

**SUPPLEMENT NO. 1 DATED 12 FEBRUARY 2020 TO THE BASE PROSPECTUS DATED 1 OCTOBER 2019**

# **BANCA IFIS**

**Banca IFIS S.p.A.**

*(incorporated as a società per azioni under the laws of the Republic of Italy)*

**€5,000,000,000**

## **Euro Medium Term Note Programme**

This supplement (the “**Supplement**”) is supplemental to, forms part of and must be read and construed in conjunction with, the base prospectus dated 1 October 2019 (the “**Base Prospectus**”) prepared by Banca IFIS S.p.A. (the “**Issuer**”) in connection with its Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to €5,000,000,000 in aggregate principal amount of notes (“**Notes**”). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) as a base prospectus supplement issued in compliance with Article 23 of the Prospectus Regulation and relevant implementing measures in the Republic of Ireland. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Regulation.

The purpose of the publication of this Supplement is to amend, respectively, (i) the section “Alternative Performance Measures” by including the description of an additional APM used in a press release incorporated by reference herein; (ii) the section “Risk factors” by replacing (A) certain sentences set out in the paragraph headed “*Extensive regulation in the banking sector may adversely affect the Issuer’s business*” and (B) in its entirety the paragraph headed “*The Issuer may be unable to meet the 2019 business guidances*” with the new paragraph headed “*The Issuer may be unable to meet the 2019 business guidances and the 2020/2022 strategic plan*” set out herein; (iii) the section “Information incorporated by reference” by incorporating by reference certain press releases and documents issued after the publication of the Base Prospectus; (iv) certain sections of the Base Prospectus to amend references to the European Economic Area and European Union to include also the United Kingdom; (v) certain paragraphs of the section “Taxation” of the Base Prospectus to reflect certain legislative amendments; and (vi) the paragraph headed “*Significant Material Changes*” of the section “General Information”.

The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

With effect from the date of this Supplement, each reference in the Base Prospectus to “Base Prospectus” shall be read and construed as a reference to the Base Prospectus as amended and supplemented by this Supplement. To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

This Supplement may only be used for the purposes for which it has been published.

**The date of this Supplement is 12 February 2020.**

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and supplemented in the manner described herein.

## I. ALTERNATIVE PERFORMANCE MEASURES

This Supplement has been prepared to amend the section “Alternative Performance Measures” on page iv of the Base Prospectus by including the following APM used in the press release dated 14 January 2020 (relating to the 2020/2022 strategic plan) referred as to in section “III. Information incorporated by reference” below:

“**ROTE**”: Return On Tangible Equity is a synthetic measure of the company’s operating results. It is calculated as the ratio of net profit to the average equity excluding intangible.”

## II. RISK FACTORS

This Supplement has been also prepared to amend the section “Risk factors” by, respectively:

- (i) replacing in their entirety the sentences set out in the section headed “*Extensive regulation in the banking sector may adversely affect the Issuer’s business*” starting from “*On March 2017*” to “*its business, financial condition and results of operations*” on page 10 of the Base Prospectus with the following sentences:

“On 20 March 2017, the ECB published the “Guidance to banks on Non Performing Loans” (the “**Guidance on NPLs**”), setting out measures, processes and best practices related to the management of NPLs. The Guidance on NPL was integrated by the “Addendum to the Guidance to banks on Non Performing Loans” (the “**ECB Addendum**”), which was published by the ECB on 15 March 2018 and entered into force on 1 April 2018. The ECB Addendum sets out the supervisory expectations for prudent levels of provisions for new NPLs (for instance, as of 1 April 2018, new unsecured NPLs must be fully covered after a period of two years from the date of their classification as NPLs, while, as regards new secured NPLs, a certain level of provisioning is expected after three years of classification as an NPL).

Notwithstanding the non-binding nature of the Guidance on NPLs, as integrated by, respectively, the ECB Addendum and the “supervisory expectations for provisioning of NPE stock (i.e. exposures classified as NPE on 31 March 2018)” as communicated in a press release issued on 11 July 2018 (together representing the “ECB’s Pillar 2” approach to coverage expectations for NPEs), banks should explain, upon supervisory request, any divergences from the prudential expectations set out therein.

The supervisory approach to NPLs was further strengthened at the end of 2018 when the EBA published two sets of guidelines relating to NPEs, namely (i) the guidelines of 31 October 2018 on management of non-performing and forborne exposures and (ii) the guidelines of 17 December 2018 on disclosure of non-performing and forborne exposures.

In addition, in its “Action plan to tackle non-performing loans in Europe” of 11 July 2017, the Council of the European Union called on various European institutions to take appropriate measures to further address the high stock of NPEs in the EU and prevent their build-up in the future. As one of the deliverables, Regulation (EU) 2019/630 amending the CRR (Regulation (EU) No. 575/2013) as regards minimum loss coverage for non-performing exposures was published in the Official Journal of the EU on 25 April 2019. This established prudential treatment under Pillar

1 for NPEs arising from loans originated from 26 April 2019 onwards. These Pillar 1 rules are legally binding and apply to all banks established in the EU.

Regulation (EU) 2019/630 requires a deduction from own funds for NPEs which are not sufficiently covered by provisions or other adjustments. Pillar 1 NPE treatment fully applies: (i) after 3 years of NPE status for unsecured NPEs; (ii) after 9 years of NPE status for secured NPEs secured by immovable collateral and residential loans guaranteed by an eligible protection provider as defined in Regulation (EU) No. 575/2013; and (iii) after 7 years of NPE status for other secured NPEs. Moreover, it also specifies paths to full implementation for unsecured and secured exposures before 3/7/9 years of NPE status (as stipulated in Article 1 of Regulation (EU) 2019/630 amending Regulation (EU) No. 575/2013 (CRR)).

Following the entry into force of the Regulation (EU) 2019/630, ECB has further revised its supervisory expectations for the prudential provisioning of NPEs specified in the ECB Addendum by means of a communication dated 22 August 2019. Such document (i) clarifies aspects relating to the EBA's publication of NPE-related Guidelines; (ii) provides further details regarding the ECB's supervisory expectations for provisioning of NPE stock, (iii) clarifies the interaction between the ECB's NPE coverage expectations under Pillar 2 and the Pillar 1 prudential NPE rules, and (iv) summarises adjustments to the Pillar 2 approach in respect of supervisory expectations for prudential provisioning for new NPEs in scope of the ECB Addendum.

In addition to the above, in 2016, the EBA published the "Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013" (the "**EBA Guidelines**"), whose aim is to harmonise the definition of default across the European prudential framework and improve consistency in the way European banks apply regulatory requirements to their capital positions. The provisions set forth therein apply from 1 January 2021: therefore, institution should implement the guidelines in their internal procedures and IT systems by that time (although competent authorities may accelerate the timeline of this transition at their discretion). It is reasonable to assume that the new definition will materially impact the European banking system, in particular in relation to the own fund requirements and capital adequacy ratios.

As some of the banking laws, regulations and provisions (including the above-mentioned Pillar 2 and the Pillar 1 prudential NPE rules) which apply to the Issuer's business have only recently been adopted, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. There can be no assurance that such laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on its business, financial condition and results of operations.

In addition, the introduction of a minimum statutory backstop for prudential provisioning on NPLs could require the Issuer to increase its coverage ratios on newly originated NPLs. The same outcomes may derive from the satisfaction of the quantitative expectations set out in the ECB

Addendum. This may cause adverse effects on the business, financial condition and results of operation of the Issuer.”; and

- (ii) replacing in its entirety the paragraph headed “*The Issuer may be unable to meet the 2019 business guidances*” on page 12 of the Base Prospectus with the new paragraph headed “*The Issuer may be unable to meet the 2019 business guidances and the 2020/2022 strategic plan*” as follows:

***“The Issuer may be unable to meet the 2019 business guidances and the 2020/2022 strategic plan***

Each of the Issuer’s business guidances for 2019 (the “**Business Guidances**”) and the Issuer’s 2020/2022 strategic plan (the “**Strategic Plan**”) is based, among other things, on cross-selling opportunities amongst existing and recently acquired products and services offered that may not materialise, as well as numerous assumptions and estimates some of which relate to events not fully controlled by the Board of Directors of the Group. In particular, each of the Business Guidances and the Strategic Plan contains a set of assumptions, estimates and predictions that are based on the occurrence of future events and actions to be taken by management and the Board of Directors of the Issuer also after the respective approval, which include, among other things, various hypothetical assumptions subject to risks and uncertainties arising from the current economic environment, relating to future events and actions of directors and the management of the Group that may not necessarily occur, events, actions, and other assumptions including those related to performance of main economic and financial values or other factors that affect their development over which the directors and management of the Group have no (or have limited) control. These assumptions may or may not occur to an extent and at times different from those projected. Furthermore, events may occur which are unpredictable at the time of the respective approval of each of the Business Guidances and the Strategic Plan. Given that the assumptions underlying each of the Business Guidances and the Strategic Plan are inherently affected by subjective assessments, hypotheses and discretionary judgments, should one or more of the underlying assumptions fail to materialise (or materialise only in part) or should the actions taken and choices made by management in the implementation of each of the Business Guidances and the Strategic Plan produce effects different from those expected, the targets set forth in each of the Business Guidances and the Strategic Plan may not be met (or may be met only partially) and the actual results of the Group may differ, possibly significantly, from the estimated results of the Group envisaged in each of the Business Guidances and the Strategic Plan with a consequential negative impact on the business, financial condition and/or results of operations of the Group.”.

### **III. INFORMATION INCORPORATED BY REFERENCE**

This Supplement has been also prepared to amend the section “*Information incorporated by reference*” on pages 31 and 32 of the Base Prospectus by incorporating by reference in the Base Prospectus copies of the following press releases and documents in their entirety (save as specified in, respectively, item 7 and paragraph “*Cross reference list*” below):

- (1) press release dated 30 October 2019 (relating to the permanent end of the negotiations between the Issuer and Credito Fondiario S.p.A.), which can be found at [https://www.bancaifis.it/wp-content/uploads/2019/10/20191030\\_Negotiations-between-Banca-IFIS-and-Credito-Fondiario-ended\\_ENG.pdf](https://www.bancaifis.it/wp-content/uploads/2019/10/20191030_Negotiations-between-Banca-IFIS-and-Credito-Fondiario-ended_ENG.pdf);

- (2) press release dated 30 October 2019 (relating to the acquisition by the Issuer of the entire corporate capital of FBS S.p.A.), which can be found at [https://www.bancaifis.it/wp-content/uploads/2019/10/20191030\\_Banca-IFIS-acquires-full-ownership-of-FBS-SpA\\_ENG.pdf](https://www.bancaifis.it/wp-content/uploads/2019/10/20191030_Banca-IFIS-acquires-full-ownership-of-FBS-SpA_ENG.pdf);
- (3) the translation into English of the unaudited condensed consolidated interim report of the Issuer at 30 September 2019 which can be found at <https://www.bancaifis.it/wp-content/uploads/2019/11/Resoconto-intermedio-di-gestione-consolidato-3Q19-Gruppo-Banca-IFIS-ENG-1.pdf> (the “**9M Consolidated Interim Report**”);
- (4) press release dated 7 November 2019 (relating to the approval by the Board of Directors of the Issuer of results for the first nine months of 2019), which can be found at [https://www.bancaifis.it/wp-content/uploads/2019/11/20191107\\_Banca-IFIS\\_Net-profit-of-84-million-Euro-in-the-nine-months\\_EN.pdf](https://www.bancaifis.it/wp-content/uploads/2019/11/20191107_Banca-IFIS_Net-profit-of-84-million-Euro-in-the-nine-months_EN.pdf) (the “**7 November 2019 Press Release**”);
- (5) press release dated 29 November 2019 (relating to the sale by the Issuer of a property located at Corso Venezia 56 in Milan for a consideration of Euro 50.5 million), which can be found at [https://www.bancaifis.it/wp-content/uploads/2019/11/20191129\\_Banca-IFIS-sells-property-located-on-Corso-Venezia-in-Milan-to-Merope-A.M.-for-50.5-million-euro.pdf](https://www.bancaifis.it/wp-content/uploads/2019/11/20191129_Banca-IFIS-sells-property-located-on-Corso-Venezia-in-Milan-to-Merope-A.M.-for-50.5-million-euro.pdf);
- (6) press release dated 19 December 2019 (relating to the approval by the Annual Ordinary and Extraordinary Shareholders’ Meeting of the Issuer of, amongst others, certain amendments to the Articles of Association), which can be found at [https://www.bancaifis.it/wp-content/uploads/2019/12/20191219\\_Lassemblea-degli-azionisti-approva-le-modifiche-allo-Statuto\\_EN-1.pdf](https://www.bancaifis.it/wp-content/uploads/2019/12/20191219_Lassemblea-degli-azionisti-approva-le-modifiche-allo-Statuto_EN-1.pdf);
- (7) press release dated 14 January 2020 (relating to the 2020/2022 strategic plan), which can be found at [https://www.bancaifis.it/wp-content/uploads/2020/01/20200114\\_Banca-IFIS\\_-Piano-industriale-triennale\\_ENG.pdf](https://www.bancaifis.it/wp-content/uploads/2020/01/20200114_Banca-IFIS_-Piano-industriale-triennale_ENG.pdf) with the exception of the last sentence of the last page of such document incorporated by reference; and
- (8) press release dated 11 February 2020 (relating to the approval by the Board of Directors of the Issuer of 2019 preliminary results), which can be found at [https://www.bancaifis.it/wp-content/uploads/2020/02/20200211\\_Banca-IFIS-BoD-approves-the-2019-preliminary-results\\_ENG.pdf](https://www.bancaifis.it/wp-content/uploads/2020/02/20200211_Banca-IFIS-BoD-approves-the-2019-preliminary-results_ENG.pdf) (the “**11 February 2020 Press Release**”).

### ***Cross-reference list***

The following table shows where the information incorporated by reference in the Base Prospectus can be found in, respectively, the 9M Consolidated Interim Report, the 7 November 2019 Press Release and the 11 February 2020 Press Release. Information contained in those documents other than the information listed below does not form part of the Base Prospectus and is either not relevant or covered elsewhere in the Base Prospectus:

- (i) 9M Consolidated Interim Report - ***Consolidated Interim Report at 30 September 2019***

<b>Interim Directors' report on the Group</b>	
Section entitled <i>Results and Strategy</i> .....	pp. 7-10
Section entitled <i>Highlights</i> .....	pp. 11-12
Section entitled <i>Results by operating segments</i>	pp. 13-15
<b>Reclassified Financial Statements</b>	
Reclassified Consolidated Statement of Financial Position .....	pp. 36-37
Reclassified Consolidated Income Statement .....	p. 38
Reclassified Consolidated Statement of Comprehensive Income .....	p. 39
Notes.....	pp. 40-63
 (ii) 7 November 2019 Press Release	
Section entitled <b>Highlights - Reclassified data</b> .....	pp. 3-6
<b>Reclassified Financial Statements</b>	
Reclassified Consolidated Statement of Financial Position .....	pp. 8-9
Reclassified Consolidated Income Statement .....	p. 10
Reclassified Consolidated Income Statement: 3 <sup>rd</sup> Quarter.....	p. 11
Own funds and capital adequacy ratios.....	p. 12
 (iii) 11 February 2020 Press Release	
Section entitled <b>Highlights - Reclassified data</b> .....	pp. 3-6
<b>Reclassified Financial Statements</b>	
Reclassified Consolidated Statement of Financial Position .....	pp. 9-10
Reclassified Consolidated Income Statement .....	p. 11
Reclassified Consolidated Income Statement: 4 <sup>rd</sup> Quarter.....	p. 12
Own funds and capital adequacy ratios.....	p. 13

The documents set out above are translated into English from the original Italian. The Issuer has accepted responsibility for the accuracy of such translations.

#### IV. REFERENCES TO EUROPEAN ECONOMIC AREA AND EUROPEAN UNION

All references in the cover page of the Base Prospectus and the sections entitled “*Important Notice*”, “*Overview of the Programme*”, “*Form of the Final Terms*” and “*Subscription and Sale*” to “the European Economic Area” and “the European Union” would be amended and construed to refer to “the European Economic Area or the United Kingdom” and “the European Union or the United Kingdom”.

#### V. TAXATION

On page 157 of the Base Prospectus, the fourth sub-paragraph under the paragraph headed “Italian Resident Noteholders” is hereby replaced in its entirety as follows:

“Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni*, including Notes intended to qualify as Tier II Capital for regulatory capital purposes, received by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232 of 11 December 2016 (“**Law No. 232**”) and to Article 1, paragraphs 211 – 215, of Law No. 145 of 30 December 2018 (“**Law No. 145**”), as implemented by the Ministerial Decree 30 April 2019, and to Article 13-*bis* of Law Decree No. 124 of 26 October 2019 (“**Law Decree No. 124**”), converted into Law with amendments by Law No. 157 of 19 December 2019, as applicable from time to time.”.

On page 159 of the Base Prospectus, the fourteenth sub-paragraph under the paragraph headed “Italian resident Noteholders” is hereby replaced in its entirety as follows:

“Where a Noteholder is an Italian resident pension fund subject to the regime provided for by Article 17 of Decree No. 252 and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva* but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain limitations and requirements (including a minimum holding period), Interest in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232 and to Article 1, paragraphs 210 – 215, of the Law No. 145, as implemented by the Ministerial Decree 30 April 2019 and to Article 13-*bis* of Law Decree No. 124, as applicable from time to time.”

On page 160 of the Base Prospectus, the fourth sub-paragraph under the paragraph headed “Atypical securities” is hereby replaced in its entirety as follows:

“Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to the Notes not falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) and qualify as *titoli atipici* (“atypical securities”) pursuant to Article 5 of Decree No. 512, including Notes intended to qualify as Tier II Capital for regulatory capital purposes, if such Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 -114 of Law No. 232 and to Article 1, paragraphs 211 – 215, of the Law No. 145, as implemented by the Ministerial Decree 30 April 2019 and to Article 13-*bis* of Law Decree No. 124, as applicable from time to time.”

On page 161 of the Base Prospectus, the fifth sub-paragraph under the paragraph headed “Capital Gains – Italian resident Noteholders” is hereby replaced in its entirety as follows:

“Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Notes realized upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232 and to Article 1, paragraphs 211 – 215, of the Law No. 145, as implemented by the Ministerial Decree 30 April 2019 and to Article 13-*bis* of Law Decree No. 124, as applicable from time to time.”

On page 162 of the Base Prospectus, the eighth sub-paragraph under the paragraph headed “Capital Gains – Italian resident Noteholders” is hereby replaced in its entirety as follows:

“Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of Decree No. 252) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax. Subject to certain limitations and requirements (including a minimum holding period), capital gains realised in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232 and to Article 1, paragraphs 210 – 215, of Law No. 145, as implemented by the Ministerial Decree 30 April 2019 and to Article 13-*bis* of Law Decree No. 124, as applicable from time to time.”

On page 163 of the Base Prospectus, the fourth sub-paragraph under the paragraph headed “Inheritance and gift tax” is hereby replaced in its entirety as follows:

“The mortis causa transfer of financial instruments included in a long-term savings account (*piano individuale di risparmio a lungo termine*), that meets the requirements set forth in Article 1, paragraphs 100 - 114 of Law No. 232 and Article 1, paragraphs 211 – 215 of Law No. 145, as implemented by the Ministerial Decree 30 April 2019 and to Article 13-*bis* of Law Decree No. 124, as applicable from time to time, are exempt from inheritance taxes.”.

On page 164 of the Base Prospectus, the sub-paragraph under the paragraph headed “Wealth tax on financial assets deposited abroad” is hereby replaced in its entirety as follows:

“According to Article 19 of Decree No. 201 of 6 December 2011, Italian resident individuals, non-business entities and so called *società semplici* (and similar entities) which are resident in Italy holding financial assets – including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. This tax is calculated on the market value at the end of the relevant year or, if no market value figure is available, on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held abroad by Italian resident individuals. A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the wealth tax if administered by Italian financial intermediaries pursuant to an administration agreement.”.

## **VI. GENERAL INFORMATION**

On page 169 of the Base Prospectus, the paragraph headed “Significant Material Change” is hereby replaced in its entirety as follows:

### **“Significant Material Change**

Since 31 December 2018 there has been no material adverse change in the prospects of the Issuer and since 30 September 2019 there has been no significant change in the financial position or performance of the Issuer.”

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Copies of this Supplement and of the abovementioned press releases, each incorporated by reference in this Supplement, may be inspected in electronic format during normal business hours at the specified office of each Paying Agent and will be electronically available for viewing on the Issuer’s website ([www.bancaifis.it](http://www.bancaifis.it)).