electrical or telecommunications outages or natural disasters or events arising from local or regional politics, including terrorist acts. Such disruptions may give rise to losses in service to customers and loss or liability to Banca IMI.

Although Banca IMI has implemented risk controls and taken other actions to mitigate exposures and/or losses, there can be no assurances that such procedures will be effective in controlling each of the operational risks faced by Banca IMI, or that Banca IMI's controls and procedures as well as business continuity and data security systems prove to be adequate at all times and in all circumstances. There is no assurance that significant deficiencies or material weakness in internal controls may not occur in the future.

Banca IMI's business is exposed to liquidity risk

Liquidity risk is the risk that Banca IMI will be unable to meet its obligations as they fall due or meet its liquidity commitments only at an increased cost.

Generally are identified two different categories in connection with the liquidity risk: (i) the Funding Liquidity Risk, (i.e. the risk of being unable to meet payment obligations caused by inability to obtain funding) and (ii) the Market Liquidity Risk (i.e. the presence of restrictions on the ability to sell assets without incurring in a capital loss, due to the illiquid nature of the market and/or due to the timing required for the transaction).

Banca IMI's funding capability is critical to its ability to operate its businesses, grow and be profitable. Potential conditions that could negatively affect Banca IMI's funding capability include events making Banca IMI unable to obtain access to capital markets by issuing debt instruments (with or without security) or materially impairing such ability, unforeseen cash or capital requirements or an inability to sell assets or redeem investments.

Further, the volume of funding sources, in particular long-term funding, may be constrained during periods of liquidity stress. Turbulence in the global financial markets and economy may adversely affect Banca IMI's liquidity and the willingness of certain counterparties and customers to do business with Banca IMI, which may result in a material adverse effect on Banca IMI's business and results of operations.

Banca IMI's credit ratings are also an important part of maintaining its liquidity and funding capability, as a reduction in Banca IMI's credit ratings would negatively affect Banca IMI's funding capability. A credit ratings downgrade, depending on its severity, could potentially increase borrowing costs, limit access to capital markets, require cash payments or collateral posting, and permit termination of certain contracts material to Banca IMI. Therefore, a reduction in credit ratings could adversely affect Banca IMI's access to liquidity and its competitive position, and thus, have a material adverse effect on its business, financial condition and results of operations. Further, there can be no assurances that Banca IMI will be able to maintain its current ratings or that Banca IMI can retain current ratings on its debt instruments.

In addition, it should be noted that in response to the Euro-zone financial markets crisis and its resulting effects (reduced liquidity available to market operators in the industry, increase of risk premiums and capital requirements demanded by investors), intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many Euro-zone countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral.

The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting Banca IMI's business, financial condition and results of operations.

Legal risks

In the normal course of its business, Banca IMI is party to a number of legal proceedings including civil, tax and administrative proceedings, as well as investigations or proceedings brought by regulatory agencies. Such actions brought against Banca IMI may result in judgments, settlements, fines, penalties or other results adverse to Banca IMI which could materially adversely affect Banca IMI's business, financial condition or results of operation, or cause it serious reputational harm.

As at 31 December 2013, provisions for risks and charges are in the amount of approximately €29,800,000.

For more detailed information, see paragraph headed "Litigation" under the section headed "Description of Banca IMI S.p.A."

Risks arising from assumptions and methodologies for assessing financial assets and liabilities measured at fair value

Issuer's accounting policies and methods are fundamental to how the Issuer records and reports its financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of Banca IMI's assets or liabilities and financial results and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain.

Estimates and assumptions are strongly influenced, inter alia, by the national and international market and economic context, the financial markets' performance, the volatility of financial parameters and credit quality, all factors that by their very nature are unpredictable and may have a significant impact on interest rate movements, price fluctuations and counterparties creditworthiness. Consequently, the estimates and assumptions used may vary from time to time and, as a result, in subsequent financial years the current values may differ, even significantly, due to changes in subjective assessments made or be otherwise reviewed to take account of changes occurred in that period.

Future changes in the fair value of financial assets or liabilities and/or their classification, also due to changes in market conditions and/or reduction of volumes traded on the markets resulting in a lower significance of exchange prices, may have significant negative effects on the operating income and/or on the Issuer's economic and financial position and/or net assets.

In addition, accounting standard setters and those who interpret the accounting standards (such as banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how Banca IMI records and reports its financial condition and results of operations. In some cases, Banca IMI could be required to apply a new or revised standard retroactively, resulting in the Issuer restating prior period financial statements.

Banca IMI's business is exposed to increasing competition in the financial services industry

Banca IMI operates in a highly competitive environment and expects competitive conditions to continue to intensify as continued merger activity in the financial services industry produces larger, better-capitalized and more geographically-diverse companies that are capable of offering a wider array of financial products and services at more competitive prices.

Banca IMI faces stiff competition in all business areas and competes both in Italy and abroad with investment banks, securities firms, brokerages and other financial services providers. Competition includes global financial institutions, local banks and European financial institution, which are more similar to Banca IMI in terms of both size and services offered.

Ongoing or increased competition may put downward pressure on prices for Banca IMI' products and services, may cause Banca IMI to lose market share, incur in profitability margins reduction, or may require Banca IMI to make additional capital investment in its businesses in order to remain competitive. If Banca IMI is unable to provide competitive product and service offerings, it may fail to attract new customers and/or retain existing customers, experience decreases in its interest, fee and commission income, and/or lose market share, the occurrence of any of which could have a material adverse effect on its business, financial condition and results of operations.

There can be no assurance that Banca IMI can maintain its competitive position or that the significant and increasing competition in the financial services industry will not materially adversely affect Banca IMI's future results of operations.

Banca IMI's business is exposed to risks arising from the loss of key personnel

The loss of key personnel, where the Issuer is unable to replace such persons in a timely manner, may adversely affect Banca IMI's business, financial condition or results of operation.

Banca IMI's framework for managing its risks may not be effective in mitigating risks and losses

Banca IMI's risk management framework is made up of various processes and strategies to manage Banca IMI's exposure. Types of risk to which Banca IMI is subject include liquidity risk, credit risk, market risk, operational risk, reputational and legal risk among others.

There can be no assurance that Banca IMI's framework to manage risk, including such framework's underlying assumption, will be effective under all conditions and circumstances. There can be no assurance that, should Banca IMI's risk management prove to be ineffective and/or ineffective in certain conditions or circumstances, this will not result in Banca IMI suffering unexpected losses or that such risk management inefficiency will not materially adversely affect Banca IMI's business, financial condition or results of operation.

Banca IMI's business is exposed to Reputational Risk

Banca IMI's ability to attract and retain customers and transact with its counterparties could be adversely affected to the extent its and/or Intesa Sanpaolo Group's reputation is damaged. In addition, the failure of Banca IMI to deal, or to appear to fail to deal, with various issues that could give rise to reputational risk could cause harm to Banca IMI and its business prospects and could adversely affect Banca IMI's operating results, financial condition and prospects.

Regulatory claims may arise in the conduct of the Banca IMI's business

In the ordinary course of its business, Banca IMI is subject to regulatory oversight and liability risk. Banca IMI carries out operations in a number of jurisdictions and is subject to regulation in each such jurisdiction. Regulations and regulatory requirements are continuously amended and new requirements are imposed on Banca IMI, including, but not limited to, regulations on conduct of business, anti-money laundering, payments, consumer credits, capital requirements, reporting and corporate governance. There can be no assurances that breaches of regulations by Banca IMI will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred. Banca IMI is involved in a variety of claims, disputes, and legal proceedings in jurisdictions where it is active. These types of claims and proceedings expose Banca IMI to monetary damages, direct or indirect costs (including legal costs), direct or indirect financial loss, civil and criminal penalties, loss of licences or authorisations, or loss of reputation, as well as the potential for regulatory restrictions on its businesses, all of which could have a material adverse effect on Banca IMI's business, financial condition and results of operations. Adverse regulatory actions against Banca IMI or adverse judgments in litigation to which Banca IMI is party could result in restrictions or limitations on Banca IMI's operations or result in a material adverse effect on Banca IMI's business, financial condition and results of operations.

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

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 recently 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).

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 will be monitored by the European Central Bank from November 2014.

On 15 April 2014, the European Parliament adopted the Bank Recovery and Resolution Directive ("BRRD") and the Single Resolution Mechanism Regulation ("SRM"), establishing a common European framework on the reorganization and resolution of the crisis of credit institutions and investment firms, with the primary intention (i) to safeguard the main functions of ailing banks, avoiding at the same time, governmental interventions and (ii) to ensure that the resolution of the crisis of credit institutions and investment firms supervised under the SSM may be managed efficiently with minimal costs for the real economy. These measures include in particular the establishment of a single recovery and resolution regime for credit institutions and a mechanism (so-called bail-in) through which the credit institution's losses in a crisis situation are transferred to shareholders and certain creditors (including also unsubordinated bond holders and, within certain limits, holders of deposits) through conversion of their claims in equity instruments, and as a result of such conversion, cancellation or substantial reduction of their existing claims.

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.

Banca IMI's business performance could be affected if its capital adequacy ratios are reduced or perceived to be inadequate

Under the CRR/CRD IV Package Banca IMI, as member of the Intesa Sanpaolo banking group, is required to maintain certain capital adequacy ratios. Debt and equity investors, analysts and other market professionals may, nevertheless, require higher capital buffers than those required under current or proposed future regulations due to, among other things, the continued general uncertainty involving the financial services industry and the uncertain global economic conditions. Any such market perception, or any concern regarding compliance with future capital adequacy requirements, could increase Banca IMI's borrowing costs, limit its access to capital markets or result in a downgrade in its credit ratings, which could have a material adverse effect on its results of operations, financial condition and liquidity. In addition, lower internal credit rating of customers, substantial market volatility, widening credit spreads, changes in the general capital adequacy regulatory framework or regulatory treatment of certain positions, changes in foreign exchange rates, decreases in collateral ratios as a consequence of the deterioration of the market value of underlying assets, or further deterioration of the economic environment, among other things, could result in an increase in Banca IMI's risk weighted assets, which potentially may reduce Banca IMI's capital adequacy ratios. If Banca IMI were to experience a reduction in its capital adequacy ratios, and could not raise further capital, it would have to reduce its lending or investments in other operations.

Banca IMI is exposed to risk of changes in tax legislation as well as to increases in tax rates

Banca IMI's activities are subject to tax at various rates. Banca IMI's business, including intra-group transactions, is conducted in accordance with Banca IMI's interpretation of applicable laws, tax treaties, regulations and requirements of the tax authorities in the relevant countries. However, there can be no assurances that its interpretation of applicable laws, tax treaties, regulations, or administrative practice is correct, or that such rules are not changed, possibly with retroactive effect. Legislative changes or decisions by tax authorities may impair the present or previous tax position of Banca IMI.

Banca IMI is exposed to risks associated with a reduction in the support actions for the banking and financial system

The crisis experienced from 2007 by the global financial system, associated with the tightening of the capital and liquidity requirements under Basel III has made it necessary the adoption of certain support measures to the banking and financial system, mainly aimed to ensure adequate levels of capital and liquidity and to weather the most acute stages of the Euro-zone crisis. These support measures have directly involved both the States (by equity injection in banks' capital or by provision of credit support in respect of medium term banks' funding)) and the Central Banks (by refinancing transactions, including long-term transactions, backed by eligible collateral assets, a wider range of securities eligible as collaterals for refinancing transactions, reduction in the refinancing rate, purchase of public debt instruments of Euro-zone countries).

There can be no assurance as to the duration of said support actions and how far-reaching they might be. A significant reduction in or the failure to take support actions by governments and central authorities may lead to a significant reduction in market liquidity and/or to higher costs, which may have a material adverse effect on the Banca IMI 's business, financial condition and results of operations.

Banca IMI is exposed to risk related to transactions in financial derivatives

The Issuer is party to a large number of derivative transactions, including credit derivatives with financial and insurance companies, commercial and investment banks, funds and other institutional market participants.

As at 31 December 2013 the Issuer's exposure to financial derivatives was EUR 38.9 billion against overall financial assets for Euro 137.7 billion.

Derivatives transactions expose the Issuer to the risk that the counterparty in derivative contracts defaults on its obligations or becomes insolvent before the relevant contract expires, when amounts are still payable to the Issuer by such party. This risk may arise notwithstanding the presence of collaterals, if – against the exposure to financial derivatives - said collaterals may be disposed of or liquidated at a value that is not sufficient to cover the exposure to the counterparty. For more information in this respect, see paragraph "Banca IMI's business is exposed to counterparty credit risk" above.

The Issuer is also exposed to possible changes in the value of the financial instruments held (including financial derivatives), due to fluctuations in interest rates, exchange rates and currencies, the prices of equity markets and commodity markets, credit spreads, counterparty risk, risk of default of the reference entity with regard to derivatives exposure and/or other risks

II. At the end of paragraph "**U.S. Foreign Account Tax Compliance Withholding**" of Element D.6 "**Key risks specific to the securities**" of section D "**Risks**" on page 45 of the Base Prospectus shall be added the following:

On 10 January 2014, representatives of the Governments of Italy and the United States signed an intergovernmental agreement to implementing FATCA in Italy (the "**IGA**"). The FATCA agreement between Italy and the United States should enter into force on 1st July 2014. However, in order to enter in force, the IGA must be ratified by the Italian Parliament through an Italian law provision and the relevant implementing provision shall hence subsequently be approved. On 30 June 2014 the Italian Government approved a draft law for the ratification of the IGA, however as at the present date the Parliament has not yet approved it and thus ratified the IGA.

4. DOCUMENTS INCORPORATED BY REFERENCE

The section "**Documents incorporated by reference**" on page 51 of the Base Prospectus shall be replaced by the following:

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank shall be deemed to be incorporated in, and to form part of, this Base Prospectus. The documents set out below that are incorporated by reference in this Base Prospectus are direct translations into English from the original Italian language documents. The Issuer takes responsibility for such translations.

1. The audited company financial statements and the audited consolidated financial statements of the Issuer for the financial year ending 31 December 2012:

	<i>2012 Company Financial Statements</i>	<i>2012 Consolidated Financial Statements</i>
Balance sheet	Pages 73-74	Page 276
Income statement	Page 75	Pages 277-278
Changes in shareholders' equity	Pages 77-78	Page 279
Statement of cash flows	Pages 79-80	Pages 280-281
Accounting principles and explanatory notes	Pages 83-228	Pages 285-382
Auditors' report	Pages 233-234	Pages 385-386

2. The audited company financial statements and the audited consolidated financial statements of the Issuer for the financial year ending 31 December 2013:

	<i>2013 Company Financial Statements</i>	<i>2013 Consolidated Financial Statements</i>
Balance sheet (Statement of financial position)	Pages 70-71	Page 274
Income statement	Page 72	Page 275
Changes in shareholders' equity	Page 74	Page 277
Statement of cash flows	Page 76	Pages 278-279
Accounting principles and explanatory notes	Pages 80-223	Pages 283-373
Auditors' report	Pages 231-232	Pages 377-378

3. The unaudited company financial statements and the unaudited consolidated financial statements of the Issuer as at and for the three months ending 31 March 2014:

	<i>Company Financial Statements as at 31 March 2014</i>	<i>Consolidated Financial Statements as at 31 March 2014</i>
Balance sheet (Statement of financial position)	Page 49	Page 44
Income statement	Page 51	Page 46

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

Copies of documents incorporated by reference in this Base Prospectus 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. This Base Prospectus is available on the official website of the Issuer at <http://retailhub.bancaimi.com/retailhub/DOCUMENTAZIONE-LEGALE/PROSPETTI-BANCA-IMI.html> and on the official website of the Irish Stock Exchange at www.ise.ie and all documents incorporated by reference herein are available on the official website of the Issuer at <http://www.bancaimi.com/bancaimi/en/chiamo/bilanci-e-relazioni.html>, and on the official website of the Irish Stock Exchange at www.ise.ie.

The Issuer will in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Securities, prepare a supplement to this Base Prospectus, which supplement will be approved by the Central Bank in accordance to the Irish applicable laws and regulations, or publish a new base prospectus for use in connection with any subsequent issue of Securities. Any supplement to this Base Prospectus will be published on the official website of the Issuer at <http://retailhub.bancaimi.com/retailhub/DOCUMENTAZIONE-LEGALE/PROSPETTI-BANCA-IMI.html> and on the website of the Irish Stock Exchange at www.ise.ie.

5. DESCRIPTION OF THE ISSUER

The section "**Description of the Issuer**" on page 168 of the Base Prospectus shall be replaced by the following:

History of the Issuer

The Issuer is a banking institution established under Italian law. It is the result of a number of reorganisations, which have resulted in:

- (i) the merger of the securities companies which operated under the names of Caboto Sim – Società di Intermediazione Mobiliare S.p.A. and Caboto Società di Intermediazione Mobiliare S.p.A. within the former Banca Intesa banking group into Banca Primavera S.p.A., a bank duly authorised by the Bank of Italy, which then changed its corporate name into Banca Caboto S.p.A., effective from 1 January 2004. Banca Caboto S.p.A. was then as resulting entity the investment bank of the former Banca Intesa banking group; and
- (ii) the merger of Banca d'Intermediazione Mobiliare IMI S.p.A., the investment bank of the former Sanpaolo IMI banking group, into Banca Caboto S.p.A., which then changed its corporate name into Banca IMI S.p.A., effective from 1 October 2007.

The merger by incorporation referred to at paragraph (ii) above was part of a broader rationalisation of the business and companies belonging to the former Banca Intesa and Sanpaolo IMI banking groups upon merger of the two banking group in the Intesa Sanpaolo banking group effective 1 January 2007.

The Intesa Sanpaolo Group is the result of the merger effective 1 January 2007 of Sanpaolo IMI S.p.A. with Banca Intesa S.p.A. The former Banca Intesa banking group, prior to the merger, was also the result of a series of mergers, having been brought into existence in 1998 by the merger of Cariplo and Ambroveneto, followed in 1999 by the public exchange offer for 70 per cent. of Banca Commerciale Italiana, which was merged by incorporation in 2001. The former Sanpaolo IMI group was the result of the merger of Istituto Bancario San Paolo di Torino and Istituto Mobiliare Italiano in 1998, and of the subsequent integration of Banco di Napoli, in 2000 and of Gruppo Cardine, in 2002.

On 29 July 2009 Banca IMI S.p.A.'s extraordinary shareholders' meeting resolved in favour of a capital increase of Euro 750 million, including any premium price, which capital increase was subscribed by the sole shareholder Intesa Sanpaolo S.p.a. by contributing the *Investment Banking* business division to Banca IMI, thereby completing the integration of Banca Caboto and Banca IMI.

Legal and Commercial Name of the Issuer

The legal and commercial name of the Issuer is Banca IMI S.p.A., or in short form IMI S.p.A.

Place of Registration and Registration Number of the Issuer

The Issuer is registered with the Companies' Register of Milan under No. 04377700150. The Issuer is also registered with the Register of Banks held by the Bank of Italy under No. 5570 and is part of the Intesa Sanpaolo Banking Group, which is registered with the Register of Banking Groups (*Albo dei Gruppi Bancari*) and a member of the Interbank Deposit Protection Fund (*Fondo Interbancario di Tutela dei Depositi*).

Date of Establishment and Duration of the Issuer

The Issuer was established on 29 March 1979 by a notarial deed of the Notary public Landoaldo de Mojana. The duration of the Issuer is until 31 December 2100 and may be extended by an extraordinary resolution of the shareholders' meeting, passed with the quorum provided for by law.

Legal Status, Registered office and Share Capital of the Issuer

The Issuer is an Italian bank established as a company limited by shares (*società per azioni*). The Issuer is incorporated and carries out its business under Italian law. The Courts of Milan have jurisdiction in respect of any disputes. The Issuer, both as a bank and as a member of the Intesa Sanpaolo banking group, is subject to the Bank of Italy's prudential supervision. The Issuer is a company belonging to the Intesa Sanpaolo Group, of which Intesa Sanpaolo S.p.A. is the parent company, and is subject to the management and co-ordination of its sole shareholder, Intesa Sanpaolo S.p.A.

The registered and administrative office of the Issuer is in Largo Mattioli, 3 20121 Milan, with telephone number +39 02 72611. The Issuer has offices in Rome and a branch in London, at 90 Queen Street, London EC4N 1SA, United Kingdom.

At 31 December 2011, the Issuer's issued and paid-up share capital amounted to €962,464,000, divided into 962,464,000 ordinary shares. The shares are in registered form and each share entitles to one vote. Intesa Sanpaolo S.p.A. holds directly 100 per cent. of the fully subscribed and paid up share capital of the Issuer.

Independent Auditors

The Issuer's shareholders' general meeting held on 20 December 2011 resolved to appoint KPMG S.p.A., with registered office at Via V. Pisani, 25, 20121 Milan, as independent auditors of the Issuer for the annual and half-yearly non-consolidated and consolidated financial statements of the Issuer for each financial year in the nine year period 2012-2020.

The KPMG S.p.A.'s audit reports on the Issuer's unconsolidated financial statements for the financial years ending 31 December 2012 and on the Issuer's consolidated financial statements for the financial year ending 31 December 2012 were issued without qualification or reservation.

The KPMG S.p.A.'s audit reports on the Issuer's unconsolidated financial statements for the financial years ending 31 December 2013 and on the Issuer's consolidated financial statements for the financial year ending 31 December 2013 were issued without qualification or reservation.

OVERVIEW OF ACTIVITIES

Description of the Issuer's main activities activities

The Issuer is the investment banking arm and securities firm of Gruppo Intesa Sanpaolo and it offers a wide range of capital markets, investment banking and special lending services to a diversified client base including banks, companies, institutional investors, entities and public bodies.

The Issuer's business is divided into four business divisions: *Capital Markets*, *Finance & Investments*, *Investment Banking* and *Structured Finance*.

The *Capital Markets* division operates as market maker for government bonds and leading Italian and European debt instruments and listed derivatives; it offers to clients the full range of trading and brokerage services in derivatives and cash instruments, specialised consultancy services for companies, banks and financial institutions in relation to the management of financial risks, assistance to banks and financial institutions in relation to the structuring of investment products targeted to retail customers, equity financing securities lending and prime brokerage services and financial products placement.

The *Finance & Investments* division operates funding and treasury activities, as well as investment and proprietary portfolio management activities.

The *Investment Banking* division provides placing and arranging services for equity, debt instruments and hybrid instruments as well as consultancy and advisory services in respect of merger, acquisition, divestment and restructuring transactions.

The *Structured Finance* division provides to corporate borrowers leveraged and acquisition finance lending services, project finance lending (both in the domestic and in the international market), tailor-made structured finance, special financing services, market risk management through syndication, market placement of syndicated transactions, real estate financial advisory and real estate structured financings.

The Issuer is mainly active in the Italian financial market and, to a lesser extent, in other European Union and U.S. markets.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Board of Directors

The Issuer's Board of Directors is composed, pursuant to the by-laws of the Issuer, of a minimum of seven and a maximum of eleven members appointed by the shareholders of Banca IMI S.p.A.

The current Board of Directors of Banca IMI S.p.A. is composed of eleven members.

The following table specifies the name, position and the main activities carried out outside the Issuer (if relevant with regard to the Issuer) of the members of the Board of Directors:

NAME AND POSITION	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER
Fabio Roversi Monaco Chairman	Chairman of IMI Investimenti S.p.A. Chairman of Mandarin Capital Management SGR Chairman of Telecom Italia Media
Giangiacomo Nardozzi Tonielli Deputy Chairman	Professor of Economics at the Politecnico of Milan
Gaetano Miccichè Managing Director and Chief Executive Officer	General Manager of Intesa Sanpaolo S.p.A. Member of the Board of Directors of Prada S.p.A. Member of the Board of Directors of Telecom Italia S.p.A. Member of the Board of Directors of Alitalia – Compagnia Aerea Italiana S.p.A. Member of the Board of Directors of Pirelli S.p.A.
Massimo Mattera Board Member	Member of the Board of Directors of Cassa di Risparmio di Civitavecchia Member of the Board of Directors of Cassa di

NAME AND POSITION	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER Risparmio della Provincia di Viterbo
Vincenzo De Stasio Board Member	Professor at the University, Faculty of Law of Bergamo
Luigi Arturo Bianchi Board Member	Professor of Company Law at the Bocconi University, Milan
Aureliano Benedetti Board Member	
Paolo Grandi Board Member	Chairman of Banca Prossima S.p.A. Member of the Board of Directors of Cassa di Risparmio di Firenze S.p.A. Member of the Board of Directors of Intesa Sanpaolo Vita S.p.A. Member of the Board of Directors of Eurizon Capital SGR Member of the Board of Directors of SIA S.p.A. Chairman of Intesa Sanpaolo Holding International SA Luxembourg
Fabio Buttignon Board Member	Member of the Board of Directors of Valentino Fashion Group S.p.A. Member of the Board of Directors of Autostrade Brescia Verona Vicenza Padova Member of the Board of Directors of Serenissima Partecipazioni S.p.A. Member of the Board of Directors of A4 Holding S.p.A. Professor at the University, Marco Fanno, Padova
Stefano del Punta Board Member	Member of the Board of Directors of MTS S.p.A. Member of the Board of Directors of F.I.T.D. – FONDO INTERBANCARIO DI TUTELA DEI DEPOSITI
Francesco Papadia	Chairman of Prime Collateralised Securities (PCS) UK

NAME AND POSITION**PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER**

Board Member

Limited

The Board of Directors was appointed by the shareholders' meeting held on 17 April 2013 except for members of the Board of Directors Stefano del Punta and Francesco Papadia both co-opted on 23 January 2014 (appointment confirmed by the shareholders' meeting held on 29 April 2014) to replace the resigning members Giuliano Asperti and Carlo Messina, respectively remained in office until 1 October 2013 and 13 December 2013. The current Board of Directors will expire upon approval of the financial statements as at 31 December 2015.

For the purposes of their positions at Banca IMI S.p.A., the members of the Board of Directors set out above are domiciled at the offices of Banca IMI, in Milan.

No Executive Committee has been appointed.

Managing Director and Chief Executive Officer

Gaetano Miccichè, born in Palermo on 12 October 1950, has held the position of Managing Director and Chief Executive Officer of the Issuer since 23 April 2013 and will do so until the end of his term of office (approval of the financial statements as at 31 December 2015).

General Manager

Mauro Micillo, born in Desenzano del Garda on 19 January 1970, has held the position of General Manager of the Issuer since 1 January 2014.

Board of Statutory Auditors

The Board of Statutory Auditors of Banca IMI S.p.A. is composed, pursuant to the by-laws of the Issuer, of three standing statutory auditors and two alternate statutory auditors.

The current Board of Statutory Auditors of Banca IMI S.p.A. was appointed by the shareholders' meeting held on 17 April 2013 and is composed of three standing statutory auditors and two alternate statutory auditors.

The current Board of Statutory Auditors will expire upon approval of the financial statements as at 31 December 2015.

The following table specifies the name, position and the main activities carried out outside the Issuer (if relevant with regard to the Issuer) of the members of the Board of Statutory Auditors:

NAME AND POSITION**MAIN ACTIVITIES CARRIED OUT OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER**Gianluca Ponzellini
Chairman

Member of the Supervisory Board of parent company Intesa Sanpaolo S.p.A.

Chairman of the Board of Statutory Auditors of De' Longhi S.p.A.

Standing Auditor of G.S. S.p.A.

Standing Auditor of Telecom Italia S.p.A.

Stefania Mancino

Standing Auditor of Italgas S.p.A.

NAME AND POSITION	MAIN ACTIVITIES CARRIED OUT OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER
Standing statutory auditor	
Riccardo Rota	Standing Auditor of IMI Investimenti S.p.A.
Standing statutory auditor	Standing Auditor of Martini & Rossi S.p.A.
	Chairman of the Board of Statutory Auditors of certain Companies in the Fiat Group
Carlo Bertola	Standing Auditor of Angelo Moratti S.a.p.A.
Alternate statutory auditor	Standing Auditor of Fratelli Fontana S.p.A.
Alessandro Cotto	Standing Auditor of Intesa Sanpaolo Vita S.p.A.
Alternate statutory auditor	Standing Auditor of IN.FRA S.p.A.

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For the purposes of their positions at Banca IMI S.p.A. the members of the Board of Statutory Auditors set out above are domiciled at the offices of Banca IMI S.p.A., in Milan.

Conflicts of interest of members of the Board of Directors and the Board of Statutory Auditors

As at the date of publication of this Base Prospectus, based on the duties of disclosure of directors and statutory auditors pursuant to article 2391 of the Italian civil code and article 136 of Legislative Decree no. 385/1993, the Issuer is not aware of any potential conflicts of interest between the obligations of the member of the board of directors to the Issuer and their private obligations and/or interests.

LEGAL AND ARBITRATION PROCEEDINGS

Banca IMI operates in a legal and regulatory environment that exposes it to potentially significant litigation and other risk. As a result, Banca IMI is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on the operations or financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expenses and distraction of legal proceedings, Banca IMI may, based on a cost benefit analysis, enter into a settlement even though Banca IMI denies any wrongdoing. The administrative, legal or arbitration proceedings that may have or that have recently had a material effect on the Issuer's financial condition or profitability are described below.

As of 31 December 2013 provisions for risks and charges are in the amount of approximately €29,800,000.

Tax Litigation

Tax audits by Italian Inland Revenue refer to the fiscal years 2003 to 2006 for the former Banca d'Intermediazione Mobiliare IMI, and years 2004 to 2006 for the former Banca Caboto.

At the date of this Base Prospectus, tax assessment notices received for the years 2003–2006 demanded an approximate total of 66 million euro in taxes, fines and interest. Litigation primarily concerns equity trading and other matters connected with typical capital market and investment banking transactions and, to a much lesser degree, corporate governance. The Bank has appealed against the tax assessments, challenging findings that are

groundless or based on disputed interpretations of tax law, or which in some cases conflict with the letter of those laws. At the date of this Base Prospectus, no final ruling had been handed down on any of the fiscal years disputed.

Recently, tax audits were conducted by the Italian Tax Police (*Guardia di Finanza*) on the fiscal years 2008, 2009 and 2010. In general terms, the audits addressed matters taken up with many other Italian banks and which have become rather run of the mill in certain operating segments. Specifically, the matters concerned accusations of “abuse of process” over alleged links between futures and cash instruments tied to listed equities. For the years under examination up to the end of 2012, the audit investigated the application of substitute tax to a very small number of medium and long-term corporate loans.

In addition, Italian Inland Revenue conducted checks, involving questionnaires, on charges incurred in relation to entities domiciled in black-listed countries and reported in tax statements for the fiscal years 2006, 2007 and 2008. The charges relate primarily to differentials paid on derivatives listed on Asian regulated markets and OTC derivatives stipulated with premier banking counterparties and, to a lesser extent, to trading fees and commissions on securities and other financial instruments, paid to intermediaries on markets for cash instruments.

At the end of December 2013, a settlement agreement was reached through alternative dispute resolution mechanisms for the fiscal year 2008, entailing a payment of approximately 3.3 million euro to settle claimed tax arrears of some 35 million euro (taxes, withholdings and fines). Although convinced of the groundlessness of the claim, the decision to settle the dispute was taken with a view to avoiding a long and costly litigation over a specific matter of marked uncertainty. As at the date of this Base Prospectus, no tax assessment notices have been received for subsequent fiscal years. The settlement agreement for fiscal year 2008 also covered charges declared in relation to black-listed countries, entailing payment of approximately 0.1 million euro in arrears due on charges not accruing, versus an original claim of 113 million euro.

As concerns the question of substitute tax, in relation to a claim for approximately 10 million euro, in January a first payment notice was received for which payment was made of 2.8 million euro in taxes; the amount is also payable by the entities financed. An appeal has been filed against the validity of the payment notice.

A total of approximately 21 million euro in provisional deposits was paid in relation to tax litigation pending at 31 December 2013; the entire amount was deducted from tax provisions allocated, with no credit entry charged. The provisional deposits were paid in compliance with specific legislative provisions governing tax litigation. The amounts will be deducted from the final claim awarded in the event of defeat, or refunded in the event of a ruling in favour of Banca IMI.

Additional provisions allocated to the relevant fund, cover the contingent tax liability estimated and residual tax credits recognised in accounts in relation to taxes and withholdings for which a refund has been requested.

Cirio Group Litigation

In early April 2007, ten companies belonging to the Cirio Group in receivership (*amministrazione straordinaria*) commenced legal proceedings against Intesa Sanpaolo S.p.A., the former Banca Caboto S.p.A. (now Banca IMI S.p.A.), and five other financial intermediaries, claiming jointly and severally damages arising from:

- the arrangement of, and participation in, six bond issuances by companies belonging to the Cirio Group during the period from 2000 to 2002, which bond issuances were alleged to have increased the financial difficulties of the relevant issuers. Relevant damages were claimed, using three different criteria, for an amount of €2,082 million (on the basis of the first criterium), or the lower amount of €1,055 million (on the basis of the second criterium) or €421 million (on the basis of the third criterium);
- the loss of opportunity to bring bankruptcy claw-back actions, for undetermined amounts, as a result of the delay in the financial difficulties of the Cirio Group companies becoming known; and

- the payment of commissions in an aggregate amount of €9.8 million in relation to the placement activities rendered in respect of certain bond issuances.

The former Banca Caboto S.p.A. (now Banca IMI) opposed to the claim and requested a hearing to be scheduled to discuss the case with a view to avoiding lengthy negotiations and swiftly achieving a resolution of the dispute.

Further to a judgment delivered on September 2009, the Court of Rome rejected the plaintiffs' claims and ordered the reimbursement of costs incurred. The plaintiffs have appealed against this sentence, and both Intesa Sanpaolo and Banca IMI have appeared before the appeal court and have asked for the appeal to be thrown out. The appeal process is currently ongoing.

Formerly Schering-Plough Corporation (currently, Merck & Co) Litigation

During April 2008, the Arkansas Teachers' Pension Fund brought a class action before the District Court of New Jersey, United States of America, in connection with the public offer in August 2007 of 57,500,000 ordinary shares and 10,000,000 newly issued preference shares in the company Schering-Plough Corporation (subsequently merged, in November 2009, with Merck & Co and renamed Merck & Co upon completion of the merger), for a total value of USD 4 billion. Schering-Plough Corporation was a U.S. company that manufactures and distributes pharmaceutical products and which in November 2009 merged with Merck & Co, another U.S. pharmaceutical company, and adopted the name Merck & Co. The pre-merger company Banca IMI S.p.A., with registered office at Corso Matteotti 6, 20121, Milan, had acted, in respect of the offer of ordinary shares only, as a member of the underwriting syndicate, with commitments of 0.25 per cent. of the total amount of ordinary shares offered.

The action was brought against the issuer, formerly, Schering-Plough Corporation (currently, Merck & Co), its senior management and the members of its Board of Directors, as well as the members of the underwriting syndicates for the offer of ordinary and preference shares (including Banca IMI S.p.A.), on the basis of the claim that the offer documents had failed to disclose to investors information regarding a clinical trial carried out in April 2006, of which the issuer was aware, that had resulted in the finding that two anti-cholesterol products manufactured and distributed by the former Schering-Plough Corporation together with the former Merck & Co., Inc., and the sales of which constituted a significant share of the Schering-Plough Corporation's turnover, were essentially ineffective. It is claimed that the results of the clinical trial were only disclosed to the public by the Schering-Plough Corporation in January 2008 and led to a significant decline in the market value of Schering's shares on the relevant stock exchanges, amounting to a decrease in the stock price of approximately 25 per cent..

The claim was brought against the issuer, Schering-Plough Corporation (currently, Merck & Co), its senior management and members of its Board of Directors and against the members of the underwriting syndicates of the above-mentioned offers, on the grounds that, in accordance with applicable U.S. laws regarding liability for inaccurate information or omissions in public offer documents, such banks were jointly liable with the issuer to investors.

The class action was joined with similar proceedings brought before the same District Court by other U.S. public pension funds.

On February 2013 the plaintiffs and the defendants have agreed to settle the class action against payment of a sum to be paid exclusively by Merck & Co. (currently, Schering-Plough Corporation), excluding any obligations for the member of the underwriting syndicates, including Banca IMI, subject to the approval of the csettlement by the competent District Court. The relevant settlement agreement was executed in June 2013 and approved by the United States District Court of New Jersey in October 2013. Against such approval an investor filed an appeal, which was rejected in April 2014.

Lehman Brothers Holdings Inc. Litigation

During October 2008, the Issuer was called as defendant, together with former executives of Lehman Brothers Holdings Inc. and other financial intermediaries, in a class action brought by a private investor before the

Garland County District Court in the State of Arkansas (USA). The action was in connection with the Issuer's participation as a member of the underwriting syndicate in a public offering of subordinated bonds issued in October 2006 by Lehman Brothers Holdings Inc.. Lehman Brothers Holdings Inc. was the parent company of the Lehman Brothers Group and listed on the New York Stock Exchange, and was one of the leading US financial groups operating at global level until September 2008, in the fields of capital markets, investment banking and structured finance. The Issuer had acted as a member of the underwriting syndicate, with commitments of 1 per cent. of the total amount of the bonds offered.

The proceedings were brought on the grounds that the offer documentation and the documents incorporated by reference therein failed to disclose to investors the significant risks assumed by, and the significant exposure of, Lehman Brothers Holdings Inc. in the real estate sector and its derivatives business; risks and exposure which, as a result of the adverse trend in the financial markets, led in September 2008 to Lehman Brothers Holdings Inc. filing for bankruptcy protection pursuant to Chapter 11 of the US Federal Bankruptcy Code.

The proceedings were brought against both the senior management and members of the Board of Directors of Lehman Brothers Holdings Inc., and the members of the underwriting syndicate involved in the above-mentioned offer (including Banca IMI S.p.A.), on the grounds that, in accordance with applicable U.S. laws regarding liability for inaccurate information or omissions in public offer documents, the latter were jointly liable with the issuer to investors.

The class action was transferred to the district court of the State of New York to be joined with numerous similar proceedings pending before various US district courts, brought by numerous private, public and institutional investors, and is currently pending before the court of first instance. On 6 April 2010 the claimants reformulated their requests, stating that the period concerned for the purposes of the submission of the claims in the class action was between 12 June 2007 and 15 September 2008 (whereas, as stated above, the transaction in which the Banca IMI S.p.A. participated was prior to such period) consequently excluding Banca IMI from such action as eventually reformulated.

However, on November 2011 the claimant of the initial action raised up its requests again against, *inter alios*, former executives of Lehman Brothers Holdings Inc. and other financial intermediaries, including Banca IMI, by reformulating them in a new class action, joined with similar proceedings having the same subject brought before the District Court of New York as well. On December 2012, the District Court of New York has fully repealed the claimant's requests. Against this sentence, the claimant has appeared before the appeal court and have asked for the appeal to be thrown out. The appeal was rejected by the Court on October 2013.

With regard to the Issuer's participation as a member of the underwriting syndicate in the above-mentioned public offering of subordinated bonds issued in October 2006 by Lehman Brothers Holdings Inc., the Issuer was also called as defendant in May 2008, together with former corporate executives of Lehman Brothers Holdings Inc. and other financial intermediaries, in an individual legal action brought by a US public pension fund before the court of Thurston county in the State of Washington (USA).

The individual action was joined with similar proceedings having the same subject brought before the District Court of New York. In August 2013 the plaintiff and the defendants (including Banca IMI) agreed to settle the action; the settlement agreement has been then approved by a the District Court in September 2013.

SARAS Litigation

In March 2011, a number of private investors served a summons on Banca IMI, together with SARAS S.p.A. – Raffinerie Sarde, the Chairman and the Managing Director of SARAS S.p.A. and auditing firm Pricewaterhouse Coopers S.p.A. to appear before the Civil Court of Milan for alleged liability for inaccurate information in the public offer document published on 21 April 2006 related to the sale and subscription of SARAS S.p.A. ordinary shares and their admission to trading on the electronic shares exchange market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana S.p.A. The company, formerly Banca Caboto S.p.A., had acted as the Lead Manager of the public offer, sponsor and co-global coordinator.

The legal action is currently pending before the court of first instance.

Icelandic Banks Landsbanki Islands hf., Glitnir Banki hf., Kaupthing hf. Litigation

On the second half of 2008, the U.S. economic and financial crisis, already appeared from August 2007, and culminated in the failure of Lehman Brothers Holdings Inc., the fourth American investment bank at the time, on September 2008, determined a general economic crisis worldwide and in particular with reference to the European economy. In particular the liquidity crisis of the international markets has had serious adverse effects on the three most important Icelandic banks Landsbanki Islands hf., Kaupthing hf. and Glitnir Banki hf., also in respect of their over dimension, high exposure to the global stock market, high dependence on liquidity loans on the international markets and high dimension of foreign currency loans. On October 2008, Icelandic authorities took legislative emergency measures granting extraordinary power to the prudential regulation authority and all the three banks were submitted to insolvency proceeding according to Icelandic Legislation.

Banca IMI has held residual relationship with such banks in the context of the bank's activities of trading intermediation on financial instruments. Furthermore Banca IMI has dealt with Glitnir Banki hf in relation to a limited number of operations concerning derivative financial instruments (swaps) which, as a result of the submission of Glitnir Banki hf to insolvency proceeding, were terminated by Banca IMI, with a subsequent almost full setoff (the "**SetOff**") between the credit position of Glitnir Banki hf *vis-a-vis* Banca IMI resulting from such swaps early termination and the credit position of Banca IMI *vis-a-vis* Glitnir Banki hf resulting from the ownership of some bonds issued by Glitnir Banki hf and from a banking loan relationship transferred to Banca IMI by a subsidiary of its banking group.

In particular the submission to insolvency crisis procedure has determined, as consequence, the right for the administrative bodies of the insolvency procedure of the above mentioned Icelandic banks, to bring clawback actions on the operations carried out in the course of the six months before the submission to the insolvency procedure.

Therefore Banca IMI has been called as defendant by liquidators of Kaupthing hf and Landsbanki Islands hf. in connection with a requested clawback of certain sale and purchase trades of bonds issued by such entities between Banca IMI as vendor and the relevant Icelandic bank as buyer during the six months period before the submission to insolvency proceeding, for an aggregate value of approximately EUR 3,85 million. Banca IMI has also been called as defendant by liquidators of Glitnir Banki hf. in connection with a requested partial clawback of the mentioned SetOff between the credit positions of Banca IMI and Glitnir Banki hf.

The legal actions initiated by the liquidators of Kaupthing hf and Landsbanki Islands hf. in connection with the clawback are currently pending before the courts of first instance. In relation to the legal actions promoted by the liquidators of Glitnir Banki hf., in March 2014 a settlement agreement has been entered by the parties.

SELECTED FINANCIAL AND BALANCE SHEET FIGURES RELATING TO THE ISSUER

The following table contains certain selected solvency figures relating to the Issuer on a non-consolidated basis as at 31 December 2013, compared to corresponding figures as at 31 December 2012.

	31 December 2013	31 December 2012
Tier 1 / Total risk-weighted assets	14.67% ¹	13.41%
Core Tier 1 ratio	14.67%	13.41%
Total equity / Total risk-weighted assets	14.67%	13.52%

¹ The ratio is determined taking into account the reduction of 25% of capital requirements applicable to banks belonging to banking groups, in consistency with 2012. Without taking into account such reduction the ratio is equal to 11.04% for the year 2013 compared to 10.1% for the year 2012

31 December 2013 31 December 2012

Regulatory capital (in EUR millions)

Tier 1 capital	2,698.4	2,789.1
Tier 2 capital		2.3
Total capital	2,698.4	2,811.0

The following table contains certain selected credit quality figures relating to the Issuer on a non-consolidated basis as at 31 December 2013, compared to corresponding figures as at 31 December 2012.

Non-performing loans to customers / total loans to customers	16.90%	3.80%
Net impairment on loans to customers / performing loans to customers	1.20%	1.70%
Gross doubtful exposures / gross exposures	0.47%	0.17%
Net doubtful exposures / net exposures	0.14%	0.04%
Gross non-performing exposures / gross exposures	5.03%	2.05%
Net non-performing exposures / net exposures	3.90%	1.69%
Non-performing exposures coverage ratio	23.62%	18.48%
Doubtful exposures coverage ratio	70.14%	77.98%
Net doubtful exposures / equity	1.26%	0.25%

The following table contain certain selected income statement and balance sheet figures extracted from the Issuer's audited non-consolidated financial statements for the financial year ending 31 December 2013, compared with corresponding figures for the financial year ending 31 December 2012.

Income Statement Figures

	31 December 2013	31 December 2012	Percentage Variation
	<i>(EUR million)</i>		<i>(per cent.)</i>
Net interest income	561.0	560.9	0.0
Total income	1,261.0	1,462.4	-13.8
Operating expenses	353.3	349.4	1.1
Net financial income	992.7	1,352.5	-26.6

	31 December 2013	31 December 2012	Percentage Variation
	<i>(EUR million)</i>		<i>(per cent.)</i>
Pre-tax profit from continuing operations	458.7 ²	1,003.0	-54.3
Profit for the year	144.7	641.0	-77.4

Balance Sheet Figures

	31 December 2013	31 December 2012	Percentage variation
	<i>(EUR million)</i>		<i>(per cent.)</i>
Net investments ³	28,623.7	22,584.8	26.7
Net revenue	31,829.3	26,471.0	20.2
Indirect revenue		-	n.a.
Financial assets	61,425.4	75,938.7	-19.1
Total assets	137,743.8	151,428.9	-9.0
Net equity	3,142.9	3,382.3	-7.1
Share Capital	962.5	962.5	0.0

The following table contains certain selected credit quality figures relating to the Issuer on a consolidated basis as at 31 December 2013, compared to corresponding figures as at 31 December 2012.

Non-performing loans to customers / total loans to customers	16.90%	3.80%
Net impairment on loans to customers / performing loans to customers	1.20%	1.70%
Gross doubtful exposures / gross exposures	0.47%	0.17%
Net doubtful exposures / net exposures	0.14%	0.04%
Gross non-performing exposures / gross exposures	5.04%	2.06%
Net non-performing exposures / net exposures	3.91%	1.69%

² The pre-tax profit from continuing operations incorporate the write-downs of Euro 194.1 millions relating to goodwill in connection with Structured Finance business unit.

³ The aggregate amount consist of customer receivables and gains on financial assets held for trading, net of financial liabilities held for trading.

Non-performing exposures coverage ratio	23.62%	18.48%
Doubtful exposures coverage ratio	70.14%	77.98%
Net doubtful exposures / equity	1.30%	0.25%

The following table contain certain selected income statement and balance sheet figures extracted from the Issuer's audited consolidated financial statements for the financial year ending 31 December 2013, compared with corresponding figures for the financial year ending 31 December 2012.

Income Statement Figures

	31 December 2013	31 December 2012	Percentage variation
	<i>(EUR million)</i>		<i>(per cent)</i>
Net interest income	569.4	567.1	0.4
Total income	1,277.4	1,475.4	-13.4
Operating expenses	366.7	362.2	1.2
Net financial income	1,009.2	1,364.9	-26.1
Pre-tax profit from continuing operations	466.2 ⁴	1,007.1	-53.7
Profit for the year	146.9	642.5	-77.1

Balance Sheet Figures

	31 December 2013	31 December 2012	Percentage variation
	<i>(EUR million)</i>		<i>(per cent)</i>
Net investments	28,676.9	22,653.2	26.6
Net revenue	31,781.6	26,435.7	20.2
Indirect revenue	-	-	n.a.
Financial assets	61,451.7	75,973.7	-19.1
Total assets	138,061.1	151,792.5	-9.0
Net equity	3,236.1	3,477.1	-6.9
Share Capital	962.5	962.5	0.0

⁴ The pre-tax profit from continuing operations incorporate the write-downs of Euro 194.1 millions relating to goodwill in connection with CGU Finanza Strutturata

RECENT EVENTS

On 14 May 2014 the Board of Directors of Banca IMI approved the quarterly financial statements as at 31 March 2014.

The following table contains certain selected solvency indicators relating to the Issuer on a non-consolidated basis as at 31 March 2014.

31 March 2014

Common Equity Tier 1 (CET1) (in EUR millions)	Euro 2,585.6
Additional Tier 1 (AT1) (in EUR millions)	-
Tier 2 (T2) (in EUR millions)	-
Total capital (in EUR millions)	Euro 2,585.6
Risk-weighted assets (in EUR millions)	Euro 24,545.0
Total capital ratio	10.53%
Risk-weighted assets/Total assets	16.99%

The regulatory capital and the capital ratios in the table above were calculated in accordance with the provisions in force since 1 January 2014, the date on which entered into force the supervisory rules following the Basel III directives.

The following table contains certain selected credit quality figures relating to the Issuer on a non-consolidated basis as at 31 March 2014, compared to corresponding figures as at 31 December 2013.

Non-performing loans to customers / total loans to customers	17.00%	16.90%
Net impairment on loans to customers / performing loans to customers	1.70%	1.20%
Gross doubtful exposures / gross exposures	0.39%	0.47%
Net doubtful exposures / net exposures	0.13%	0.14%
Gross non-performing exposures / gross exposures	4.76%	5.04%
Net non-performing exposures / net exposures	3.74%	3.91%
Non-performing exposures coverage ratio	22.65%	23.62%
Doubtful exposures coverage ratio	67.36%	70.14%
Net doubtful exposures / equity	1.18%	1.30%

The following table contain certain selected income statement and balance sheet figures on a non-consolidated basis extracted from the Issuer's interim financial statements for the quarterly month period ending 31 March 2014, compared with corresponding figures for the financial year ending 31 December 2013 (as to the balance sheet figures) or with the quarterly month period ending 31 March 2013 (as to income statement figures).

Income Statement Figures

	31 March 2014	31 March 2013	Percentage Variation
	<i>(EUR thousand)</i>		<i>(per cent.)</i>
Net interest income	167,764.7	129,644.6	29.4
Total income	418,590.7	369,877.0	13.2
Operating expenses	96,531.1	89,164.9	8.3
Net financial income	377,998.6	320,573.7	17.9
Pre-tax profit from continuing operations	281,467.5	231,408.8	21.6
Profit for the period	178,467.5	146,408.8	21.9

Balance Sheet Figures

	31 March 2014	31 December 2013	Percentage variation
	<i>(EUR million)</i>		<i>(per cent.)</i>
Net investments	30,072.6	28,623.7	5.1
Net revenue	33,968.4	31,829.3	6.7
Indirect revenue	-	-	n.a
Financial assets	66,587.0	61,425.4	8.4
Total assets	144,428.0	137,743.8	4.9
Net equity	3,329.2	3,142.9	5.9
Share Capital	962.5	962.5	0.0

The following table contains certain selected credit quality figures relating to the Issuer on a consolidated basis as at 31 March 2014, compared to corresponding figures as at 31 December 2013.

Non-performing loans to customers / total loans to customers	17.00%	16.90%
Net impairment on loans to customers / performing loans to customers	1.70%	1.20%

Gross doubtful exposures / gross exposures	0.39%	0.47%
Net doubtful exposures / net exposures	0.13%	0.14%
Gross non-performing exposures / gross exposures	4.75%	5.03%
Net non-performing exposures / net exposures	3.72%	3.90%
Non-performing exposures coverage ratio	22.65%	23.62%
Doubtful exposures coverage ratio	67.36%	70.14%
Net doubtful exposures / equity	1.14%	1.26%

The following table contain certain selected income statement and balance sheet figures on a consolidated basis extracted from the Issuer's interim financial statements for the quarterly month period ending 31 March 2014, compared with corresponding figures for the financial year ending 31 December 2013 (as to the balance sheet figures) or with the quarterly month period ending 31 March 2013 (as to income statement figures).

Income Statement Figures

	31 March 2014	31 March 2013	Percentage variation
	<i>(EUR thousand)</i>		<i>(per cent)</i>
Net interest income	168,101	129,822	29.5
Total income	424,929	371,774	14.3
Operating expenses	99,726	92,410	7.9
Net financial income	384,337	322,471	19.2
Pre-tax profit from continuing operations	285,396	230,919	23.6
Profit for the period	180,496	145,036	24.4

Balance Sheet Figures

	31 March 2014	31 December 2013	Percentage variation
	<i>(EUR million)</i>		<i>(per cent)</i>
Net investments	30,188.3	28,676.9	5.3
Net revenue	33,957.9	31,781.6	6.8
Indirect revenue	-	-	n.a
Financial assets	66,624.7	61,451.7	8.4

	31 March 2014	31 December 2013	Percentage variation
	<i>(EUR million)</i>		<i>(per cent)</i>
Total assets	144,927.8	138,061.1	5.0
Net equity	3,424.4	3,236.1	5.8
Share Capital	962.5	962.5	0.0

Such information is not indicative of the Issuer's future performance. There is no guarantee that any future negative performance by the Issuer will not adversely affect the regular provision of investment services by the Issuer or the Issuer's ability to perform its payment obligations on any contractual due dates.

OVERVIEW OF THE FINANCIAL INFORMATION

Audited Consolidated Annual Financial Statements

The annual financial information below as at and for the years ended 31 December 2013 and 31 December 2012 has been derived from the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2013 (the **2013 Annual Financial Statements**) that include comparative figures as at and for the year ended 31 December 2012. The 2013 Annual Financial Statements have been audited by KPMG S.p.A., auditors to Banca IMI S.p.A., who issued their audit report on 2 April 2014.

Incorporation by Reference

The annual financial statements referred to above are incorporated by reference in this Prospectus (see "*Information Incorporated by Reference*"). The financial information set out below forms only part of, should be read in conjunction with and is qualified in its entirety by reference to the above-mentioned annual financial statements, together with the accompanying notes and auditors' reports.

Accounting Principles

The annual and half-yearly financial statements of the Issuer have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board and the relative interpretations of the International Financial Reporting Interpretations Committee, otherwise known as International Financial Reporting Standards, as adopted by the European Union under Regulation (EC) 1606/2002. The half-yearly financial statements of the Issuer have been prepared in compliance with International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

CONSOLIDATED ANNUAL BALANCE SHEET

The annual financial information below includes comparative figures as at and for the years ended 31 December 2013 and 31 December 2012.

Assets	31 December 2013	31 December 2012
	<i>(EUR thousand)</i>	
Cash and cash equivalents	2	3

Assets	31 December 2013	31 December 2012
	<i>(EUR thousand)</i>	
Financial assets held for trading	55,329,273	69,231,420
Available-for-sale financial assets	6,122,475	6,714,432
Due from banks	54,664,821	56,403,295
Loans to customers	20,364,686	17,398,110
Hedging derivatives	551,671	1,091,276
Equity investments	12,208	13,535
Property and equipment	1,218	751
Intangible assets	355	194,183
of which:		
- goodwill	-	194,070
Tax assets	610,740	294,290
a) current	414,174	101,558
b) deferred	196,566	192,732
Other assets	403,696	451,340
Total Assets	138,061,145	151,792,635

CONSOLIDATED ANNUAL BALANCE SHEET

The annual financial information below includes comparative figures as at and for the years ended 31 December 2013 and 31 December 2012.

Liabilities and Equity

	31 December 2013	31 December 2012
	<i>(EUR thousand)</i>	
Due to banks	44,973,642	42,471,641
Due to customers	12,527,587	7,602,384
Securities issued	28,945,210	32,764,994
Financial liabilities held for trading	47,017,075	63,969,708
Hedging derivatives	475,201	674,160
Tax liabilities	429,630	392,734
a) current	395,883	366,462
b) deferred	33,747	26,272

Liabilities and Equity

	31 December 2013	31 December 2012
	<i>(EUR thousand)</i>	
Other liabilities	418,353	407,355
Post-employment benefits	8,569	9,199
Provisions for risks and charges	29,805	23,680
<i>a) pensions and similar obligations</i>	<i>12</i>	<i>12</i>
<i>b) other provisions</i>	<i>29,793</i>	<i>23,668</i>
Fair value reserves	10,497	(106,208)
Reserves	1,534,957	1,396,770
Share premium reserve	581,260	581,260
Share capital	962,464	962,464
Equity attributable to non-controlling interests (+/-)	-	-
Profit for the year	146,895	642,494
Total Liabilities and Equity	138,061,145	151,792,635

CONSOLIDATED ANNUAL INCOME STATEMENT

The annual financial information below includes comparative figures as at and for the years ended 31 December 2013 and 31 December 2012.

	31 December 2013	31 December 2012
	<i>(EUR thousand)</i>	
Interest and similar income	2,212,227	2,382,980
Interest and similar expense	(1,642,834)	(1,815,889)
Net interest income	569,393	567,091
Fee and commission income	439,605	399,258
Fee and commission expense	(243,743)	(178,332)
Net fee and commission income	195,862	220,926
Dividends and similar income	94,676	334,347
Profits (Losses) on trading	263,136	246,636
Profit (Losses) on hedging	7,364	17,467
Profits (Losses) on disposal or repurchase of:	147,013	114,034
<i>a) loans and receivables</i>	<i>3,944</i>	<i>3,499</i>
<i>b) available-for-sale financial assets</i>	<i>178,197</i>	<i>123,954</i>

	31	31
	December	December
	2013	2012
	<i>(EUR thousand)</i>	
<i>c) held-to-maturity investments</i>	-	-
<i>d) financial liabilities</i>	(35,128)	(13,419)
Profits (Losses) on financial assets and liabilities at fair value through profit and loss	-	(25,062)
Total income	1,277,444	1,475,439
Impairment losses/reversal of impairment losses on:	(268,286)	(110,549)
<i>a) loans and receivables</i>	(239,566)	(105,228)
<i>b) available-for-sale financial assets</i>	(3,604)	-
<i>c) held-to-maturity investments</i>	-	-
<i>d) other financial assets</i>	(25,116)	(5,321)
Net financial income	1,009,158	1,364,890
Net banking and insurance income	1,009,158	1,364,890
Administrative expenses	(359,982)	(350,581)
<i>a) personnel expenses</i>	(114,825)	(131,760)
<i>b) other administrative expenses</i>	(245,157)	(218,821)
Net accruals to provision for risks and charges	(10,000)	(16,000)
Depreciation and net impairment losses on property and equipment	(319)	(358)
Amortisation and net impairment losses on intangible assets	(65)	(31)
Other operating income (expenses)	3,687	4,771
Operating expenses	(366,679)	(362,199)
Net gains on sales of equity investments	17,839	4,396
Impairment of goodwill	(194,070)	-
Pre-tax profit from continuing operations	466,248	1,007,087
Income tax expense	(319,353)	(364,593)
Post-tax profit from continuing operations	146,895	642,494
Profit for the year	146,895	642,494
Profit (loss) attributable to non-controlling interests	-	-
Profit attributable to the owners of the parent	146,895	642,494

6. TAXATION

The second paragraph "**Taxation in the Republic of Italy**" of the section "**Taxation**" on page 246 of the Base Prospectus shall be replaced by the following:

Taxation in the Republic of Italy

The following is a general discussion of current Italian law and practice relating to the taxation of the Securities.

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 Securities 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 Securities are advised to consult their own tax advisers concerning the overall tax consequences of their interest in the Securities.

Italian taxation of the Securities

Pursuant to Article 67 of the Presidential Decree No. 917 of 22 December 1986 and Legislative Decree No. 461 of 21 November 1997, as subsequently amended, where the Italian resident Securityholder is (i) an individual not engaged in an entrepreneurial activity to which the Securities are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, capital gains accrued under the sale or the exercise of the Securities are subject to a substitute tax (*imposta sostitutiva*).

Pursuant to Law Decree 24 April 2014 No. 66 ("**Decree No. 66**"), published on the Official Gazette n. 95 of 24 April 2014 and converted into Law No. 89 of 23 June 2014, published on the Official Gazette n. 143 of 23 June 2014, the *imposta sostitutiva* referred to above applies at a rate of 20 per cent. on capital gains realized until 30 June 2014 and at the higher rate of 26 per cent. on capital gains realized starting from 1 July 2014.

The recipient may opt for one of the three regimes described below:

- (1) 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 Securities 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 Securityholder, holding Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding Securities 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 of 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. Under Decree No. 66 capital losses in excess of capital gains realized prior to 31 December 2011 may be carried forward against capital gains realized after 1 July 2014 only to the extent of 48.08 per cent. of their amount; whilst capital losses realized from 1 January 2012 to 30 June 2014 may be carried forward against capital gains realized after 1 July 2014 only to the extent of 76.92 per cent. of their amount.
- (2) As an alternative to the tax declaration regime, Italian resident individual Securityholders holding the Securities 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 Securities (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an

express election for the *risparmio amministrato* regime being timely made in writing by the relevant Securityholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities (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 Securityholder or using funds provided by the Securityholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Securities 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 Decree No. 66 capital losses in excess of capital gains realized prior to 31 December 2011 may be carried forward against capital gains realized after 1 July 2014 only to the extent of 48.08 per cent. of their amount; whilst capital losses realized from 1 January 2012 to 30 June 2014 may be carried forward against capital gains realized after 1 July 2014 only to the extent of 76.92 per cent. of their amount. Under the *risparmio amministrato* regime, the Securityholder is not required to declare the capital gains in the annual tax return.

- (3) Any capital gains realised by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, 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 substitute tax to be paid by the managing authorised intermediary. Said substitute tax is levied at 20 per cent. on the annual increase accrued up to 30 June 2014 and at 26 per cent. on the annual increase accrued since 1 July 2014. Under the *risparmio gestito* regime, any decrease in value 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. According to Decree No. 66 the decrease in value accrued prior to 31 December 2011 may be carried forward against 48.08 per cent. of its amount, whilst the decrease in value accrued from 1 January 2012 to 30 June 2014 may be carried forward against increase in value of the investment portfolio accrued after 1 July 2014 only to the extent of 76.92 per cent. of its amount. Under the *risparmio gestito* regime, the Securityholder is not required to declare the capital gains realised in the annual tax return.

Where an Italian resident Securityholder is a company or a similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Securities are effectively connected, capital gains arising from the Securities will not be subject *imposta sostitutiva*, but must be included in the relevant Securityholder's income tax return and therefore subject to Italian corporate tax.

Capital gains realised by non-Italian-resident Securityholders are not subject to Italian taxation, provided that the Securities (i) are traded on regulated markets, or (ii) are held outside of Italy.

Atypical securities

According to a certain interpretation of Italian tax law there is the possibility that, on the basis of certain features of the Securities, the Securities would be qualified for tax purposes as atypical securities and will be subject to the provisions of Article 5 of law Decree No. 512 of 30 September 1983. As a consequence, payments relating to these Securities shall be subject to a withholding tax (final or on account depending on the "*status*" and tax residence of the Securityholder) levied by the Issuer or by the entity performing the payments related to the Securities on behalf of the Issuer. Pursuant to Decree No. 66, such withholding tax is levied at 20 per cent. on payments becoming due until 30 June 2014 and at 26 per cent. on payments becoming due after 1 July 2014. Where the Securityholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Securities are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax.

Inheritance and gift tax

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, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) 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;
- (ii) 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; and
- (iii) 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.

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 registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to the periodic reporting communications which may be sent by financial intermediaries to a Securityholder in respect of any Securities which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent. from year 2014; 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 Securities held. The stamp duty cannot exceed EUR 14,000 for non-individual holders of Securities only.

Based on the interpretation of the law, it may be understood that the stamp duty applies both to Italian resident and non-Italian resident Securityholders, to the extent that the Securities are held with an Italian-based financial intermediary.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Securities outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent. from 2014.

This tax is calculated on the market value of the Securities 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).

Financial Transaction Tax

Pursuant to Article 1, para. 491 and followings of Law No. 228 of 24 December 2012, the Italian Parliament introduced a financial transaction tax ("**FTT**") which applies to (a) the transfer of ownership of shares and other participating securities issued by Italian resident companies or of financial instruments representing the just mentioned shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not) (the "**Relevant Securities**"), (b) transactions on financial derivatives (i) the main underlying assets of which are the Relevant Securities, or (ii) whose value depends mainly on one or more Relevant Securities, as well as to (c) any transactions on the securities (as set forth by article 1, paragraph 1-bis, letters c) and d), of the Legislative

Decree No. 58 of 24 February 1998), (iii) which allow to mainly purchase or sell one or more Relevant Securities or (iv) implying a cash payment determined with main reference to one or more Relevant Securities.

Warrants and certificates are expressly included in the scope of application of the FTT if they meet the requirements set out above.

With specific reference to the transactions on securitised derivatives on the Relevant Securities (such as the certificates) the FTT is due, as of 1 September 2013, regardless of the tax residence of the parties and/or where the transaction is executed.

The FTT is levied at a fixed amount that varies depending on the nature of the relevant instrument and the notional value of the transaction, and ranges between EUR 0.01875 and EUR 200 per transaction.

The amount of FTT payable is reduced to 1/5 of the standard rate in case the transaction is performed on regulated markets or multilateral trading facilities of an EU Member States and of the SEE, included in the so-called white list to be set out by a to-be-issued Ministerial Decree pursuant to Article 168-bis of Presidential Decree No. 917 of 22 December 1986 (for the time being reference shall be made to countries not qualifying as black list countries for Italian tax purposes).

The FTT on derivatives is due by each of the parties to the transactions. The FTT is not applied where one of the parties to the transaction is the European Union, the BCE, central banks of the EU Member States, foreign Central Banks or entities which manage the official reserves of a foreign State, or international bodies or entities set up in accordance with international agreements which have entered into force in Italy. Further specific exemptions exist, inter alia, for (i) subjects who carry on market making activities; (ii) mandatory social security entities and pension funds set up according to Legislative Decree No. 252 of 5 December 2005; and (iii) intragroup transfers of the Relevant Securities.

The FTT shall be levied, and subsequently paid, to the Italian Revenue by the subject (generally a financial intermediary) that is involved, in any way, in the performance of the transaction. If more than one subject is involved in the execution of the transaction, the FTT is payable by the subject who receives the order of execution by the ultimate purchaser or counterparty. Intermediaries that are not resident in Italy but are liable to collect the FTT from the taxpayers and to pay it to the Italian Revenue can appoint an Italian tax representative for the purposes of the FTT. If no intermediary is involved in the performance of the transaction, the FTT must be paid directly by the taxpayers.

For further information about the EU Financial Transaction Tax please refer to the following paragraph 21.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 (Decree No. 84). Under Decree No. 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.

7. GENERAL INFORMATION

I. Paragraph (4) "**Documents available**" of the section "**General Information**" on page 294 of the Base Prospectus shall be replaced by the following:

Documents Available

For so long as any Securities remain outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified offices of the Principal Security Agent in Luxembourg and the registered office of the Issuer by electronic means, save that item (iv) will be available for inspection only:

- (i) the constitutional documents of the Issuer;
- (ii) the audited non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2013 and 2012 and the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2013 and 2012;
- (iii) the most recently published audited annual consolidated and non-consolidated financial statements and the most recently published unaudited semi-annual consolidated and non-consolidated financial statements (if any) of the Issuer;
- (iv) the Agency Agreement and the forms of the Global Securities;
- (v) a copy of this Base Prospectus;
- (vi) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Security which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Security and such holder must produce evidence satisfactory to the Issuer and the relevant Security Agent as to its holding of Securities and identity) and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Securities subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

A copy of this Base Prospectus (and the information incorporated by reference therein) has been published on the websites of the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (<http://www.centralbank.ie>) and of the Issuer (<http://retailhub.bancaimi.com/retailhub/DOCUMENTAZIONE-LEGALE/PROSPETTI-BANCAIMI.html>). Any Final Terms that are listed on the Irish Stock Exchange will be published on the website of the Irish Stock Exchange (www.ise.ie). Any Final Terms that are not listed on the Irish Stock Exchange but which relate to a Security which is offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published on the website of the Issuer only.

II. Paragraph (7) "**Significant or Material Adverse Change**" of the section "**General Information**" on page 294 of the Base Prospectus shall be replaced by the following:

There has been no significant change in the financial or trading position of the Issuer since 31 March 2014 and there has been no material adverse change in the prospects of the Issuer since 31 December 2013.

III. Paragraph (10) "**External Auditors**" of the section "**General Information**" on page 294 of the Base Prospectus shall be replaced by the following:

KPMG S.p.A., with registered office at Via V. Pisani, 25, 20121 Milan, was appointed by the Issuer as its independent auditor to audit its financial statements for the period 2012-2020. KPMG S.p.A. is a member of Assirevi-Associazione Nazionale Revisori Contabili, the Italian association of auditing firms. KPMG S.p.A. audited the company financial statements and consolidated financial statements of the Issuer for the financial year ending 31 December 2012, and the company financial statements and consolidated financial statements of

the Issuer for the financial year ending 31 December 2013 which are incorporated by reference in this Base Prospectus.

8. 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 or any statement incorporated by reference into the Base Prospectus by 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.

18 July 2014

SCHEDULE 1

SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary due to the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

Section A – INTRODUCTION AND WARNINGS		
A.1	<p>This summary should be read as an introduction to the Base Prospectus. Any decision to invest in the Certificates should be based on consideration of the Base Prospectus as a whole by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>	
A.2	<p>Certain Tranches of Certificates with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a Public Offer.</p> <p>Consent: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Certificates by (i) the Distributor(s), whose name(s) are listed in the applicable Final Terms and whose name(s) is(are) published on the Issuer’s website and identified as an Authorised Offeror(s) in respect of the relevant Public Offer; and/or (ii) any financial intermediary which is authorised to make such offers under the applicable legislation implementing Directive 2004/39/EC (MiFID) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p>"We, [insert name of financial intermediary], refer to the [insert title of relevant Certificates] (the "Certificates") described in the Final Terms dated [insert date] (the "Final Terms") published by Banca IMI S.p.A. (the "Issuer"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Certificates in [specify each Relevant Member State in which the particular Tranche of Certificates can be offered] (the "Offer") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly". (each an "Authorised Offeror").</p> <p>Offer period: The Issuer's consent referred to above is given for Public Offers of Certificates during the offer period for the Certificates to be specified in the applicable Final Terms (the "Offer Period")</p> <p>Conditions to consent: The conditions to the Issuer’s consent, in addition to the conditions referred to above, are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Certificates in the Relevant Member State in which the particular Tranche of Certificates can be offered, as specified in the applicable Final Terms, and (c) is valid according to any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms.</p> <p>AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY CERTIFICATES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH CERTIFICATES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.]</p>	
Section B – ISSUERS AND GUARANTOR		
B.1	Legal and	Banca IMI S.p.A..

	Commercial Name of the Issuer																																																																
B.2	Domicile/ Legal Form/ Legislation/ Country of Incorporation	The Issuer is incorporated as a società per azioni with limited liability under the laws of the Republic of Italy. Its registered office is at Largo Mattioli 3, 20121 Milan, with telephone number +39 02 72611.																																																															
B.4b	Description of trends	<i>Not applicable.</i> There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for its current financial year.																																																															
B.5	Description of the group of the Issuer(s)	The Issuer is a company belonging to the Intesa Sanpaolo banking group, of which Intesa Sanpaolo S.p.A. is the parent company.																																																															
B.9	Profit forecast/estimate	<i>Not applicable.</i> No profit forecasts or estimates have been made in the Base Prospectus.																																																															
B.10	Qualifications in the audit report	<i>Not applicable.</i> No qualifications are contained in any audit report included in the Base Prospectus.																																																															
B.12	Selected historical key information / material adverse change/ significant changes¹	<p>SELECTED FINANCIAL AND BALANCE SHEET FIGURES RELATING TO THE ISSUER</p> <p>The audited consolidated balance sheets and income statements as of, and for each of the years ended, 31 December 2012 and 2013 and certain unaudited consolidated selected income statement and selected balance sheet figures for the three months ending 31 March 2014 have been extracted without any adjustment from, and are qualified by reference to and should be read in conjunction with, the Issuer's consolidated financial statements in respect of those dates and periods:</p> <table border="1"> <thead> <tr> <th colspan="3"><i>Audited Consolidated Balance Sheets for the year ending 31 December 2013 compared with corresponding figures for the year ending 31 December 2012²</i></th> </tr> <tr> <th>Assets</th> <th>31 December 2013</th> <th>31 December 2012</th> </tr> <tr> <td></td> <td colspan="2" style="text-align: center;"><i>(EUR thousand)</i></td> </tr> </thead> <tbody> <tr> <td>Cash and cash equivalents</td> <td>2</td> <td>3</td> </tr> <tr> <td>Financial assets held for trading</td> <td>55,329,273</td> <td>69,231,420</td> </tr> <tr> <td>Available-for-sale financial assets</td> <td>6,122,475</td> <td>6,714,432</td> </tr> <tr> <td>Due from banks</td> <td>54,664,821</td> <td>56,403,295</td> </tr> <tr> <td>Loans to customers</td> <td>20,364,686</td> <td>17,398,110</td> </tr> <tr> <td>Hedging derivatives</td> <td>551,671</td> <td>1,091,276</td> </tr> <tr> <td>Equity investments</td> <td>12,208</td> <td>13,535</td> </tr> <tr> <td>Property and equipment</td> <td>1,218</td> <td>751</td> </tr> <tr> <td>Intangible assets</td> <td>355</td> <td>194,183</td> </tr> <tr> <td>of which:</td> <td></td> <td></td> </tr> <tr> <td>- goodwill</td> <td>-</td> <td>194,070</td> </tr> <tr> <td>Tax assets</td> <td>610,740</td> <td>294,290</td> </tr> <tr> <td>a) current</td> <td>414,174</td> <td>101,558</td> </tr> <tr> <td>b) deferred</td> <td>196,566</td> <td>192,732</td> </tr> <tr> <td>Other assets</td> <td>403,696</td> <td>451,340</td> </tr> <tr> <td>Total Assets</td> <td>138,061,145</td> <td>151,792,635</td> </tr> <tr> <td>Liabilities and Equity</td> <td>31 December 2013</td> <td>31 December 2012</td> </tr> <tr> <td></td> <td colspan="2" style="text-align: center;"><i>(EUR thousand)</i></td> </tr> </tbody> </table>	<i>Audited Consolidated Balance Sheets for the year ending 31 December 2013 compared with corresponding figures for the year ending 31 December 2012²</i>			Assets	31 December 2013	31 December 2012		<i>(EUR thousand)</i>		Cash and cash equivalents	2	3	Financial assets held for trading	55,329,273	69,231,420	Available-for-sale financial assets	6,122,475	6,714,432	Due from banks	54,664,821	56,403,295	Loans to customers	20,364,686	17,398,110	Hedging derivatives	551,671	1,091,276	Equity investments	12,208	13,535	Property and equipment	1,218	751	Intangible assets	355	194,183	of which:			- goodwill	-	194,070	Tax assets	610,740	294,290	a) current	414,174	101,558	b) deferred	196,566	192,732	Other assets	403,696	451,340	Total Assets	138,061,145	151,792,635	Liabilities and Equity	31 December 2013	31 December 2012		<i>(EUR thousand)</i>	
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¹ As a result of the approval of the audited financial statements for the financial year ending 31 December 2013 and the unaudited financial statements as at and for the three months ending 31 March 2014, the First Supplement has added certain information regarding the Issuer. Therefore Element B.12, "Selected historical key information / material adverse change/ significant changes" of this Section B "Issuers and Guarantor" of the "Summary of the Programme" in the Base Prospectus has been updated accordingly.

² As a result of the approval of the audited financial statements for the financial year ending 31 December 2013 the First Supplement has added new Issuer's audited Consolidated Balance Sheets statements for the year ending 31 December 2013 compared with corresponding figures for the year ending 31 December 2012.

Due to banks	44,973,642	42,471,641
Due to customers	12,527,587	7,602,384
Securities issued	28,945,210	32,764,994
Financial liabilities held for trading	47,017,075	63,969,708
Financial liabilities at fair value through profit and loss	-	-
Hedging derivatives	475,201	674,160
Tax liabilities	429,630	392,734
a) current	395,883	366,462
b) deferred	33,747	26,272
Other liabilities	418,353	407,355
Post-employment benefits	8,569	9,199
Provisions for risks and charges	29,805	23,680
a) pensions and similar obligations	12	12
b) other provisions	29,793	23,668
Fair value reserves	10,497	(106,208)
Reserves	1,534,957	1,396,770
Share premium reserve	581,260	581,260
Share capital	962,464	962,464
Equity attributable to non-controlling interests (+/-)	-	-
Profit for the year	146,895	642,494
Total Liabilities and Equity	138,061,145	151,792,635
Audited Consolidated Income Statements for the year ending 31 December 2013 compared with corresponding figures for the year ending 31 December 2012³		
	31 December 2013	31 December 2012
	<i>(EUR thousand)</i>	
Interest and similar income	2,212,227	2,382,980
Interest and similar expense	(1,642,834)	(1,815,889)
Net interest income	569,393	567,091
Fee and commission income	439,605	399,258
Fee and commission expense	(243,743)	(178,332)
Net fee and commission income	195,862	220,926
Dividends and similar income	94,676	334,347
Profits (Losses) on trading	263,136	246,636
Profit (Losses) on hedging	7,364	17,467
Profits (Losses) on disposal or repurchase of:	147,013	114,034
a) loans and receivables	3,944	3,499
b) available-for-sale financial assets	178,197	123,954
c) held-to-maturity investments	-	-
d) financial liabilities	(35,128)	(13,419)
Profits (Losses) on financial assets and liabilities at fair value through profit and loss	-	(25,062)
Total income	1,277,444	1,475,439
Impairment losses/reversal of impairment losses on:	(268,286)	(110,549)
a) loans and receivables	(239,566)	(105,228)
b) available-for-sale financial assets	(3,604)	-
c) held-to-maturity investments	-	-
d) other financial assets	(25,116)	(5,321)
Net financial income	1,009,158	1,364,890
Net banking and insurance income	1,009,158	1,364,890
Administrative expenses	(359,982)	(350,581)
a) personnel expenses	(114,825)	(131,760)
b) other administrative expenses	(245,157)	(218,821)
Net accruals to provision for risks and charges	(10,000)	(16,000)

³ As a result of the approval of the audited financial statements for the financial year ending 31 December 2013 the First Supplement has added new Issuer's audited Consolidated Income Statements figures for the year ending 31 December 2013 compared with corresponding figures for the year ending 31 December 2012.

		Depreciation and net impairment losses on property and equipment (319) (358) Amortisation and net impairment losses on intangible assets (65) (31) Other operating income (expenses) 3,687 4,771 Operating expenses (366,679) (362,199) Net gains on sales of equity investments 17,839 4,396 Impairment of goodwill (194,070) - Pre-tax profit from continuing operations 466,248 1,007,087 Income tax expense (319,353) (364,593) Post-tax profit from continuing operations 146,895 642,494 Profit for the year 146,895 642,494 Profit (loss) attributable to non-controlling interests - - Profit attributable to the owners of the parent 146,895 642,494																																																																					
		<p><i>Consolidated Income Statement Selected Figures for the three months ending 31 March 2014 compared with corresponding figures for the three months ending 31 March 2013⁴</i></p> <table border="1"> <thead> <tr> <th></th> <th>31 March 2014</th> <th>31 March 2013</th> <th>Percentage variation</th> </tr> <tr> <th></th> <th colspan="2"><i>(EUR thousand)</i></th> <th><i>(per cent)</i></th> </tr> </thead> <tbody> <tr> <td>Net interest income</td> <td>168,101</td> <td>129,822</td> <td>29.5</td> </tr> <tr> <td>Total income</td> <td>424,929</td> <td>371,774</td> <td>14.3</td> </tr> <tr> <td>Operating expenses</td> <td>99,726</td> <td>92,410</td> <td>7.9</td> </tr> <tr> <td>Net financial income</td> <td>384,337</td> <td>322,471</td> <td>19.2</td> </tr> <tr> <td>Pre-tax profit from continuing operations</td> <td>285,396</td> <td>230,919</td> <td>23.6</td> </tr> <tr> <td>Profit for the period</td> <td>180,496</td> <td>145,036</td> <td>24.4</td> </tr> </tbody> </table> <p><i>Consolidated Balance Sheet Selected Figures for the three months ending 31 March 2014 compared with corresponding figures for the year ending 31 December 2013⁵</i></p> <table border="1"> <thead> <tr> <th></th> <th>31 March 2014</th> <th>31 December 2013</th> <th>Percentage variation</th> </tr> <tr> <th></th> <th colspan="2"><i>(EUR million)</i></th> <th><i>(per cent)</i></th> </tr> </thead> <tbody> <tr> <td>Net investments</td> <td>30,188.3</td> <td>28,676.9</td> <td>5.3</td> </tr> <tr> <td>Net revenue</td> <td>33,957.9</td> <td>31,781.6</td> <td>6.8</td> </tr> <tr> <td>Indirect revenue</td> <td>-</td> <td>-</td> <td>n.a</td> </tr> <tr> <td>Financial assets</td> <td>66,624.7</td> <td>61,451.7</td> <td>8.4</td> </tr> <tr> <td>Total assets</td> <td>144,927.8</td> <td>138,061.1</td> <td>5.0</td> </tr> <tr> <td>Net equity</td> <td>3,424.4</td> <td>3,236.1</td> <td>5.8</td> </tr> <tr> <td>Share Capital</td> <td>962.5</td> <td>962.5</td> <td>0.0</td> </tr> </tbody> </table> <p><i>Statements of no significant or material adverse change⁶</i> There has been no significant change in the financial or trading position of the Issuer since 31 March 2014 and there has been no material adverse change in the prospects of the Issuer since 31 December 2013.</p>		31 March 2014	31 March 2013	Percentage variation		<i>(EUR thousand)</i>		<i>(per cent)</i>	Net interest income	168,101	129,822	29.5	Total income	424,929	371,774	14.3	Operating expenses	99,726	92,410	7.9	Net financial income	384,337	322,471	19.2	Pre-tax profit from continuing operations	285,396	230,919	23.6	Profit for the period	180,496	145,036	24.4		31 March 2014	31 December 2013	Percentage variation		<i>(EUR million)</i>		<i>(per cent)</i>	Net investments	30,188.3	28,676.9	5.3	Net revenue	33,957.9	31,781.6	6.8	Indirect revenue	-	-	n.a	Financial assets	66,624.7	61,451.7	8.4	Total assets	144,927.8	138,061.1	5.0	Net equity	3,424.4	3,236.1	5.8	Share Capital	962.5	962.5	0.0	
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B.13	Recent events impacting the Issuer's	<i>Not applicable.</i> At the date of approval of this Prospectus there are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency ⁷ .																																																																					

⁴ As a result of the approval of the unaudited financial statements as at and for the three months ending 31 March 2014 the First Supplement has added new Issuer's Consolidated Income Statements selected figures for the three months ending 31 March 2014 compared with corresponding figures for the three months ending 31 March 2013.

⁵ As a result of the approval of the unaudited financial statements as at and for the three months ending 31 March 2014 the First Supplement has added new Issuer's Consolidated Balance Sheet selected figures for the three months ending 31 March 2014 compared with corresponding figures for the three months ending 31 December 2013.

⁶ As a result of the approval of the unaudited financial statements as at and for the three months ending 31 March 2014 the First Supplement has added statements of (i) no significant change in the financial or trading position of the Issuer since 31 March 2014; and (ii) no material adverse change in the prospects of the Issuer since 31 December 2013.

⁷ The First Supplement has inserted the following words "At the date of approval of this Prospectus".

	solvency	
B.14	Issuer dependent upon other entities within the group	The Issuer is subject to the management and co-ordination of its sole shareholder, Intesa Sanpaolo S.p.A., which is the parent company of the Intesa Sanpaolo banking group, to which the Issuer belongs.
B.15	Description of the principal activities of the Issuer	The Issuer is a banking institution established under the laws of the Republic of Italy engaged in investment banking activities. The Issuer is the investment banking arm and securities firm of Gruppo Intesa Sanpaolo and it offers a wide range of capital markets, investment banking and special lending services to a diversified client base including banks, companies, institutional investors, entities and public bodies. The Issuer's business is divided into four business divisions: <i>Capital Markets, Finance & Investments, Investment Banking</i> and <i>Structured Finance</i> .
B.16	Control of Issuer	The Issuer is a wholly-owned direct subsidiary of Intesa Sanpaolo S.p.A., the parent company of the Intesa Sanpaolo banking group.
Section C – SECURITIES		
C.1	Type and class of securities being offered / Security identification number	<p>BEARER SECURITIES</p> <p>Each issue of Securities will on issue be represented by either a Temporary Global Security or a Permanent Global Security as indicated in the applicable Final Terms. The Temporary Global Security will be exchangeable either, in accordance with its terms, for a Permanent Global Security or for Definitive Securities. The Permanent Global Security will be exchangeable in limited circumstances for Definitive Securities. Each Temporary Global Security and each Permanent Global Security will be held by a common depository on behalf of Euroclear and Clearstream, Luxembourg.</p> <p>REGISTERED SECURITIES</p> <p>Registered Securities will be represented by definitive registered certificates ("Registered Certificates" or "Registered Securities") and/or a registered certificate in global form (a "Global Registered Certificate") which will be registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg or in any clearing system specified in the applicable Final Terms. Definitive Securities will be exchangeable for definitive Registered Securities only if and to the extent so specified in the relevant Final Terms. Definitive Registered Securities will not be exchangeable for Bearer Securities or an interest therein.</p> <p>The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and shall be construed in accordance with, English Law.</p> <p>The ISIN of the Certificates will be specified in the applicable Final Terms.</p>
C.2	Currency	Euro, U.S. dollars or any other currency or currencies selected by the Issuer or any Manager, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The Issuer may issue Securities in respect of which the Cash Amount and/or Remuneration Amount may be payable, as specified in the applicable Final Terms, in one or more currencies (" Settlement Currency " as specified in the applicable Final Terms) which may be different from the currency in which the Issue Price was denominated (" Issue Currency " as specified in the applicable Final Terms) (Dual Currency Securities).
C.5	Restrictions on free transferability	There are restrictions on the offer, sale and transfer of the Securities in the United States and the European Economic Area (including the Republic of Italy, the United Kingdom, the Grand Duchy of Luxembourg, the Portuguese Republic, Germany, France, The Netherlands, Belgium, Spain, Czech Republic, Hungary, Ireland, Poland, Slovak Republic, Croatia, Sweden, Denmark and Slovenian Republic) and such other restrictions as may be required in connection with the offering and sale of a particular series of Securities.
C.8	Description of rights and ranking	<p>SETTLEMENT AT EXERCISE DATE</p> <p>If the Conditions to Settlement are not satisfied, each Certificate entitles its holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount, less any Expenses not already paid.</p> <p>SETTLEMENT UPON OCCURRENCE OF CREDIT EVENT</p> <p>Upon satisfaction of the Conditions to Settlement that are set out in the applicable Final Terms, the Certificates will be deemed automatically exercised on the Event Determination Date and the Securityholders will be entitled to receive either (i) payment of the Credit Event Cash Settlement Amount on the Credit Event Settlement Date, if the Final Terms specifies "Cash Settlement" as applicable Settlement Method, or (ii) payment of the Auction Credit Event Settlement Amount on the Auction Credit Event Settlement Date, if the relevant Final Terms specifies "Auction Settlement" as applicable Settlement Method, both as specified below.</p> <p>REMUNERATION</p> <p><i>Credit Remuneration</i></p>

		<p>If so specified in the applicable Final Terms, each Certificate pays remuneration from and including each Remuneration Commencement Date payable in arrear on each Remuneration Payment Date.</p> <p><i>Non-Credit Remuneration</i></p> <p>The Final Terms may provide for the payment of remuneration that are not linked to the credit of one or more Reference Entities, such as Underlying Linked Remuneration Amounts or Plus Amounts.</p> <p>Underlying Linked Remuneration Amounts. Such remuneration may be linked to the performance of one or more underlying assets (the "Underlying"). The amount and/or payment of such remuneration amounts is not affected by the credit linkage to a Reference Entity rather by the performance of the specified Underlying in accordance with certain digital formulas ("Digital Remuneration Amounts"), or on the basis of a participation into the performance of the underlying during certain time periods ("Participation Remuneration Amount"), or as annualised performance of the underlying ("Internal Return Amounts"), as specified in the applicable Final Terms.</p> <p>Plus Amounts. If so specified in the applicable Final Terms, each Certificate provides the unconditional payment of one or more Plus Amount(s). Such Plus Amount(s) will not be linked to the performance of the Reference Entities and will not affect the provisions for the calculation of any other amount set out in the relevant Final Terms.</p> <p>RANKING</p> <p>The Securities constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and rank <i>pari passu</i> among themselves 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 Issuer from time to time outstanding.</p>
C.11	Trading of Certificates	<p>Application has been made to the Central Bank to approve this document as a base prospectus. Application has also been made to the Irish Stock Exchange for Securities issued under the Programme to be admitted to trading on the Irish Stock Exchange's regulated market and to be listed on the Official List of the Irish Stock Exchange.</p> <p>The Securities may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as determined by the Issuer.</p> <p>The applicable Final Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading and if so, on which stock exchange(s) and/or market(s).</p>
C.15	Description of how the value of the investment is affected by the value of the underlying instrument	<p>The Certificates are linked to the credit performance of one or more Reference Entities and their value depends on whether a Reference Entity experiences a Credit Event or not. The value of the Certificates is therefore determined and is sensitive to perceived creditworthiness of the Reference Entity(ies) and the corresponding market estimate of its probability of default over the term of the Certificates.</p> <p>Only Credit Events which, in addition to their occurrence, in each case meet the relevant conditions to settlement are relevant. This means that, in addition to the Issuer's creditworthiness, the Certificates are dependent on the creditworthiness of the specified Reference Entity(ies). Upon the occurrence of a Credit Event and depending on the payment structure of the relevant Certificates, Securityholders may therefore suffer a partial or total loss of the capital invested.</p> <p>Broadly, the Conditions to Settlement are satisfied when the occurrence of a Credit Event is certain and publicly known according to the provisions of this Base Prospectus. The relevant Issuer will specify in the relevant Final Terms which Credit Event is applicable, which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as determined by the Calculation Agent.</p> <p>Upon the occurrence of a Credit Event, the Final Terms will specify whether no remuneration shall accrue on the Hybrid Certificates as a consequence of such Credit Event or the Certificates shall bear remuneration irrespective of such event.</p> <p>In case of Hybrid Nth-to-default Certificates, the satisfaction of the Conditions to Settlement will be determined with reference to the Nth Reference Entity. In case of Hybrid Pro Rata Certificates, each Reference Entity will contribute to the calculation of the Cash Settlement Amount and/or Remuneration Amount in the relevant amount/percentage set out by the Issuer in the applicable Final Terms.</p>
C.16	The expiration or maturity date of the derivative securities – the exercise date or final reference date	<p>Each Certificate shall be automatically exercised on the Exercise Date.</p> <p>Otherwise, they may only be redeemed before the Exercise Date upon the occurrence of a force majeure event or on the satisfaction of the Conditions to Settlement that are set out in the applicable Final Terms.</p> <p>The Exercise Date will be specified in the applicable Final Terms.</p>
C.17	Settlement procedure	<p>The Issuer shall pay or cause to be paid the relevant Cash Amount (if any) for each Certificate by credit or transfer to the Securityholder's account with Euroclear or Clearstream, Luxembourg, as the case may be, for value on the</p>

		<p>Settlement Date, less any Expenses not already paid, such payment to be made in accordance with the rules of Euroclear or Clearstream, Luxembourg, as the case may be.</p> <p>The Issuer's obligations will be discharged by payment to, or to the order of, Euroclear or Clearstream, Luxembourg (as the case may be) of the amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular amount of the Certificates must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each such payment.</p> <p>Payments will be subject in all cases 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, as amended (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.</p>
C.18	<p>Description of how the return on derivative securities takes place</p>	<p><u>CASH AMOUNT AT EXERCISE DATE</u></p> <p>If the Conditions to Settlement are not satisfied, broadly a Credit Event has not occurred on or before the Exercise Date, the Certificates entitle the Securityholders to receive on the Settlement Date the Cash Settlement Amount set out by the issuer in the relevant Final Terms.</p> <p>Cash Amount upon occurrence of Credit Event</p> <p>Upon satisfaction of the Conditions to Settlement:</p> <ul style="list-style-type: none"> (a) if the relevant Final Terms specifies "Cash Settlement" as applicable Settlement Method, the Credit Event Cash Settlement Amount payable to the Securityholders is determined by the Calculation Agent according to one of the following formula: <ul style="list-style-type: none"> i. a fixed amount set out by the Issuer in the applicable Final Terms, or ii. the Issue Price multiplied by the actual market price of a certain Reference Obligation of the affected Reference Entity following the occurrence of a Credit Event (the "Final Price"). (b) if the relevant Final Terms specifies "Auction Settlement" as applicable Settlement Method, the Auction Credit Event Settlement Amount will be calculated as the product of the Issue Price multiplied by the price for Reference Obligations of the relevant Reference Entity that is determined during an auction organised by International Swaps and Derivatives Association, Inc. (ISDA) with respect to such Reference Entity and its Obligations (the "Auction Final Price"). <p>The Final Terms may provide for specific valuation or quotation methods for the purposes of calculating the final price, if applicable, of a Reference Obligation. Such calculation will be made on the relevant Valuation Date as specified in the Final Terms subsequently to the occurrence of a Credit Event and notified.</p> <p><u>In case of Hybrid Pro Rata Certificates</u>, on the Scheduled Settlement Date, if a Credit Event has occurred and the Conditions to Settlement are satisfied with respect to any Reference Entity, the Securities will be redeemed at maturity as follows:</p> <ul style="list-style-type: none"> (i) If the applicable Settlement Method is <u>Auction Settlement</u>, by payment of an amount equal to the sum of (A) the Issue Price minus the Pro Rata Principal Amount of each Reference Entity in respect of which the Conditions to Settlement are satisfied and (B) only with regard to each Reference Entity in respect of which the Conditions to Settlement are satisfied, the product of (i) the relevant Pro Rata Principal Amount and (ii) the relevant Auction Final Price; (ii) If the applicable Settlement Method is <u>Cash Settlement</u>: <ul style="list-style-type: none"> (a) if the Issuer opts for option a) in the definition of Credit Event Cash Settlement Amount, by payment of an amount equal to the sum of (A) the Issue Price minus the Pro Rata Principal Amount of each Reference Entity in respect of which the Conditions to Settlement are satisfied and (B) only with regard to each Reference Entity in respect of which the Conditions to Settlement are satisfied, the product of (i) the relevant Pro Rata Principal Amount and (ii) the relevant Final Price; or (b) if the Issuer opts for option b) in the definition of Credit Event Cash Settlement Amount, by payment of an amount equal to the difference, where positive, between (A) the Issue Price and (B) the sum of the Pro Rata Principal Amount of each Reference Entity in respect of which the Conditions to Settlement are satisfied. <p><u>In case of Hybrid Nth-to-default Certificates</u>, the Conditions to Settlement are not satisfied until they are satisfied with respect to the "Nth" Reference Entity, which means the Reference Entity in relation to which the Credit Event has occurred in the specified chronological order (as indicated in the relevant Final Terms) in respect of the other Reference Entities. Therefore, the Issuer will consider the Nth Reference Entity in relation to which a Credit Event occurred (e.g. if Second to default, the second Reference Entity affected by the Credit Event; if Fourth to default, the fourth Reference Entity affected by the Credit Event) as the Reference Entity.</p> <p><u>In case of Hybrid Amortizing Certificates</u> the Certificates provide the repayment of the Base Amount in different tranches scheduled according to an amortizing plan indicated in an Amortizing Base Amount Plan Annex in the</p>

relevant Final Terms. In particular, the Certificates pay a Base Amortizing Amount on each Base Amortizing Amount Payment Date provided that, on the relevant Base Amortizing Amount Observation Date, the Conditions to Settlement are not satisfied. In such a case, the Outstanding Base Amount will decrease and the Cash Settlement Amount will be paid on the basis of the Outstanding Base Amount as of the last Base Amount Payment Date. If the Conditions to Settlement are satisfied on or prior the relative Base Amortizing Observation Date, from the relevant Base Amortizing Amount Payment Date the Base Amortizing Amount will cease to be due and the Outstanding Base Amount will stop to decrease. Therefore for the purpose of the calculation of the Credit Event Cash Settlement Amount, will be considered the Outstanding Base Amount relating to the Base Amortizing Amount Payment Date immediately prior of the Base Amortizing Observation Date where the Conditions to Settlement are satisfied.

Remuneration Amounts

CREDIT REMUNERATION AMOUNTS

If the Final Terms specify Credit Remuneration Amounts as applicable, the amount of remuneration payable in respect of each Certificate on each Remuneration Payment Date may be calculated according to one of the following criteria, as specified in the applicable Final terms :

- a) fixed amount(s) predetermined by Issuer at or before the Issue Date,
- b) by applying a fixed rate to the Base Amount;
- c) by applying a floating rate to the Base Amount; or
- d) by applying a combination of (a), (b) and (c) above, i.e. a different method for each Remuneration Period, as specified in the applicable Final Terms.

Upon the occurrence of a Credit Event, the accrual and payment of remuneration may either continue or cease, according to the relevant indication in the applicable Final Terms.

In case of Hybrid Pro Rata Certificates:

- i) If the criteria under a) above is specified as applicable in the relevant Final Terms, the Securityholder will receive, in relation to the relevant Remuneration Period, only the Remuneration Pro Rata Amounts of the Reference Entities in respect of which the Conditions to Settlement are not satisfied;
- ii) If the criteria under b) or c) above are specified as applicable in the relevant Final Terms, if a Credit Event has occurred and the Conditions to Settlement are satisfied with respect to any Reference Entity, the Base Amount on which the relevant Remuneration Amount accrues during the life of the Securities will be reduced by the relevant Remuneration Pro Rata Base Amount for such Reference Entity. The Remuneration Amount will accrue on the basis of the reduced Base Amount from (and including) the first day of the Remuneration Period for which the relevant Remuneration Payment Date has not occurred on or prior to the date on which the Conditions to Settlement are satisfied.

For avoidance of doubt, in case of Hybrid Pro Rata Certificates, the Issuer may elect to apply in each Remuneration Period one of the methods described above under a), b), c), i) or ii) above.

In case of Hybrid Amortizing Certificates the Remuneration Amount(s), where provided, to be paid on any Remuneration Payment Date, will be determined on the basis of the Outstanding Base Amount as of the Base Amortizing Amount Payment Date immediately prior of the relevant Remuneration Payment Date. For the avoidance of doubt, if a Base Amortizing Amount Payment Date corresponds to a Remuneration Payment Date, the Remuneration will be calculated on the basis of the Outstanding Base Amount as of the Base Amortizing Amount Payment Date immediately preceding such date. If the Conditions to Settlement are satisfied on or prior to the relative Base Amortizing Observation Date, from the relevant Base Amortizing Amount Payment Date the Remuneration Amount(s) will cease to be due.

NON-CREDIT REMUNERATION AMOUNTS

Underlying Linked Remuneration Amounts.

If the Final Terms specify Underlying Linked Remuneration Amounts as applicable, the remuneration potentially payable in respect of each Certificate on a Non-Credit Remuneration Payment Date to the Securityholder depends on the performance of an underlying asset among shares, indices, exchange rates, commodity future contracts, interest rates, funds, commodities or baskets thereof and are calculated according to one of the following methods.

Digital Remuneration Amounts.

The Digital Remuneration Amounts are characterised by the linkage of the Non-Credit Remuneration Amount to a Digital Event, which will occur in the relevant Digital Valuation Period(s) if the value of the Non-Credit Underlying asset is lower, equal to or higher than (as indicated in the relevant Final Terms) the Digital Level.

If the Digital Event occurs, the investor will receive one or more Digital Remuneration Amount(s) as specified in the relevant Final Terms. Such amounts may be fixed, increasing, decreasing or variable in relation to the relevant Digital Valuation Period as specified in the applicable Final Terms. The investors will be notified of the Digital Event by means of a notice published on the website of the Issuer www.bancaimi.com.

Determination Methods: one of the following Determination Methods of the Digital Event will be specified in the applicable Final Terms:

- a) *Single Level Option*, if a single Digital Level is set out in respect of all the Digital Valuation Periods;

- b) *Multiple Level Option*, if several Digital Levels is set out in respect of the relevant Digital Valuation Period in this case, in relation to each Digital Valuation Period, the relevant Final Terms will indicate the value of the "First Digital Level", the "Second Digital Level" and so on.
- c) *Cliquet Feature*, if the Digital Level is set out as a percentage of the Reference Value of the Non-Credit Underlying asset to be determined during the relevant Digital Valuation Period. In this case, the Digital Level will be updated by the Calculation Agent from time to time, and the Calculation Agent will determine the Reference Value of the Non-Credit Underlying asset: (i) in relation to the relevant Digital Valuation Period or (ii) when the Digital Event has occurred in the relevant Digital Valuation Period.
- d) *Spread Feature*. If the Spread Feature is specified as applicable in the relevant Final Terms, for the purposes of determining the Digital Remuneration Amount, reference will be made to the Spread (as defined in Condition 3(2)), which is the difference between the performances of two financial activities.

Certain additional calculation methods in relation to the Digital Remuneration Amount may be set out jointly or separately in respect of the relevant Series, as specified in the applicable Final Terms. In particular:

- a) *Consolidation Effect*. The Certificates, if so specified in the relevant Final Terms, may provide for an automatic activation option of the Digital Remuneration Amounts eventually payable during the life of the Certificates. In particular, if several Digital Valuation Periods are applicable and the value of the Non-Credit Underlying asset is lower, equal to or higher than the Consolidation Level in a Consolidation Valuation Period, the Digital Level will automatically occur without further determinations for all Digital Valuation Periods following such Consolidation Valuation Period.
- b) *Memory Effect*. The Certificates, if so specified in the relevant Final Terms, may provide for an option that takes into account the unpaid Digital Remuneration Amounts during the life of the Certificates due to the non-occurrence of a Digital Event. In particular, if several Digital Valuation Periods have been provided and the value of the Non-Credit Underlying asset is lower, equal to or higher than the so-called Memory Level in a Memory Valuation Period, the investor will receive the previously unpaid Digital Remuneration Amount(s) in the event that a Digital Event has not occurred (except where such Digital Remuneration Amounts were already paid due to the occurrence of a Memory Effect in a previous Memory Valuation Period).
- c) *Digital Knock-out Feature*. If the Digital Knock-out Feature is specified in the relevant Final Terms as applicable, the Digital Remuneration Amounts eventually payable during the life of the Certificates will cease to be due and payable to the Securityholders. In particular, if the Reference Value of the Non-Credit Underlying asset (or the Spread in event of Spread Digital Remuneration), during a Digital Knock-out Valuation Period, is lower, equal to or higher than the relevant Digital Knock-out Level (such event a "**Digital Knock-out Event**"), the investor will not benefit from the payment of any Digital Remuneration Amount during the Digital Valuation Periods following the Digital Knock-out Valuation Period in which the Digital Knock-out Event has occurred.
- d) *Path Dependency Effect*. If the relevant Final Terms specify the Path Dependency Effect as applicable, the Digital Remuneration Amount may increase in relation to each Digital Valuation Period. Such increase will depend on a Digital Event(s) occurring in the previous Digital Valuation Period(s). In particular, the increase will be calculated as the product of (i) a further amount linked to the Digital Remuneration Amount and indicated as the Path Dependency Amount in the applicable Final Terms and (ii) a number which will be determined in relation to each Digital Valuation Period and which is equal to the number of the Digital Event(s) which have occurred from the first Digital Valuation Period (included) until the Digital Valuation Period on which such Digital Remuneration Amount is calculated.

Internal Return Amounts.

If the relevant Final Terms specify Internal Return Amount(s) (IRA) Remuneration Amount as applicable, the Non-Credit Remuneration Amount (which can be IRA Compound or IRA Simple) will be linked to the performance of the Non-Credit Underlying asset and calculated on such performance which is annualised in relation to each Annual Valuation Date.

If the relevant Final Terms provide for a Cap, the Participation Remuneration Amount will not be higher than the Cap Level.

Participation Remuneration Amounts.

The Participation Remuneration Amount consists of an amount determined on each Participation Valuation Date on the basis of the performance of the Non-Credit Underlying asset during a Participation Valuation Period specified in the relevant Final Terms, according to one of the following methods.

Long/Short Participation Remuneration Amount

If the applicable Final Terms specify Long Participation Remuneration Amounts the amount of remuneration payable to the Securityholders is linked to the positive performance of the Non-Credit Underlying asset (i.e. it increases if the performance is positive and it is equal to zero if such performance is negative).

If the Final Terms specify Short Participation Remuneration Amounts, the amount of the remuneration payable to the Securityholders is linked to the negative performance of the Non-Credit Underlying asset (i.e. such remuneration increases if the performance is negative and it is equal to zero if the performance is positive).

		<p><i>Spread Participation Remuneration Amount</i></p> <p>If the Spread Feature is specified as applicable in the relevant Final Terms ("Spread Participation Remuneration Amount"), for the purposes of determining the Spread Participation Remuneration Amount, reference will be made to the Spread, which is the difference between the performances of two underlying assets.</p> <p>In any of the above scenario, if the relevant Final Terms provide for a Cap the Participation Remuneration Amounts will not be higher than the Cap Level.</p> <p>The following features may apply in respect of the Participation Remuneration Amount, if so specified in the applicable Final Terms.</p> <p>a) <i>Participation Knock-out Feature.</i> If the Participation Knock-out Feature is specified in the relevant Final Terms as applicable, the Participation Remuneration Amounts potentially payable after the occurrence of a Participation Knock-out Event (as defined below), will cease to be due and payable to the Securityholders. In particular, if the Reference Value of the Non-Credit Underlying asset (or the Spread in event of Spread Participation Remuneration Amount), during a Participation Knock-out Valuation Period, is lower, equal to or higher than the relevant Participation Knock-out Level (such event a "Participation Knock-out Event"), the investor will not benefit from the payment of any Participation Remuneration Amounts on any Non-Credit Remuneration Payment Date following the Participation Knock-out Valuation Period in which the Participation Knock-out Event has occurred.</p> <p>b) <i>Participation Switch Feature.</i> If the Participation Switch Feature is specified in the relevant Final Terms as applicable, the Non-Credit Remuneration Amount potentially payable depend on the occurrence of a Participation Switch Event. If a Participation Switch Event has not occurred during a Participation Switch Valuation Period, on the relevant Non-Credit Remuneration Payment Date, the Certificates will pay a Participation Remuneration Amount otherwise, if during such Participation Switch Valuation Period, a Participation Switch Event has occurred on the relevant Non-Credit Remuneration Payment Date the Certificates will pay a Participation Switch Amount specified in the relevant Final Terms. In particular, if the Reference Value of the Non-Credit Underlying asset (or the Spread in event of Spread Participation Remuneration Amount), during a Participation Switch Valuation Period, is lower, equal to or higher (as indicated in relevant Final Terms) than the relevant Participation Switch Level (such event a "Participation Switch Event"), the investor will receive the specified Participation Switch Amount on the relevant Non-Credit Remuneration Payment Date following the Participation Switch Valuation Period in which the Participation Switch Event has occurred.</p> <p>c) <i>Net Profit Feature.</i> If the Net Profit Feature is specified in the relevant Final Terms as applicable, the Remuneration Sum (the sum, in respect of any Non-Credit Valuation Date, of the Non-Credit Remuneration Amounts specified in the relevant Final Terms, if already paid on the prior Non-Credit Remuneration Payment Dates specified in the relevant Final Terms, as defined in Condition 3(2) above) will be deducted from the above amounts, provided that the resulting amount cannot be lower than zero.</p> <p>In relation to the Underlying Linked Remuneration, the following options concerning the underlying assets may be applicable, as specified from time to time in the relevant Final Terms:</p> <p><i>Series with two or more underlying assets:</i></p> <ul style="list-style-type: none"> - Best Of Feature; - Worst Of Feature; - Spread Feature. <p><i>Series with a Basket as Underlying:</i></p> <ul style="list-style-type: none"> - Digital Combo Feature (in case of Digital Remuneration Amounts); - Participation Combo Feature (in case of Participation Remuneration Amounts); - Rainbow Feature. <p><u>Plus Amounts.</u></p> <p>Plus Amount(s) payable in respect of each Certificate on each Plus Payment Date may be set out in the relevant Final Terms. Such amount(s) will not affect the calculation of the amounts mentioned above and will be paid regardless of the performance of the Reference Entities.</p>
C.19	Exercise price or final reference price of the underlying	The final price of the Reference Obligation will be based on the market value of such obligation of the affected Reference Entity after the occurrence of the Credit Event as compared to its nominal value. The Final Terms provide for specific valuation or quotation methods (including an auction organised by the International Swaps and Derivatives Association, Inc. ("ISDA")) for the purposes of calculating the Final Price. Such calculations will be made subsequent to the occurrence of the Credit Event on the relevant pre-defined Valuation Date.
C.20	Type of underlying and where the information on the	The Reference Entity(ies) and the respective successor, as well as the relevant source of information, will be stated in the applicable Final Terms.

	underlying can be found	
Section D – RISKS		
D.2	Key risks specific to the Issuer⁸	<p>There are certain factors that may affect each Issuer's ability to fulfil its obligations under the Certificates issued under the Programme. These include the following risk factors:</p> <ul style="list-style-type: none"> (i) Banca IMI's business may be adversely affected by international markets and economic conditions; (ii) Disruptions and volatility in the global and Euro-zone financial markets may adversely impact Banca IMI's business; (iii) Negative economic developments and conditions in the markets in which Banca IMI operates may adversely affect Banca IMI's business and results of operations; (iv) Banca IMI's business is sensitive to current adverse macroeconomic conditions in Italy; (v) Banca IMI's business is exposed to counterparty credit risk; (vi) Deterioration in Banca IMI's loan portfolio to corporate customers may affect Banca IMI's financial performance; (vii) Banca IMI's business is exposed to settlement risk and transfer risk; (viii) Banca IMI's business is exposed to market risk; (ix) Banca IMI's business is exposed to operational risks; (x) Banca IMI's business is exposed to liquidity risk; (xi) Legal risks; (xii) Risks arising from assumptions and methodologies for assessing financial assets and liabilities measured at fair value; (xiii) Banca IMI's business is exposed to increasing competition in the financial services industry; (xiv) Banca IMI's business is exposed to risks arising from the loss of key personnel; (xv) Banca IMI's framework for managing its risks may not be effective in mitigating risks and losses; (xvi) Banca IMI's business is exposed to Reputational Risk; (xvii) Regulatory claims may arise in the conduct of the Banca IMI's business; (xviii) Banca IMI operates within a highly regulated industry and its business and results are affected by the regulations to which it is subject; (xix) Banca IMI's business performance could be affected if its capital adequacy ratios are reduced or perceived to be inadequate; (xx) Banca IMI's business is exposed to risk of changes in tax legislation as well as to increases in tax rates; (xxi) Banca IMI's business is exposed to risks associated with a reduction in the support actions for the banking and financial system; and (xxii) Banca IMI's business is exposed to risk related to transactions in financial derivatives;
D.6	Key risks specific to the securities	<p>An investment in relatively complex securities such as the Certificates involves a greater degree of risk than investing in less complex securities. In some cases, investors may stand to lose the value of their entire investment or part of it, as the case may be. There are certain factors which are material for the purpose of assessing the market risks associated with Securities issued under the Programme. In particular:</p> <ul style="list-style-type: none"> (i) The Certificates may not be a suitable investment for all investors <p>Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. A potential investor should not invest in Certificates which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.</p> <ul style="list-style-type: none"> (ii) Option Risk <p>The Certificates are derivative financial instruments which may include an option right and which, therefore, have many characteristics in common with options. Transactions in options involve a high level of risk.</p> <ul style="list-style-type: none"> • Risks related to the structure of the Certificates <p>The Certificates may have features which contain particular risks for potential investors. In particular:</p> <ul style="list-style-type: none"> (i) General risks and risks relating to the change in the value of the creditworthiness of any Reference Entity

⁸ In order to correctly reflect the factors that may affect the Issuer's ability to fulfil its obligations under the Certificates issued under the Programme, the First Supplement has made some changes to the risks specific to the Issuer. Therefore Section D.2 "Key risks specific to the Issuer" has been updated accordingly.

The Certificates involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks. Purchasers should be prepared to sustain a partial or total loss of the purchase price of their Securities.

Fluctuations in the creditworthiness of any Reference Entity will affect the value of the Hybrid Certificates.

The Issuer may issue several issues of Securities relating to the credit of various reference entities, as may be specified in the applicable Final Terms. However, no assurance can be given that the Issuer will issue any Securities other than the Securities to which particular Final Terms relate.

(ii) Risk relating to the determination of the Remuneration payable in respect to the Securities

The Securities which entitle to receive a Remuneration Amount determined by applying a fixed or a floating rate may expose the investors to interest rate risks. In particular, investment in Securities with a fixed rate remuneration involve the risk that subsequent changes in market interest rates may adversely affect the value of the Securities with a fixed rate remuneration. Securities with a floating interest rate remuneration involve the risk that interest rates may vary from time to time, resulting in variable interest payments to Securityholders.

(iii) Reference Entity Risks

The Certificates do not create any legal relationship between the Securityholders and the Reference Entities. The Securityholders will not have any right of recourse against the relevant Reference Entity in the event of any loss.

Neither the Issuer nor any other person on behalf of the Issuer makes any representation or warranty or accepts any responsibility whatsoever with respect to the creditworthiness of any Reference Entity or otherwise that no Credit Event will occur with respect to any Reference Entity.

(iv) Certain Factors Affecting the Value and Trading Price of Securities

Before selling Securities, Securityholders should carefully consider, among other things, (i) the trading price of the Securities, (ii) the value of the creditworthiness of any Reference Entity, (iii) the time remaining to expiration, (iv), the probable range of Cash Amounts, (v) any change(s) in currency exchange rates, (vi) any change(s) in the inflation rates of the country of any Reference Entity, and (vii) the depth of liquidity of the Reference Item.

(v) Certain Considerations Regarding Hedging

Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in any Reference Item which may be specified in the applicable Final Terms, should recognise the complexities of utilising Securities in this manner. For example, the value of the Securities may not exactly correlate with the creditworthiness of any Reference Entity or the value of the Reference Item which may be specified in the applicable Final Terms. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with the creditworthiness of any Reference Entity or the value of the Reference Item which may be specified in the applicable Final Terms.

(vi) Volatility Risk due to Credit Linkage

If during the term of a Certificate, the creditworthiness of the Reference Entity deteriorates significantly without the occurrence of a Credit Event being imminent, this may materially adversely affect the market price of the Certificates.

Moreover, the price of the Certificates depends on the development of market prices of other credit default swaps relating to the Reference Entity.

Such credit default swap prices, in turn, are subject to volatility. Changes in the market price of the relevant credit default swap may differ from the change in price of the Certificates following the deterioration of the creditworthiness of any relevant Reference Entity. Such a deterioration in the creditworthiness of any relevant Reference Entity may cause the price of the Certificate to go down.

Furthermore, the change in the market price of the credit default swap does not only depend on the expected creditworthiness in relation to the relevant Reference Entity, but also on factors such as the expectation of the market regarding the likelihood of debtors defaulting in general. This may result in a negative impact on the price of the Certificates due to price changes in the overall default swaps market, even if no change has occurred regarding the expected creditworthiness with respect to the Reference Entity underlying the Certificates. The market price of Certificates linked to credit events on the market is subject to greater levels of risk than is the market price of other certificates.

(vii) General risks and risks relating to the Underlying Linked Remuneration

In case of Underlying Linked Remuneration, the payment of such remuneration is affected by the performance of the underlying asset. In such instance, the Certificates contain a combination of several options in relation to the Underlying Linked Remuneration and the Securityholder shall take into account that the value of such remuneration will depend on the value of each option composing the certificate. The fluctuation over the time of the value of each optional components mostly depends on the current value of the underlying asset to which the Underlying Linked Remuneration relates, the volatility of the Non-Credit Underlying asset, the residual life of the options composing the Certificates, the levels of the interest rates of the monetary markets, the expected dividends (in case of Share Securities), the correlation (in the event that the underlying asset is a Basket) as well as the business of the Issuer of the underlying asset, speculative contractions and other factors.

(viii) Certain Considerations Associated with Non-Credit Remuneration Amounts limited by a Cap

	<p>In case of application of Non-Credit Remuneration Amounts, if the Cap feature is specified as applicable in the Final Terms, the Securities may provide for the application of a maximum periodic return payable to investors which will be limited to a maximum value or level of the relevant reference item(s) (Cap Level).</p> <p>In such case, the remuneration amounts payable to investors will be subject to the predetermined maximum.</p> <p>(ix) Exchange risk related to the absence of a Quanto Option</p> <p>In case of Underlying Linked Remuneration Amount, the investment in Certificates which do not provide a Quanto Option may entail risks related to the exchange rate. The Underlying Reference Currency of the underlying asset may be different from the Settlement Currency of the Certificates in which the Underlying Linked Remuneration is paid. In particular, in the event that the underlying reference currency is other than the Settlement Currency, the remuneration paid by the Certificate without a Quanto Option might be negative as the value of the underlying asset (or the Cap Level, if applicable) shall be exchanged in the Settlement Currency at the applicable exchange rate.</p> <p>(x) Risk related to the Participation Factor in case of (Long/Short) Participation Remuneration Amount and Spread Participation Remuneration Amount</p> <p>The Participation Remuneration Amount consists of an amount determined on each Participation Valuation Date on the basis of the performance of the Non-Credit Underlying asset during a Participation Valuation Period specified in the relevant Final Terms.</p> <p>The Non-Credit Remuneration Amount will be affected by the Participation Factor, that is a value predetermined by the Issuer in the relevant Final Terms which may be lower, equal to or higher than 100%.</p> <p>(xi) Risk related to the Digital Level Event (in case of Digital Remuneration Amount)</p> <p>The Digital Remuneration Amounts are characterised by the linkage of the Non-Credit Remuneration Amount to a Digital Event, which will occur in the relevant Digital Valuation Period(s) if the value of the Non-Credit Underlying asset is lower, equal to or higher than (as indicated in the relevant Final Terms) the Digital Level.</p> <p>In the event that the Reference Value of the Underlying asset does not reach (or the Spread in the case of Spread Certificates) the Digital Level in a Digital Valuation Period, a Digital Event will not occur and the Digital Remuneration Amounts provided in relation to the Digital Valuation Periods due in respect to the corresponding Non-Credit Remuneration Payment Date will not be due and payable to the Securityholder.</p> <p>(xii) Risk related to the Knock-out Event (in case of Underlying Linked Remuneration Amount)</p> <p>In the event that the underlying asset reaches (or the Spread in the case of Spread Certificates) the Knock-out Level in a Knock-out Valuation Period, a Knock-out Event will occur and the Digital Remuneration Amounts or the Participation Remuneration Amount provided in relation to the Digital Valuation Periods following such Knock-out Valuation Period will be deactivated.</p> <p>(xiii) Risk related to the Best Of and Worst Of Features (in case of Underlying Linked Remuneration Amount)</p> <p>If the Final Terms specify Underlying Linked Remuneration Amounts as applicable, the remuneration potentially payable in respect of each Certificate on a Non-Credit Remuneration Payment Date to the Securityholder depends on the performance of an underlying asset among shares, indices, exchange rates, commodity future contracts, interest rates, funds, commodities or baskets of such underlying assets.</p> <p>In the case of Best Of Feature, the lower will be the performance selected by the Issuer among the financial activities (First Best Of, Second Best Of, etc.) within the underlying asset of the relevant Series, the less the remuneration that the investor will receive. However, in the case of Worst Of Feature, the higher will be the performance selected by the Issuer among the financial activities (First Worst Of, Second Worst Of, etc) within the underlying asset of the relevant Series, the less the remuneration that the investor will receive.</p> <p>(xiv) Risk related to the Baskets of Underlyings – Risk related to the Rainbow Feature - Correlation risk (in case of Underlying Linked Remuneration Amount)</p> <p>If the Final Terms specify Underlying Linked Remuneration Amounts as applicable, the remuneration potentially payable in respect of each Certificate on a Non-Credit Remuneration Payment Date to the Securityholder depends on the performance of an underlying asset among shares, indices, exchange rates, commodity future contracts, interest rates, funds, commodities or baskets of such underlying assets.</p> <p>In the case of a Basket of underlying assets, the investor shall take into account that the value and the return of the Certificates depends on the value of each Basket Constituents, the weighting allocated to each Basket Constituents and the correlation between the Basket Constituent. In the case of a Basket, the investor shall consider that a different weighting allocated to the Basket Constituents entails a higher or lower value of the Basket. In the case of a Rainbow Feature, the investor shall consider that upon the variation of even only one Basket Constituent, the Reference Value of the Basket that is recorded on a determination date might be completely different from a Reference Value recorded on a prior date.</p> <p>(xv) Certain Considerations regarding the credit component</p> <p>An investment in Hybrid Certificates will entail significant risks not associated with an investment in a conventional debt security. The Issuer may issue Securities where the Cash Amount and/or Remuneration Amount(s) payable is dependent upon whether certain events (Credit Events) have occurred in respect of one or more reference entity/entities (Reference Entities) and, if so, such amount may be dependent on the value of certain assets of such</p>
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Reference Entity/Entities as specified in the applicable Final Terms.

The price of Hybrid Certificates may be volatile and will be affected by, amongst other things, the time remaining to the redemption date or expiration date and the creditworthiness of the Reference Entity/Entities, which in turn may be affected by the economic, financial and political events in one or more jurisdictions.

The Securityholders will be exposed to the credit risk of one or more Reference Entities, which exposure may be up to the full extent of their investment in such Hybrid Certificates. The occurrence of a Credit Event in relation to any Reference Entity from time to time may result in the Hybrid Certificates paying a reduced or zero Cash Amount and/or a reduced or zero Remuneration Amount(s). Upon the occurrence of any of the default events comprising a Credit Event with respect to any Reference Entity, the holders of such Hybrid Certificates may then suffer significant losses at a time when losses may be suffered by a direct investor in obligations of such Reference Entity. However, the holding of a Credit Security is unlikely to lead to outcomes which exactly reflect the impact of investing in an obligation of a Reference Entity, and losses could be considerably greater than would be suffered by a direct investor in the obligations of a Reference Entity and/or could arise for reasons unrelated to such Reference Entity. Holders should also note that a Credit Event may occur even if the obligations of a Reference Entity are unenforceable or their performance is prohibited by any applicable law or exchange controls.

Following the occurrence of a Credit Event, the Calculation Agent may be required by the applicable Final Terms to seek quotations in respect of select obligations of the affected Reference Entity (the Reference Item). Such quotations may not be available, or the level of such quotations may be substantially reduced or may vary substantially as a result of illiquidity in the relevant markets or as a result of factors other than the credit risk of the affected Reference Entity (for example, liquidity constraints affecting market dealers).

Hybrid Certificates do not constitute an acquisition by the holders of the Securities of any interest in any Reference Item. The Issuer does not grant any security interest over any Reference Item.

Prospective purchasers should be aware that the Issuer's obligations in respect of Hybrid Certificates are irrespective of the existence or amount of the Issuer's and/or any affiliates' credit exposure to a Reference Entity, and the Issuer and/or any affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

Reference Entities may not be subject to regular reporting requirements. The Reference Entities may report information in accordance with different disclosure and accounting standards. Prospective investors should note that in certain circumstances, there may be no requirement for the Issuer to give information which is generally publicly available in relation to the occurrence of a Credit Event. If a Credit Event occurs in respect of a Reference Entity which is not public, holders of the Securities may not be able to verify the occurrence of such Credit Event. None of the Issuer or the Calculation Agent or any of their respective affiliates make any representation as to the accuracy or completeness of any information available with respect to the Reference Entities and none of the Issuer or the Calculation Agent or any of their respective affiliates will have any obligation to keep investors informed as to any matters with respect to the Reference Entities or any of their obligations, including whether or not circumstances exist that give rise to the possibility of the occurrence of a Credit Event with respect to the Reference Entities. In case of Hybrid Pro Rata Certificates and Hybrid Nth-to-default Certificates, the Securityholder will be exposed to the credit risk of more Reference Entities.

(xvi) Substitution of the Reference Entity

As a result of mergers or other events involving the Reference Entity, such Reference Entity may change. This could result in the risk that the Reference Entity following such changes can, in economic terms, no longer be compared with the relevant Reference Entity prior to such changes. Any risk which may result from such a change of the Reference Entity will be borne by the Securityholders.

In case of a Succession Event, a Reference Entity may become Successor of another Reference Entity. If a Credit Event has already occurred and been notified accordingly in relation to such Successor prior to the relevant Succession Event, such previous Credit Event will not prevent the occurrence and determination of a (new) Credit Event in relation to such Successor, even if with respect to each Reference Entity only one notified Credit Event is taken into account.

(xvii) Conflicts of interest in relation to the Reference Entity

The Issuer, the Calculation Agent and their affiliates are entitled to purchase and sell the Certificates for their own account or for the account of others, to issue further Certificates and to engage in transactions (including hedging transactions) with respect to the Reference Entity or Reference Item. The Issuer, the Calculation Agent and their affiliates are also entitled to exercise a function in relation to the Certificates other than the present function and to issue additional derivative instruments in relation to the potential Reference Item. Such transactions may favourably or adversely affect the market price of the Certificates. If additional and competing products are introduced in the markets, this may adversely affect the value of the Certificates. The Issuer, the Calculation Agent and their affiliates are entitled in connection with any future securities issues by the Reference Entity to act as managers, financial advisers for the relevant Reference Entity or as commercial bank for a Reference Entity. Such activities may result in conflicts of interest.

The Issuer, the Calculation Agent and their affiliates may on the issue date of the Certificates or at any time thereafter be in possession of information in relation to any Reference Entity that may be material to holders of any Certificates and that may not be publicly available or not known to the Securityholders. There is no obligation on the part of the Issuer, the Calculation Agent or their affiliates to disclose any such information to the Securityholders.

(xviii) Implementation of Resolutions of the "Credit Derivatives Determination Committee"

ISDA has established Credit Derivatives Determination Committees (each a "Committee") that comprise of dealers in and buyers of credit derivative instruments for the purpose of resolving matters and questions in connection with ISDA standard terms or an auction organised by ISDA.

	<p>The Calculation Agent may take any applicable resolutions of the relevant Committee into account when applying the Final Terms and the Terms and Conditions and in exercising its discretion. Potential investors should therefore be aware that their investment in Hybrid Certificates and any loss following a Credit Event could be dependent on resolutions of such Committee.</p> <p>(xix) Actions of Reference Entities may affect the value of the Certificates Actions of Reference Entities (for example, merger or demerger or the repayment or transfer of indebtedness) may adversely affect the value of the Certificates.</p> <p>(xx) Payments in the Certificates may be deferred or suspended In certain circumstances, payment of the cash settlement amount of the Securities and/or remuneration may be deferred for a material period in whole or part without compensation to the holders of the Certificates.</p> <p>(xxi) Use of Cash Settlement may adversely affect returns to Securityholders Following the occurrence of a Credit Event, the Calculation Agent will be required to seek quotations in respect of selected obligations of the affected Reference Entity. Quotations obtained may be "bid-side" - that is, they will be reduced to take account of a bid-offer spread charged by the relevant dealer. Any quotations so obtained may be significantly different from the value of the relevant obligation which would be determined by reference to (for example) the present value of related cashflows. Quotations will be deemed to be zero in the event that no such quotations are available.</p> <p>(xxii) Risks may be compounded Various risks relating to the Certificates may be correlated or compounded and such correlation and/or compounding may result in increased volatility in the value of the Certificates and/or in increased losses for the Securityholders.</p> <p>(xxiii) The Certificates do not represent an interest in obligations of Reference Entities The Certificates do not constitute an acquisition by the Securityholders of any interest in any obligation of a Reference Entity.</p> <p>(xxiv) Historical performance may not predict future performance Individual Reference Entities may not perform as indicated by the historical performance of similar entities and no assurance can be given with respect to the future performance of any Reference Entities.</p> <p>(xxv) Concentration risk in case of Reference Entities Basket In case of Reference Entities Basket, the credit risk to investors in the Certificates may be increased as a result of the concentration of Reference Entities in a particular industry sector or geographic area, or the exposure of the Reference Entities to similar financial or other risks as other Reference Entities.</p> <ul style="list-style-type: none"> • Risks Related to Securities Generally <ul style="list-style-type: none"> (i) Modification The Conditions provide that the Principal Security Agent and the Issuer may, without the consent of Securityholders, agree to (i) any modification (subject to certain specific exceptions) of the Securities or the Agency Agreement which is not prejudicial to the interests of the Securityholders or (ii) any modification of the Securities or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or proven error or to comply with mandatory provisions of law. (ii) Expenses and Taxation A holder of Securities must pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising from the exercise and settlement of such Securities. The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Security by any person and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted. (iii) U.S. Foreign Account Tax Compliance Withholding⁹ The Issuer and other financial institutions through which payments on the Securities are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of "foreign passthru payments" made after 31 December 2016 (at the earliest) in respect of (i) any Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued or materially modified after 30 June 2014 (at the earliest) and (ii) any Securities characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. In addition, pursuant to the Conditions of the Securities, the Issuer may issue further Securities (Further Securities) in respect of any Series of Securities already issued (Existing Securities) such that the Further Securities shall be consolidated and form a single Series with the Existing Securities. An issue of Further Securities after 30 June 2014 that will be consolidated and form a single Series with, and have the same operational identification numbers as Existing Securities issued on or before 30 June 2014 may result in such Existing Securities also being subject to withholding. While the Securities are in global form and held within the clearing systems, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or
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⁹ As a result of the latest legislative innovations concerning foreign account tax compliance provisions (**FATCA**), the First Supplement has amended the paragraph "U.S. Foreign Account Tax Compliance Withholding" in this Element D.6, in order to correctly reflect the legislation in force.

intermediary generally is unable to receive payments free of FATCA withholding. FATCA also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Securities are discharged once it has paid the common depository for the clearing systems (as bearer or registered holder of the Securities) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries. The documentation expressly contemplates the possibility that the Securities may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from payments on the Securities, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive a lesser amount than expected. Holders of Securities should consult their own tax advisers for a more detailed explanation of FATCA and how FATCA may apply to payments they receive under the Securities.

FATCA is particularly complex and its application to the Issuer, the Securities, and investors in the Securities are uncertain at this time. The application of FATCA to "foreign passthru payments" on the Securities or to Securities issued or materially modified on or after 1 July 2014 may be addressed in the relevant Final Terms or a supplement to the Base Prospectus, as applicable.

On 10 January 2014, representatives of the governments of Italy and the United States signed an intergovernmental agreement to implementing FATCA in Italy (the "IGA"). The FATCA agreement between Italy and the United States should enter into force on 1st July 2014. However, in order to enter in force, the IGA must be ratified by the Italian Parliament through an Italian law provision and the relevant implementing provision shall hence subsequently be approved. On 30 June 2014 the Italian Government approved a draft law for the ratification of the IGA, however as at the present date the Parliament has not yet approved it and thus ratified the IGA.

(iv) Legislation Affecting Dividend Equivalent Payments

The United States Hiring Incentives to Restore Employment Act (the "HIRE Act") treats a "dividend equivalent" payment as a dividend from sources within the United States. Under the HIRE Act, unless reduced by an applicable tax treaty with the United States, such payments generally will be subject to U.S. withholding tax. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in the preceding clauses (i) and (ii). If withholding is so required, the Issuer will not be required to pay any additional amounts with respect to amounts so withheld.

In December 2013, the IRS and Treasury issued proposed regulations that, if finalized as proposed, would dramatically increase the extent to which U.S. withholding tax is imposed on payments on U.S. equity derivatives. The proposed regulations would impose U.S. withholding tax on any dividend equivalent payment on or after January 1, 2016 to a non-U.S. party on any equity linked instrument acquired on or after 5 March 2014 if, at the time the non-U.S. party enters into or acquires the equity linked instrument, the "delta" of the derivative (i.e., the ratio of change in the instrument's fair market value to the change in the fair market value of the underlying property referenced in the instrument) is at least 0.70 or is not reasonably expected to vary throughout the term of the derivative. The proposed regulations generally deem dividend equivalent payments to be made on any derivative that references U.S. dividend paying stock, regardless of whether the derivative in fact references dividend payments.

(v) Other taxation considerations

The taxation regime applicable to Securities will be the taxation regime in existence on the date of the relevant Final Terms.

In addition, it is not possible to predict whether the taxation regime applicable to Securities on the date of purchase or subscription will be amended during the term of the Securities.

(vi) Illegality and Cancellation

If the Issuer determines that its performance under any Securities has, or that any arrangements made to hedge the Issuer's obligations under any Securities have, become (i) illegal in whole or in part for any reason, or (ii) by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, impossible or impracticable, the Issuer may cancel such Securities. The Issuer may also cancel the Securities upon the occurrence of certain adjustment events. If the Issuer cancels the Securities then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Securityholder in respect of each Security held by such holder, equal to the fair market value of the Securities (the bid-value in case of Italian Listed Securities), notwithstanding such illegality, force majeure event or act of state, less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in

respect of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion (such costs shall not be applicable in case of Italian Listed Securities). Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8.

(vii) Hedging Disruption

In connection with the offering of the Securities, the Issuer or its affiliates may enter into one or more hedging transaction(s) with respect to an Underlying asset or related derivatives, which may affect the market price, liquidity or value of the Securities.

In case of the occurrence of an Hedging Disruption the Calculation Agent may consider such event as an Early Redemption Event and the Issuer shall terminate its obligations under the Securities and shall pay or cause to be paid an amount on the basis of the fair market value of the Securities (the bid-value in case of Italian Listed Securities).

(viii) Change of law

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.

(ix) Potential Conflicts of Interest

Some activities of the Issuer and/or any of its Affiliates could present certain conflicts of interest, could influence the prices of such shares or other securities and could adversely affect the value of such Securities.

(x) EU Savings Directive

Under EC Council Directive 2003/48/EC 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).

• Risks Related to the Market Generally

(i) Impact of implicit fees on the Issue/Offer Price

Investors should note that implicit fees (e.g. placement fees, direction fees, structuring fees) may be a component of the Issue/Offer Price of Securities, but such fees will not be taken into account for the purposes of determining the price of the relevant Securities in the secondary market.

(ii) Certain considerations associated with public offers of Securities

If Securities are distributed by means of a public offer, the Issuer may have the right to withdraw the offer, which in such circumstances will be deemed to be null and void.

In such case, investors who have already paid or delivered subscription monies for the relevant Securities will be entitled to reimbursement of such amounts, but will not receive any remuneration that may have accrued in the period between their payment or delivery of subscription monies and the reimbursement of the Securities.

(iii) Possible Illiquidity of the Securities in the Secondary Market

It is not possible to predict the price at which Securities will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may, but is not obliged to, list or admit to trading Securities on a stock exchange or market. If the Securities are not listed or admitted to trading on any exchange or market, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. If the Issuer does list or admit to trading an issue of Securities, there can be no assurance that at a later date, the Securities will not be delisted or that trading on such exchange or market will not be suspended. In the event of a delisting or suspension of listing or trading on a stock exchange or market, the Issuer will use its reasonable efforts to list or admit to trading the Securities on another exchange or market. The Issuer, or any of its Affiliates may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation. The Issuer or any of its Affiliates may, but is not obliged to, be a market-maker for an issue of Securities. Even if the Issuer or such other entity is a market-maker for an issue of Securities, the secondary market for such Securities may be limited. To the extent that an issue of Securities becomes illiquid, an investor may have to wait until the Exercise Date to realise value.

(iv) Listing of Securities

In respect of Securities which are (in accordance with the applicable Final Terms) to be listed on a stock exchange, market or quotation system, the Issuer shall use all reasonable endeavours to maintain such listing, provided that if it becomes impracticable or unduly burdensome or unduly onerous to maintain such listing, then the Issuer may apply to de-list the relevant Securities, although in this case it will use all reasonable endeavours to obtain and maintain (as soon as reasonably practicable after the relevant de-listing) an alternative admission to listing, trading and/or quotation by a stock exchange, market or quotation system within or outside the European Union, as it may decide. If such an alternative admission is not available or is, in the opinion of the Issuer, impracticable or unduly burdensome, an alternative admission will not be obtained.

(v) Exchange rate risks and exchange controls

		<p>The Issuer will pay the Cash Settlement Amount in respect of the Securities in the Settlement Currency specified in the applicable Final Terms. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Settlement Currency. These include the risk that exchange rates may significantly change and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls.</p> <ul style="list-style-type: none"> • Legal Risks <p>(i) Legal investment considerations may restrict certain investments</p> <p>Each prospective purchaser of Securities must determine that its acquisition of the Securities (i) is fully consistent with its financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and (iii) is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Securities. Potential investors should consult with their own tax, legal, accounting and/or financial advisers before considering investing in the Securities.</p> <p>(ii) No reliance</p> <p>A prospective purchaser may not rely on the Issuer, the Managers, if any, or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Securities or as to the other matters referred to above. None of the Issuer, the Managers, if any, or any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Securities by a prospective purchaser of the Securities.</p> <p>(iii) Disclaimers</p> <p>Each type of structured Security will be issued subject to express disclaimers in respect of the risks involved in investing in such Securities.</p>
Section E – OFFER		
E.2b	Reasons for the offer and use of proceeds	The Issuer intends to use the net proceeds from each issue of Certificates for general corporate purposes, including making a profit. A substantial portion of the proceeds may be used to hedge market risks with respect to the Certificates. If in respect of any particular issue of Certificates, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.
E.3	Terms and conditions of the offer	Securities may be issued on a continuous basis and may be distributed by way of private or public placement as specified in the applicable Final Terms. If distributed by way of public placement, the placement activities will be carried out by distributors appointed from time to time as indicated in the relevant Final Terms. If the applicable Final Terms so specify, Securities may be distributed to one or more Managers.
E.4	Material interests in the offer	If in respect of any particular issue of Certificates, there are particular material interests with respect to the issue and/or offer of the Certificates, these will be stated in the applicable Final Terms.
E.7	Estimated expenses	If in respect of any particular issue of Certificates, there are fees specifically charged to purchasers of the Certificates, these will be stated in the applicable Final Terms.