



BASE PROSPECTUS DATED 23 DECEMBER 2019

**Intesa Sanpaolo S.p.A.**

*(incorporated as a joint stock company under the laws of the Republic of Italy)*

**Euro 20,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme**  
***unsecured and unconditionally and irrevocably guaranteed as to payments of interest and principal by***

**ISP CB Pubblico S.r.l.**

*(incorporated as a limited liability company under the laws of the Republic of Italy)*

The Euro 20,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme (the **Programme**) described in this base prospectus (the **Base Prospectus**) has been established by Intesa Sanpaolo S.p.A. (in its capacity as issuer of the Covered Bonds, as herein defined below, **Intesa Sanpaolo**, the **Bank** or the **Issuer**) for the issuance of *obbligazioni bancarie garantite* (**Covered Bonds** which term includes, for avoidance of doubt the Registered Covered Bonds as defined below) guaranteed by ISP CB Pubblico S.r.l. pursuant to Article 7-bis of Law no. 130 of 30 April 1999 (as subsequently amended, the **Law 130**) and regulated by the Decree of the Ministry of Economy and Finance no. 310 of 14 December 2006 (the **MEF Decree**) and the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of the circular no. 285 of 17 December 2013, containing the “*Disposizioni di vigilanza per le banche*” as further implemented and amended (the **BoI OBG Regulations**).

ISP CB Pubblico S.r.l. (the **Covered Bonds Guarantor**) issued a first demand (*a prima richiesta*), autonomous, unconditional and irrevocable (*irrevocabile*) guarantee (*garanzia autonoma*) securing the payment obligations of the Issuer under the Covered Bonds (the **Covered Bonds Guarantee**), in accordance with the provisions of Law 130 and of the MEF Decree. The obligation of payment under the Covered Bonds Guarantee shall be limited recourse to the Portfolio and the Available Funds (as defined herein).

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), which is the competent authority under Regulation EU 2017/1129 (the **Prospectus Regulation**) in the Grand Duchy of Luxembourg, as a base prospectus for the purpose of article 8 of the Prospectus Regulation.

The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or the Guarantor or the quality of the Covered Bonds that are subject to this Base Prospectus. Investors should make their own assessment as to the suitability of investing in Covered Bonds.

Capitalised terms used in this Base Prospectus shall have the meaning ascribed to them in the “*Glossary*” included herein, unless otherwise defined in the single section of this Base Prospectus in which they are used.

Where Covered Bonds (other than Registered Covered Bonds) issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, such Covered Bonds will not have a denomination of less than Euro

100,000 (or, where the Covered Bonds are issued in a currency other than Euro, the equivalent amount in such other currency).

Under the Programme, the Issuer may issue Covered Bonds denominated in any currencies, including Euro, US Dollar, Japanese Yen, Swiss Franc and UK Sterling. Interest on the Covered Bonds shall accrue monthly, quarterly, semi-annually, annually or on such other basis as specified in the relevant Final Terms (as defined in the “*Terms and Conditions of the Covered Bonds*” below), in arrear at fixed or floating rate, increased or decreased by a margin. The Issuer may also issue Covered Bonds at a discounted price with no interest accruing and repayable at nominal value (zero-coupon Covered Bonds).

The terms of each Series will be set forth in the Final Terms relating to such Series prepared in accordance with the provisions of this Base Prospectus and, if listed, to be delivered to the CSSF and the Luxembourg Stock Exchange on or before the date of issue of such Series.

Application has been made for Covered Bonds (other than Registered Covered Bonds) issued under the Programme during the period of 12 (twelve) months from the date of this Base Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2014/65/EU. In addition, the Issuer and each Relevant Dealer (as defined in the “*Terms and Conditions of the Covered Bonds*”) named under “*Subscription and Sale*” may agree to make an application to list a Series on any other stock exchange as specified in the relevant Final Terms. The Programme also permits Covered Bonds to be issued on an unlisted basis.

As referred to in Article 6(4) of the Luxembourg law on prospectuses for securities of 16 July 2019, by approving this Base Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the issuer.

**This Base Prospectus is valid for 12 months from the date of approval in relation to Covered Bonds which are to be admitted to trading on a regulated market in the European Economic Area (the EEA). The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.**

Covered bonds may be issued in dematerialised form or in registered form also as German governed registered covered bonds (*Gedekte Namensschuldverschreibung*) (the **Registered Covered Bonds**). The terms and conditions of the Registered Covered Bonds (the **Registered Covered Bond Conditions**), which will differ from the terms and conditions set out in the section headed **Terms and Conditions of the Covered Bonds**, will specify the minimum denomination for Registered Covered Bonds, which might not be listed. This Base Prospectus does not relate to the Registered Covered Bonds, which may be issued by the Issuer under the Programme pursuant to either separate documentation or the documents described in this Base Prospectus after having made the necessary amendments. **The approval of this Base Prospectus by the CSSF does not cover any Registered Covered Bonds which may be issued by the Issuer under the Programme.**

Amounts payable under the Covered Bonds may be calculated by reference to EURIBOR, or to LIBOR, in each case as specified in the relevant Final Terms. As at the date of this Base Prospectus, the ICE Benchmark Administration (as administrator of LIBOR) and the European Money Markets Institute (**EMMI** as administrator of EURIBOR) are included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to article 36 of Regulation (EU) 2016/1011 (the **BMR**).

The Covered Bonds issued in dematerialised form to be issued on or after the date hereof will be held on behalf of their ultimate owners, until redemption or cancellation thereof, by Monte Titoli S.p.A. (**Monte Titoli**) for the account of the relevant Monte Titoli Account Holders. The expression **Monte Titoli**

**Account Holders** means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depositary banks appointed by Euroclear Bank S.A. / N.V. as operator of the Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Bruxelles (**Euroclear**) and Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1855, Luxembourg (**Clearstream**). Each Series of Covered Bonds issued in dematerialised form is and will be deposited with Monte Titoli on the relevant Issue Date (as defined in the “*Terms and Conditions of the Covered Bonds*” below). Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of Italian Legislative Decree no. 58 of 24 February 1998 (**Financial Law**) and implementing regulation and with the joint regulation of the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) and the Bank of Italy dated 13 August 2018 and published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 201 of 30 August 2018, as subsequently amended and supplemented. No physical document of title is and will be issued in respect of the Covered Bonds.

Before the Maturity Date the Covered Bonds will be subject to mandatory and optional redemption in whole or in part in certain circumstances, as set out in Condition 8 (*Redemption and Purchase*).

Each Series may, upon the relevant issue, be assigned a rating as specified in the relevant Final Terms by Moody’s Investors Service Ltd. (**Moody’s** or the **Rating Agency**) and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any series of Covered Bonds. Conditions precedent to the issuance of any Series include that the rating letter assigning the rating to such Series of Covered Bonds is issued by the Rating Agency. Whether or not each credit rating applied for in relation to relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) no. 1060/2009, as amended from time to time (the **CRA Regulation**) will be disclosed in the Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by the Rating Agency, which is established in the European Union and is registered under the CRA Regulation. As such Moody’s is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>, in accordance with such Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation.

**A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be subject to revision or withdrawal by the Rating Agency.**

**For a discussion of certain risks and other factors that should be considered in connection with an investment in the Covered Bonds, see the section entitled “*Risk Factors*” of this Base Prospectus.**

**Other than in relation to the documents which are deemed to be incorporated by reference (see the section headed “*Documents Incorporated by Reference*”), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.**

*Arranger and Dealer*

**Banca IMI**

The date of this Base Prospectus is 23 December 2019.

## RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus makes no omission likely to affect the importance of such information.

The Covered Bonds Guarantor accepts responsibility for the information included in this Base Prospectus in the section headed “*Description of the Covered Bonds Guarantor*” and any other information contained in this Base Prospectus relating to itself. To the best of the knowledge of the Covered Bonds Guarantor those parts of this Base Prospectus for which the Covered Bonds Guarantor is responsible are in accordance with the facts and makes no omission likely to affect the importance of such information.

## NOTICE

This Base Prospectus is a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Covered Bonds Guarantor and of the rights attaching to the Covered Bonds.

This Base Prospectus should be read and understood in conjunction with any supplement thereto along with any document incorporated herein by reference (see section “*Documents incorporated by reference*”) and in relation to any Series of Covered Bonds, with the combination of the Base Prospectus and the relevant Final Terms.

Other than in relation to the documents which are deemed to be incorporated by reference (see *Documents Incorporated by Reference*), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

**Capitalised terms used in this Base Prospectus shall have the meaning ascribed to them in the section headed “*Glossary*”, unless otherwise defined in the single section of this Base Prospectus in which they are used.**

The Issuer and, with respect to the information relating to itself only, the Covered Bond Guarantor, have confirmed to the Dealer (as defined herein) that this Base Prospectus contains all information with regard to the Issuer and the Covered Bonds which is material in the context of the Programme and the issue and offering of Covered Bonds thereunder; that the information contained herein is accurate in all material respects and is not misleading; that any opinions and intentions expressed by it herein are honestly held and based on reasonable assumptions; that there are no other facts with respect to the Issuer, the omission of which would make this Base Prospectus as a whole or any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

No person is or has been authorised by the Issuer or the Covered Bonds Guarantor to disclose any information or to make any representation which is not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Dealer or any party to the Transaction Documents (as defined in the Conditions).

This Base Prospectus is valid for twelve months following its date of approval and it and any supplement

hereto as well as any Final Terms filed within these twelve months reflects the status as of their respective dates of issue. The offering, sale or delivery of any Covered Bonds may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial condition of the Issuer since such date or that any other information supplied in connection with the Programme is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Issuer has undertaken with the Dealer to supplement this Base Prospectus or publish a new Base Prospectus if and when the information herein should become materially inaccurate or incomplete and has further agreed with the Dealer to furnish a supplement to the Base Prospectus in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of the Covered Bonds and which arises or is noted between the time when this Base Prospectus has been approved and the final closing of any Series or Tranche of Covered Bonds offered to the public or, as the case may be, when trading of any Series or Tranche of Covered Bonds on a regulated market begins, in respect of Covered Bonds issued on the basis of this Base Prospectus.

Neither the Arranger nor the Dealer nor any person mentioned in this Base Prospectus, with exception of the Issuer, the Covered Bonds Guarantor and the Asset Monitor (only with respect to the section "*Description of the Asset Monitor*"), is responsible for the information contained in this Base Prospectus, any document incorporated herein by reference, or any supplement thereof, or any Final Terms or any document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

Neither the Dealer, nor the Arranger have separately verified the information contained in this Base Prospectus. None of the Dealer or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Covered Bonds Guarantor, the Arranger or the Dealer that any recipient of this Base Prospectus or any other financial statements should purchase the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. None of the Dealer or the Arranger undertakes to review the financial condition or affairs of the Issuer, the Covered Bonds Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of any of the Dealer or the Arranger.

The distribution of this Base Prospectus, any document incorporated herein by reference and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Any persons into possession of this Base Prospectus or any Final Terms come are required by the Issuer and the Dealer to inform themselves about and to observe any such restrictions.

For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds, see the section headed "*Subscription and Sale*" of this Base Prospectus. In particular, the Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons.

Neither this Base Prospectus, any supplement thereto, nor any Final Terms (or any part thereof) constitutes an offer, nor may they be used for the purpose of an offer to sell any of the Covered Bonds, or a solicitation of an offer to buy any of the Covered Bonds, by anyone in any jurisdiction or in any

circumstances in which such offer or solicitation is not authorised or is unlawful. Each recipient of this Base Prospectus or any Final Terms is required and shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The language of the Base Prospectus is English. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a member State of the European Economic Area (a “**Member State**”), the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

This Base Prospectus may only be used for the purpose for which it has been published.

This Base Prospectus and any Final Terms may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

In this Base Prospectus, references to **€** or **euro** or **Euro** are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Union, as amended; references to **U.S.\$** or **U.S. Dollar** are to the currency of the United States of America; references to **£** or **UK Sterling** are to the currency of the United Kingdom; reference to **Japanese Yen** is to the currency of Japan; reference to **Swiss Franc** or **CHF** are to the currency of the Swiss Confederation; references to **Italy** are to the Republic of Italy; references to laws and regulations are, unless otherwise specified, to the laws and regulations of Italy; and references to **billions** are to thousands of millions.

Certain monetary amounts and currency conversions included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which preceded them.

Each initial and subsequent purchaser of a Covered Bond will be deemed, by its acceptance of the purchase of such Covered Bond, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and described in this Base Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases.

The Arranger is acting for the Issuer and no one else in connection with the Programme and will not be responsible to any person other than the Issuer for providing the protection afforded to clients of the Arranger or for providing advice in relation to the issue of the Covered Bonds.

**In connection with the issue of any Series under the Programme, the Dealer or the Dealers (if any) which is specified in the relevant Final Terms as the stabilising manager (the Stabilising Manager) or any person acting for the Stabilising Manager may over-allot any such Series or effect transactions with a view to supporting the market price such Series at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series and 60 days after the date of the allotment of any such Series. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

**IMPORTANT – EEA RETAIL INVESTORS** – If the Final Terms in respect of any Cover Bonds include a legend entitled Prohibition of Sales to EEA Retail Investors, the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail

investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive (UE) 2016/97 (**IDD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II product governance / target market** – The Final Terms in respect of any Covered Bonds will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

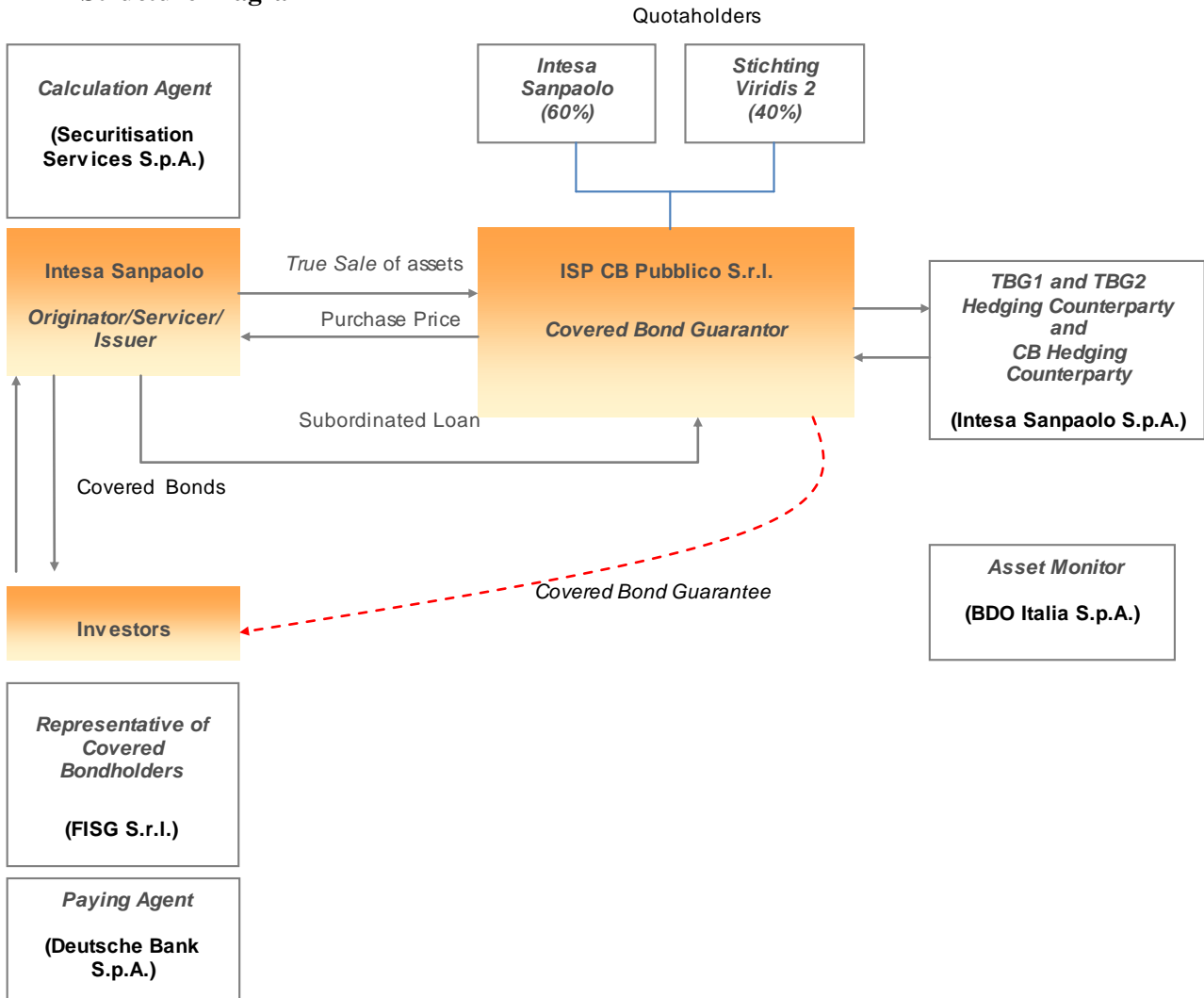
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## STRUCTURE OVERVIEW

### Structure Diagram



## GENERAL DESCRIPTION OF THE PROGRAMME

*The following section contains a general description of the Programme and, as such, does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any Series or Tranche, the applicable Final Terms. Prospective purchasers of Covered Bonds should carefully read the information set out elsewhere in this Base Prospectus prior to making an investment decision in respect of the Covered Bonds. In this section, references to a numbered condition are to such condition in “Terms and Conditions of the Covered Bonds” below.*

### 1. PRINCIPAL PARTIES

#### Issuer

Intesa Sanpaolo S.p.A., a bank organised as a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazza San Carlo 156, Turin, Italy and secondary office at Via Monte di Pietà 8, Milan, Italy, incorporated with Fiscal Code number and registration number with the Turin Register of Enterprises 00799960158, delegate of Intesa Sanpaolo Banking Group VAT under number 11991500015, enrolled under number 5361 in the register of banks held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act, holding company of the Intesa Sanpaolo Banking Group, enrolled in the register of banking groups held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act (the **Issuer** or **Intesa Sanpaolo** or **ISP**).

#### Arranger

Banca IMI S.p.A., a bank organised as a joint stock company under the laws of the Republic of Italy, whose registered office is at Largo Mattioli 3, 20121 Milan, Italy, incorporated with Fiscal Code number, VAT number and registration number with Milan Register of Enterprises no. 04377700150, and registered with the Bank of Italy pursuant to Article 13 of the Banking Law under number 5570 ABI, part of the Intesa Sanpaolo Group, agreed into the Fondo Interbancario di Tutela dei Depositi and into the Fondo Nazionale di Garanzia (**Banca IMI** or the **Arranger**).

#### Dealer

As of the date hereof Banca IMI (the **Dealer**), and any entity so appointed by the Issuer in accordance with the terms of the Dealer Agreement.

#### Covered Bonds Guarantor

ISP CB Pubblico S.r.l. a limited liability company incorporated under Article 7-bis of Law 130, whose registered office is at Via Monte di Pietà 8, 20121 Milan, Italy, incorporated with Fiscal Code number and registration number with the Milan Register of Enterprises no. 05936150969, belonging to the Gruppo Bancario Intesa Sanpaolo, subject to the direction and coordination (*direzione e coordinamento*) pursuant to Article 2947-bis of Italian Civil Code, of Intesa Sanpaolo S.p.A. (the **Covered Bonds Guarantor**, as the case may be part of the group of which ISP is parent company (the **Intesa Sanpaolo Group** or the **Group**)).

The issued capital of the Covered Bonds Guarantor is equal to Euro 120,000.00, 60 per cent. owned by the Issuer and 40 per cent. owned by

Stichting Viridis 2.

**Seller**

Intesa Sanpaolo in its capacity as seller under the Master Transfer Agreement (the **Seller**).

**Additional Sellers**

Any bank (each an **Additional Seller**), other than the Seller, which is a member of the Intesa Sanpaolo Group, may sell Public Assets or Integration Assets (as defined below) to the Covered Bonds Guarantor, subject to satisfaction of certain conditions, and that, for such purpose, shall, *inter alia*, enter into a master transfer agreement, substantially in the form of the Master Transfer Agreement, a servicing agreement, substantially in the form of the Servicing Agreement, and a subordinated loan agreement, substantially in the form of the Subordinated Loan Agreement, and shall accede to the Intercreditor Agreement (which will be amended in order to take into account the granting of additional subordinated loans) and the other Transaction Documents executed by the Seller.

**Servicer**

Intesa Sanpaolo, in its capacity as servicer under the Servicing Agreement (the **Servicer**).

**Successor Servicer**

The party or parties (the **Successor Servicer**) which will be appointed in order to perform, *inter alia*, the servicing activities performed by the Servicer, and any successor or replacing entity thereto following the occurrence of a Servicer Termination Event (for a more detailed description see “*Description of the Transaction Documents – Servicing Agreement*”).

**Administrative Services Provider**

Intesa Sanpaolo in its capacity as administrative services provider under the Administrative Services Agreement (the **Administrative Services Provider**).

**Portfolio Manager**

The entity to be appointed under the Portfolio Administration Agreement in order to carry out certain activities in connection with the sale of Public Assets, following the occurrence of an Issuer Event of Default or a Covered Bonds Guarantor Event of Default (the **Portfolio Manager**).

**Asset Monitor**

BDO Italia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi 94, 20131, Milan, Italy, fiscal code and enrolment with the companies register of Milan no. 07722780967, and enrolled under 167911 in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office pursuant to Legislative Decree no. 39 of 27 January 2010 and the Ministerial decree no. 145 of 20 June 2012 (the **Asset Monitor**).

**Cash Manager**

Intesa Sanpaolo S.p.A., through its branch whose registered office is at Via Verdi 8, Milan in its capacity as cash manager under the Cash Management

and Agency Agreement (the **Cash Manager**).

#### **Receivables Collection Account Bank**

Intesa Sanpaolo, with which the Receivables Collection Accounts (as defined below) are opened and held in the name of the Covered Bonds Guarantor, on which all the amounts collected or recovered by the Servicer in respect of the Portfolio will be transferred in accordance with the terms of the Servicing Agreement and the Cash Management and Agency Agreement (the **Receivables Collection Account Bank**).

The Receivables Collection Accounts will be maintained with the Receivables Collection Account Bank for as long as it maintains the Minimum Required Receivables Collection Account Bank Rating provided for under the Transaction Documents.

#### **Account Bank**

Intesa Sanpaolo, with which the Securities Collection Accounts, the Investment Account, the Securities Account, the Eligible Investments Account, the Quota Capital Account, the Expenses Account and the Corporate Account (the **Other Accounts** and together with the Receivables Collection Accounts the **Accounts**) are opened and held in the name of the Covered Bonds Guarantor in accordance with the terms of the Cash Management and Agency Agreement (the **Account Bank**).

The Accounts will be maintained with the Account Bank for as long as it maintains the Minimum Required Account Bank Rating provided for under the Transaction Documents.

#### **Calculation Agent**

Securitisation Services S.p.A. a joint stock company under the laws of the Republic of Italy, whose registered office is at Vittorio Alfieri no. 1, Conegliano (TV), Italy, incorporated with Fiscal Code number, Vat number and registration number with the Treviso Register of Enterprises no. 03546510268, subject to the direction and coordination (*direzione e coordinamento*) of Banca Finanziaria Internazionale S.p.A. (or Banca Finint S.p.A.) pursuant to Articles 2487 and following of the Italian Civil Code.

#### **CB Hedging Counterparty**

Intesa Sanpaolo and any other party (each, a **CB Hedging Counterparty** and together, the **CB Hedging Counterparties**) that, from time to time, will enter into a CB Swap (as defined below) with the Covered Bonds Guarantor for the hedging of currency risk and/or interest rate risk on the Covered Bonds.

#### **TBG 1 Hedging Counterparty**

Intesa Sanpaolo and any other party (each, a **TBG 1 Hedging Counterparty** and together, the **TBG 1 Hedging Counterparties**) that, from time to time, will enter into a TBG 1 Swap (as defined below) with the Covered Bonds Guarantor for the hedging of currency and/or interest rate risk on the Portfolio.

#### **TBG 2 Hedging Counterparty**

Intesa Sanpaolo and any other party (each, a **TBG 2 Hedging Counterparty** and together, the **TBG 2 Hedging Counterparties** and jointly with the TBG 1 Hedging Counterparties, the **TBG Hedging Counterparties** and together

with the CB Hedging Counterparties, the **Hedging Counterparties**) that, from time to time, will enter into a TBG 2 Swap (as defined below) with the Covered Bonds Guarantor for the hedging of currency and/or interest rate risk on the Portfolio.

### **Paying Agent**

Deutsche Bank S.p.A. a bank incorporated under the laws of the Republic of Italy, whose registered office is at Piazza del Calendario no. 3, Milan, Italy, in its capacity as paying agent of the Covered Bonds under the Cash Management and Agency Agreement (the **Paying Agent**).

Any reference to the Paying Agent included in this Base Prospectus, shall include, for the avoidance of doubt, any reference to additional paying agent and/or the N Paying Agent appointed by the Issuer in relation to a specific Series of Covered Bonds or Registered Covered Bonds.

### **Swap Service Providers**

Intesa Sanpaolo and Intesa Sanpaolo Group Services S.c.p.A., a limited liability consortium (*società consortile per azioni*) whose registered office is at Piazza San Carlo 156, Turin, registered under the Register of Enterprises of Turin No. 07975420154, VAT number 04932231006, belonging to the Intesa Sanpaolo Group and under the management and coordination (*direzione e coordinamento*), pursuant to Article 2497 bis of the Italian Civil Code, of Intesa Sanpaolo, in their capacity as swap service providers under the ISP Mandate Agreement (the **Swap Service Providers**).

### **Registrar**

Any institution which may be appointed from time to time by the Issuer to act as registrar in respect of the Registered Covered Bonds issued under the Programme (the **Registrar**), provided that if the Issuer will keep the register and will not delegate such activity, any reference to the Registrar will be construed as a reference to the Issuer.

### **N Paying Agent**

Any institution appointed from time to time by the Issuer to act as paying agent in respect of the Registered Covered Bonds issued under the Programme (the **N Paying Agent**).

### **Luxembourg Listing Agent**

Deutsche Bank Luxembourg S.A. a bank incorporated under the laws of Luxembourg, whose registered office is at 2 Boulevard Konrad Adenauer, Luxembourg L-1115, in its capacity as Luxembourg listing agent under the Cash Management and Agency Agreement (the **Luxembourg Listing Agent**).

### **Representative of the Covered Bondholders**

FISG S.r.l., a joint stock company with a sole quotaholder under the laws of the Republic of Italy, whose registered office is at Via Vittorio Alfieri No. 1, Conegliano (TV), Italy, incorporated with Fiscal Code number and registration number with the Treviso Register of Enterprises No. 04796740266, VAT No. 04796740266, in its own capacity and as representative of the Organisation of the Covered Bondholders (the **Representative of the Covered Bondholders**).

### **Rating Agency**

Moody's Investors Service Ltd. (**Moody's** or the **Rating Agency**) and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any series of Covered Bonds. Whether or not a rating in relation to any Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by Moody's which is established in the European Union and is registered under the CRA Regulation. As such Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such CRA Regulation.

### **Ownership or control relationships between the principal parties**

As of the date of this Base Prospectus, no direct or indirect ownership or control relationships exist between the principal parties described above in this Section, other than the relationships existing between the Issuer, Banca IMI and the Covered Bonds Guarantor all of which pertain to the Intesa Sanpaolo Group.

## **2. THE COVERED BONDS AND THE PROGRAMME**

### **Description**

Euro 20,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme.

### **Programme Amount**

Up to Euro 20,000,000,000 (and for this purpose, any Covered Bonds denominated in another currency shall be translated into Euro at the date of the agreement to issue such Covered Bonds, and the Euro exchange rate used shall be included in the Final Terms) in aggregate principal amount of Covered Bonds outstanding (the **Programme Limit**). The Programme Limit may be increased in accordance with the terms of the Dealer Agreement and, according to Article 2, letter (h), of Regulation (EU) No. 382 of 2014, the Issuer will publish a supplement to the Base Prospectus.

### **Distribution of the Covered Bonds**

The Covered Bonds may be distributed on a syndicated or non-syndicated basis, in each case only in accordance with the relevant selling restrictions.

### **Selling Restrictions**

The offer, sale and delivery of the Covered Bonds and the distribution of offering material in certain jurisdictions may be subject to certain selling restrictions. Persons who are in possession of this Base Prospectus are required by the Issuer, the Dealer and the Arranger to inform themselves about, and to observe, any such restriction. The Covered Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Covered Bonds may not be offered, sold or delivered within the United States or to US persons. There are further restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds

in the European Economic Area, including the United Kingdom, the Republic of Ireland, Germany, the Republic of Italy, and Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Base Prospectus, see the section headed “*Subscription and Sale*” below.

## **Currencies**

Covered Bonds may be denominated in Euro, UK Sterling, Swiss Franc, Japanese Yen and US Dollar, as specified in the applicable Final Terms, or in any other currency, as may be agreed between the Issuer and the Relevant Dealer(s) (each a **Specified Currency**), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, in which case the Covered Bonds Guarantor and/or the Issuer may enter into certain agreements in order to hedge *inter alia* its currency exchange exposure in relation to such Covered Bonds. Payments in respect of Covered Bonds may, subject to such compliance, be made in or linked to, any currency other than the currency in which such Covered Bonds are denominated.

## **Denominations**

In accordance with the Conditions, the Covered Bonds (other than the Registered Covered Bonds) will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal or regulatory or central bank requirements (see Condition 3 (*Form, Denomination and Title*)). Registered Covered Bonds will be issued in such denominations indicated in the applicable Registered Covered Bonds Conditions.

## **Minimum Denomination**

The minimum denomination of each Covered Bonds (other than the Registered Covered Bonds) will be Euro 100,000 or such other integral multiples of another smaller amount (or, where the Covered Bonds are issued in a currency other than Euro, the equivalent amount in such other currency), in each case as specified in the relevant Final Terms. The minimum denomination for the Registered Covered Bonds will be specified in the relevant Registered Covered Bonds Conditions.

## **Issue Price**

Covered Bonds of each Series may be issued at an issue price which is at par or at a discount to, or premium over, par, as specified in the relevant Final Terms (in each case, the **Issue Price** for such Series).

## **Issue Date**

The date of issue of a Series pursuant to and in accordance with the Dealer Agreement (each, the **Issue Date** in relation to such Series).

## **Initial Issue Date**

The date on which the Issuer will issue the first Series of Covered Bonds (the **Initial Issue Date**).

## **CB Payment Date**

The dates specified as such in, or determined in accordance with the provisions of the Conditions and, the relevant Final Terms, subject in each case, to the extent provided in the relevant Final Terms, to adjustment in accordance with the applicable Business Day Convention (as defined in the

Conditions) (such date, a **CB Payment Date**).

### **CB Interest Period**

Each period beginning on (and including) a CB Payment Date (or, in the case of the first CB Interest Period, the Interest Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in the case of the last CB Interest Period, the Maturity Date) (each such period, a **CB Interest Period**).

### **Interest Commencement Date**

In relation to any Series of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms (**Interest Commencement Date**).

### **Form of Covered Bonds**

The Covered Bonds will be issued and will be held in dematerialised form or as German governed registered covered bonds (*Gedekte Namensschuldverschreibung*) (the **Registered Covered Bonds**), or in any other form as set out in the relevant Final Terms.

The Covered Bonds issued in dematerialised form will be held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders. Each Series will be deposited with Monte Titoli on the relevant Issue Date. Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds will, at all times, be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of (i) Article 83-*bis et seq.* of the Financial Law and the relevant implementing regulations and (ii) Regulation 13 Augsut 2018. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

Registered Covered Bonds will be issued to each holder in the form of a Registered Covered Bond (*Gedekte Namensschuldverschreibung*), each issued with a minimum denomination indicated in the relevant Registered Covered Bond terms and conditions (the **Registered Covered Bond Conditions**).

The relevant Registered Covered Bonds (*Gedekte Namensschuldverschreibung*), together with the related Registered Covered Bond Conditions attached thereto and any other document expressed to govern such Series of Registered Covered Bonds, will constitute the full terms and conditions of the relevant Series of Registered Covered Bonds.

In the case of Registered Covered Bonds, each reference in this Base Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms, shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the Registered Covered Bond (*Gedekte Namensschuldverschreibung*), the Registered Covered Bond Conditions attached thereto or other related agreements and, as applicable, each other reference to Final Terms in this Base Prospectus shall be construed and read as a reference to such Registered Covered Bond (*Gedekte Namensschuldverschreibung*) or the Registered Covered Bond Conditions attached thereto or the relevant Registered Covered Bond agreement.

Any reference to a Covered Bondholder shall be referred to the holder of a



Covered Bond and/or the registered holder for the time being of a Registered Covered Bond (the **Registered Covered Bondholder**) as the context may require.

A transfer of Registered Covered Bonds is deemed to be not effective until the transferee has delivered to the Registrar a duly executed copy of the Registered Covered Bond certificate relating to such Registered Covered Bond along with a duly executed Registered Covered Bond assignment agreement. A transfer can only occur for the minimum denomination indicated in the applicable Registered Covered Bond Conditions or multiples thereof.

In connection with the Registered Covered Bonds, references in this Base Prospectus to the Conditions or a particularly numbered Condition shall be construed, where relevant (and unless specified otherwise), as references to the equivalent Condition in the relevant Registered Covered Bond Conditions as supplemented by any applicable document.

For the avoidance of doubt, Registered Covered Bonds are not and will not be subject to the generally applicable terms and conditions of the Covered Bonds (contained in the section headed “Terms and Conditions of the Covered Bonds”). No Final Terms will be issued in respect of Registered Covered Bonds.

## **Types of Covered Bonds**

In accordance with the Conditions, the Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms. The Covered Bonds may be repayable in one or more instalments or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms. Each Series shall be comprised of Fixed Rate Covered Bonds only or Floating Rate Covered Bonds only or Zero Coupon Covered Bonds only or such other Covered Bonds accruing interest on such other basis and at such other rate as may be so specified in the relevant Final Terms only.

*Fixed Rate Covered Bonds:* fixed interest on the Covered Bonds will be payable in accordance with the relevant Final Terms, on such date as may be agreed between the Issuer and the Relevant Dealers (as defined below) and on redemption, and will be calculated on the basis of such Day Count Fraction provided for in the Conditions and the relevant Final Terms.

*Floating Rate Covered Bonds:* Floating Rate Covered Bonds will bear interest at a rate determined in accordance with the Conditions and the relevant Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the Relevant Dealers for each Series of Floating Rate Covered Bonds.

*Other provisions in relation to Floating Rate Covered Bonds:* Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Covered Bonds in respect of each CB Interest Period, as agreed prior to issue by the Issuer and the Relevant Dealer, will be payable on such CB Payment Dates, and will be calculated on the basis of such Day Count Fraction provided for in the Conditions and the relevant Final Terms.

*Zero Coupon Covered Bonds:* Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

### **Rating of the Covered Bonds**

The issue of any Series of Covered Bonds (including, for the avoidance of doubt, Zero Coupon Covered Bonds) in each case as specified in the applicable Final Terms may be rated by the Rating Agency and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any series of Covered Bonds.

### **Issuance in Series**

Covered Bonds will be issued in Series, but on different terms from each other, subject to the terms set out in the relevant Final Terms in respect of such Series. Covered Bonds of different Series will not be fungible among themselves. Each Series may be issued in more than one Tranche (as defined under the Conditions) (excluding any Series of Registered Covered Bonds, which may be issued in single Series only) which are identical in all respects, but having different issue dates, interest commencement dates, issue prices, and dates for first interest payments and may be issued in different currencies (provided that Tranches issued in different currencies will not be fungible among themselves). The Issuer will issue Covered Bonds without the prior consent of the holders of any outstanding Covered Bonds but subject to certain conditions (see “*Conditions Precedent to the Issuance of a new series of Covered Bonds*” below). Notwithstanding the foregoing, the term “Series” shall mean in the case of Registered Covered Bonds, each Registered Covered Bonds made out in the name of a specific Registered Covered Bondholder.

### **Final Terms**

Specific final terms will be issued and published in accordance with the generally applicable terms and conditions of the Covered Bonds (the **Conditions**) prior to the issue of each Series detailing certain relevant terms thereof which, for the purposes of that Series only, completes the Conditions and the Base Prospectus and must be read in conjunction with the Base Prospectus (such specific final terms, the **Final Terms**). The terms and conditions applicable to any particular Series are the Conditions as completed by the relevant Final Terms.

In the case of Registered Covered Bonds, each other reference to Final Terms in the Prospectus shall be construed and read as a reference to such Registered Covered Bond (*Gedekte Namensschuldverschreibung*), the Registered Covered Bond Conditions and any other related agreements.

### **Interest on the Covered Bonds**

Except for the Zero Coupon Covered Bonds and unless otherwise specified in the Conditions and the relevant Final Terms, the Covered Bonds will be interest-bearing and interest will be calculated on the Outstanding Principal Balance of the relevant Covered Bonds. Interest will be calculated on the basis of such Day Count Fraction in accordance with the Conditions and in the relevant Final Terms. Interest may accrue on the Covered Bonds at a fixed rate or a floating rate or on such other basis and at such rate as may be so specified in the relevant Final Terms and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series.

## **Margin Step-up**

Final Terms may specify, with respect to a Series of Covered Bonds which are Floating Rate Covered Bonds, that, in the event such Covered Bonds are not redeemed in full on the Maturity Date (as defined under the relevant terms and conditions), the margin payable on such Covered Bonds increases in accordance with the terms specified in the relevant Final Terms.

## **Interest Rate Conversion**

The relevant Final Terms may specify, with respect to a Series of Covered Bonds which are Fixed Rate Covered Bonds, that, in the event such Covered Bonds are not redeemed in full on the Maturity Date, the interest rate payable on such Covered Bonds converts to a floating rate index plus a conversion margin in accordance with the terms specified in the relevant Final Terms.

## **Redemption of the Covered Bonds**

The applicable Final Terms will indicate either (a) that the Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or in other specified cases, e.g. taxation reasons, or Covered Bonds Guarantor Events of Default), or (b) that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Representative of the Covered Bondholders on behalf of the holders of the Covered Bonds (the **Covered Bondholders**), or at the option of the Covered Bondholders upon deposit of a notice by the Representative of the Covered Bondholders on behalf of the Covered Bondholders with the Paying Agent, and in accordance with the provisions of Condition 8 (*Redemption and Purchase*) and of the relevant Final Terms, on a date or dates specified prior to such maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the Relevant Dealers as set out in the applicable Final Terms, provided that the Final Redemption Amount in respect of any Series of Covered Bonds will be equal to the principal amount of such Series.

Covered Bonds may be redeemable in accordance with the provisions of Condition 8 (*Redemption and Purchase*) and the relevant Final Terms but in any case the redemption amount shall be at least equal to par value. Covered Bonds may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.

## **Tax Gross Up and Redemption for taxation reasons**

Payments in respect of the Covered Bonds to be made by the Issuer will be made without deduction for or on account of withholding taxes imposed by Italy, subject as provided in Condition 10 (*Taxation*).

All payments in respect of the Covered Bonds will be made subject to any withholding or deduction required pursuant to FATCA.

In the event that any such withholding or deduction is to be made, the Issuer will be required to pay additional amounts to cover the amounts so deducted. In such circumstances and provided that such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Covered Bonds will be redeemable (in whole, but not in part) at the option of the Issuer. See Condition 8(c) (*Redemption for tax reasons*).

The Covered Bonds Guarantor will not be liable to pay any additional amount due to taxation reasons following an Issuer Event of Default (as

defined below).

### **Maturity Date**

The Maturity Date for each Series will be specified in the relevant Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the currency of the Covered Bonds. Unless previously redeemed as provided in Condition 8 (*Redemption and Purchase*), the Covered Bonds of each Series will be redeemed at their Outstanding Principal Balance on the relevant Maturity Date.

### **Extendable Maturity**

The applicable Final Terms may also provide that the obligations of the Covered Bonds Guarantor to pay all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date may be deferred to a later date pursuant to Condition 8(b) (*Extension of maturity*) (the **Extended Maturity Date**). Such deferral may occur, if so stated in the relevant Final Terms, automatically if:

- (a) an Article 74 Event or an Issuer Event of Default has occurred; and
- (b) the Covered Bonds Guarantor has, on the Extension Determination Date, insufficient Available Funds (in accordance with the Post-Issuer Default Priority of Payments) to pay in full any amount representing the Guaranteed Amounts corresponding to the Final Redemption Amount on the Maturity Date (the **Extendable Maturity**).

In these circumstances, to the extent that the Covered Bonds Guarantor has sufficient Available Funds (as defined below) to pay in part the Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Covered Bonds Guarantor shall make partial payment of the relevant Final Redemption Amount, in accordance with the Post-Issuer Default Priority of Payments (as defined below), without any preference among the Covered Bonds outstanding, except in respect of maturities of each Series.

Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, provided that, any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Covered Bonds Guarantor on any CB Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. Interest will continue to accrue and be payable on any unpaid amount up to the Extended Maturity Date in accordance with Condition 8(b) (*Extension of maturity*).

Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and withdrawal of the Article 74 Notice to Pay, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an Extendable Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month in which the Article 74 Notice to Pay has been withdrawn.

### **Long Dated Covered Bonds**

If the Extended Maturity Date is set at the Long Date Due for Payment Date in the relevant Final Terms, the relevant Covered Bonds will be considered

## **Long Dated Covered Bonds.**

### **Hard Bullet Covered Bonds**

If no Extended Maturity Date is specified in the relevant Final Terms, the Final Redemption Amount in respect to a Series of Covered Bonds (the **Hard Bullet Covered Bonds**) will be due for payment on the Maturity Date and the Pre-Maturity Liquidity Test shall apply.

### **Ranking of the Covered Bonds**

The Covered Bonds will constitute direct, unconditional, unsubordinated obligations of the Issuer – guaranteed by the Covered Bonds Guarantor by means of the Covered Bonds Guarantee (as defined below) – and will rank *pari passu* without any preference among themselves, except in respect of maturities of each Series, and (save for any applicable statutory provisions) at least equally with all other present and future unsecured, unsubordinated obligations of the Issuer having the same maturity of each Series of the Covered Bonds, from time to time outstanding.

### **Recourse**

In accordance with the legal framework established by Law 130 and the MEF Decree (as defined below) and with the terms and conditions of the relevant Transaction Documents (as defined below), the Covered Bondholders will benefit from full recourse to the Issuer and limited recourse to the Covered Bonds Guarantor (see Section *Credit Structure*). The obligation of the Covered Bonds Guarantor under the Covered Bonds Guarantee shall be limited recourse to the Portfolio.

### **Substitution of the Issuer**

The Representative of the Covered Bondholders may (and in the case of an Approved Reorganisation – as defined under the Conditions – shall) agree with the Issuer (or any previous substitute) and the Covered Bonds Guarantor at any time without the consent of the Covered Bondholders:

- (a) to the substitution in place of Intesa Sanpaolo (or of any previous substitute) as principal debtor under the Covered Bonds by a Substitute Obligor by way of an Issuer obligation transfer agreement without recourse to the Issuer (*accollo liberatorio*); or
- (b) to an Approved Reorganisation; or
- (c) that Intesa Sanpaolo (or any previous substitute) may, other than by means of an Approved Reorganisation, consolidate with, merge into or amalgamate with any successor company,

provided that, *inter alia*:

- (i) the obligations of the Substitute Obligor or the Resulting Entity under the Covered Bonds shall be irrevocably and unconditionally guaranteed by Intesa Sanpaolo (on like terms as to subordination, if applicable, to those of the Covered Bonds Guarantee);
- (ii) (other than in the case of an Approved Reorganisation) the Representative of the Covered Bondholders is satisfied that the interests of the Covered Bondholders will not be materially prejudiced thereby;
- (iii) the Substitute Obligor or the Resulting Entity agrees, in form and manner satisfactory to the Representative of the Covered Bondholders, to be bound by the terms and conditions of the Covered

Bonds and all the Transaction Documents in respect to any Series of Covered Bonds still outstanding, by means of executing agreements and documents substantially in the same form and substance of the Transaction Documents; and

- (iv) the Representative of the Covered Bondholders is satisfied that (a) the Resulting Entity or Substituted Obligor has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Covered Bonds in place of the Issuer (or such previous substitute as aforesaid), and (b) such approvals and consents are, at the time of substitution, Approved Reorganisation or consolidation, merger, amalgamation other than by means of an Approved Reorganisation, as the case may be, in full force and effect.

Upon the assumption of the obligations of the Issuer by a Substitute Obligor or a Resulting Entity (as defined under the Conditions) a successor company, Intesa Sanpaolo shall have no further liabilities under or in respect of the Covered Bonds.

### **Provisions of Transaction Documents**

The Covered Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.

### **Conditions Precedent to the Issuance of a new Series of Covered Bonds**

The Issuer will be entitled (but not obliged) at its option, on any date and without the consent of the holders of the Covered Bonds issued beforehand and of any other creditors of the Covered Bonds Guarantor or of the Issuer, to issue further Series of Covered Bonds other than the first issued Series, subject to:

- (i) issuance of a rating letter by the Rating Agency with respect to such further issue of Covered Bonds; and
- (ii) satisfaction of the Tests; and
- (iii) compliance with (a) the requirements of issuing/assigning banks (Requisiti delle banche emittenti e/o cedenti; see Section II, Para. 1 of the BoI OBG Regulations; the **Conditions to the Issue**) and (b) Limits to the Assignment, if applicable;
- (iv) no Article 74 Event (as defined below) having occurred;
- (v) no Issuer Event of Default or Covered Bonds Guarantor Event of Default (as defined below) having occurred;
- (vi) (1) the Reserve Funds Required Amount, the ATI Commingling Reserve Amount, the CB Swaps Accumulation Amount and the Interest Accumulation Amount (if and to the extent due) have been credited on the Investment Account, on the immediately

preceding Guarantor Payment Date or (2) the amounts standing to the credit of the Accounts are sufficient, taking into account the amounts to be paid under points (i) to (iv) of the Pre-Issuer Default Interest Priority of Payments, to constitute the Reserve Funds Required Amount, the ATI Commingling Reserve Amount, the CB Swaps Accumulation Amount and the Interest Accumulation Amount (if and to the extent due), on the next Guarantor Payment Date.

It is a condition precedent to the issue of Long Dated Covered Bonds that no Series of Covered Bonds which are not Long Dated Covered Bonds are outstanding.

It is a condition precedent to the issue of a Series of Covered Bonds which are not Long Dated Covered Bonds that no Series of Long Dated Covered Bonds are outstanding.

The payment obligations under the Covered Bonds issued under all Series shall be cross-collateralised by all the assets included in the Portfolio, through the Covered Bonds Guarantee (as defined below) (see also Section Ranking of the Covered Bonds).

### **Listing and admission to trading**

Application has been made to the Luxembourg Stock Exchange for Covered Bonds (other than the Registered Covered Bonds) to be issued under the Programme to be admitted to the official list and to be admitted to trading on the Luxembourg Stock Exchange's regulated market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Covered Bonds may be unlisted.

The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and, if so, on which stock exchange(s). The Registered Covered Bonds may not be listed and/or admitted to trading on any regulated market. The approval of this Base Prospectus by the CSSF does not cover any Registered Covered Bonds which may be issued by the Issuer under the Programme.

### **Settlement**

Monte Titoli / Euroclear / Clearstream or any other clearing system as may be specified in the relevant Final Terms. Registered Covered Bonds will not be settled through a clearing system.

### **Governing law**

The Covered Bonds (other than the Registered Covered Bonds), the Programme and the other Transaction Documents will be governed by Italian law except for Swap Agreements and the Deed of Charge that will be governed by English law.

The Registered Covered Bonds will be governed by the laws of the Federal Republic of Germany or by whatever law chosen by the Issuer (to be supplemented with the specific provisions required under German law in order for the Registered Covered Bonds to be a German law registered note (*Gedekte Namensschuld verschreibung*)) and shall be regulated by separate agreements provided that, in any case, provisions applicable to the Issuer, the Representative of the Covered Bondholders, the Rules of the Organisation of Covered Bondholders and the Portfolio shall be confirmed to be governed by Italian law.

## Ratings

Each Series issued under the Programme may be assigned a rating by the Rating Agency and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time they provides ratings in respect of any series of Covered Bonds. Whether or not a rating in relation to any Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation, will be disclosed in the relevant Final Terms. The credit ratings referred to in this Base Prospectus have been issued by Moody's which is established in the European Union and is registered under the CRA Regulation. As such Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

### Purchase of the Covered Bonds by the Issuer

The Issuer may at any time purchase any Covered Bonds in the open market or otherwise and at any price. If the purchase is made by tender, tenders must be available to all holders of the Series which the Issuer intends to buy.

## 3. COVERED BONDS GUARANTEE

### Security for the Covered Bonds

In accordance with Law 130, by virtue of the Covered Bonds Guarantee, the Covered Bondholders will benefit from a guarantee issued by the Covered Bonds Guarantor which will, in turn, hold a portfolio of receivables originated by the Seller and Additional Seller, if any, consisting of some or all of the following assets: (i) loans extended to, or guaranteed by (on the basis of "guarantees valid for the purpose of credit risk mitigation" – *garanzie valide ai fini della mitigazione del rischio di credito* – as defined by Article 1, paragraph 1, lett. h) of the MEF Decree), the public entities indicated in Article 2, paragraph 1, lett. c) of the MEF Decree (including (a) public administrations of Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the "Standardised Approach" to credit risk measurement; (b) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the "Standardised Approach" to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the "Standardised Approach" to credit risk measurement (provided that such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the Covered Bonds Guarantor) (the **Loans**); and (ii) securities issued or guaranteed by the entities mentioned under (i) above satisfying the requirements set forth under article 2, paragraph 1, letter c) of the MEF Decree (the **Public Securities** and, jointly with the securities mentioned under article, 2, para. 3, point 3, of the MEF Decree and any ancillary right thereto, the **Securities**). Assets under (i) and (ii) are jointly defined as the **Public Assets** and, within certain limits, Integration Assets (as defined below). The monetary claims arising out of Public Assets and Integration Assets (as defined below) are jointly defined



as the **Receivables**.

Under the terms of the Covered Bonds Guarantee the Covered Bonds Guarantor will be obliged to pay any amounts due under the Covered Bonds on the relevant Due for Payment Date (as defined herein) and in accordance with the relevant Priority of Payments.

In view of ensuring timely payment by the Covered Bonds Guarantor, a Notice to Pay (as defined below) will be served on the same as a consequence of an Issuer Event of Default.

The obligations of the Covered Bonds Guarantor under the Covered Bonds Guarantee shall constitute a first demand, unconditional and independent guarantee (*garanzia autonoma*) and certain provisions of Italian Civil Code relating to non-autonomous personal guarantees (*fidejussioni*), specified in the MEF Decree, shall not apply. Accordingly, such obligation shall be a direct, unconditional, unsubordinated obligation of the Covered Bonds Guarantor, with limited recourse to the Available Funds (as defined below), irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer.

### **Temporary Transfer of Payment Obligations to the Covered Bonds Guarantor**

If a resolution pursuant to Article 74 of the Banking Law is issued in respect of the Issuer (**Article 74 Event**), the Covered Bonds Guarantor, in accordance with Article 4, Paragraph 4, of the MEF Decree, shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the Suspension Period and each Series of Covered Bonds will accelerate against the Issuer.

Upon the termination of the suspension period, the Issuer shall resume responsibility for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubt, the Covered Bonds then outstanding will not be deemed to have been accelerated against the Issuer).

Following to an Article 74 Event the Representative of the Covered Bondholders will serve a notice (the **Article 74 Notice to Pay**) on the Covered Bonds Guarantor that an Article 74 Event has occurred. Unless and until such Article 74 Notice to Pay has been withdrawn:

- (i) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that: (a) such events shall not trigger an acceleration against the Covered Bonds Guarantor, and (b) in accordance with Article 4, Paragraph 4, of the MEF Decree, the Covered Bonds Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the Suspension Period;
- (ii) the Covered Bond Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders vis-à-vis the Issuer in accordance with the provisions of the Covered Bond Guarantee in the context of which the Covered Bondholders have irrevocably delegated – also in the interest and for the benefit of the Covered Bond Guarantor – to the Covered Bond Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment

provisions provided under the Conditions or under the applicable legislation. For this purpose, upon request of the Covered Bond Guarantor, the Representative of the Covered Bondholders on behalf of the Covered Bondholders shall provide the Covered Bond Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In accordance with the Covered Bond Guarantee, the Representative of the Covered Bondholders on behalf of the Covered Bondholders has confirmed such delegation and waived any rights of the Covered Bondholders to revoke such delegation and take any such individual action against the Issuer;

- (iii) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (i)(b) above (See Section *Covered Bonds Guarantee*);
- (iv) the Tests shall continue to be applied; and
- (v) the Pre-Maturity Liquidity Test shall be deemed to be failed with respect to any Hard Bullet Covered Bonds for which the Maturity Date falls within 12 months.

Upon the termination of the suspension period, the Article 74 Notice to Pay shall be withdrawn and the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer) in accordance with the relevant Priority of Payments.

### **Issuer Events of Default**

Each of the following events with respect to the Issuer shall constitute an **Issuer Event of Default**:

- (i) default is made by the Issuer for a period of 7 days or more in the payment of any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series when due; or
- (ii) the Issuer is in breach of material obligations under or in respect of the Covered Bonds (of any Series outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds) and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or
- (iii) an Insolvency Event (as defined in the Conditions) occurs in respect of the Issuer;
- (iv) in relation to the Hard Bullet Covered Bonds, breach of the Pre-Maturity Liquidity Test which is not remedied by the earlier of:
  - (a) 20 Business Days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test; and
  - (b) the Maturity Date of that Series of Covered Bonds;

- (v) breach of the Tests which is not remedied within 6 months from the notification of the occurrence of such breach.

If an Issuer Event of Default occurs:

- (a) the Representative of the Covered Bondholders will serve a notice (the **Notice to Pay**) on the Issuer and Covered Bonds Guarantor that an Issuer Event of Default has occurred;
- (b) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer;
- (c) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (b) above (See Section *Covered Bonds Guarantee*);
- (d) the Tests, shall continue to be applied.

### **Covered Bonds Guarantor Events of Default**

Following an Issuer Event of Default, each of the following events shall constitute a **Covered Bonds Guarantor Event of Default**:

- (i) non-payment of principal and/or interest in respect of the relevant Series of Covered Bonds in accordance with the Covered Bonds Guarantee, subject to a period of 7 Business Days cure period in respect of principal or redemption amount and a 14 Business Days cure period in respect of interest payment the Covered Bonds Guarantor or non-payment or non setting aside for payment of costs or amounts due to any Hedging Counterparty;
- (ii) breach of the Amortisation Test;
- (iii) breach of the other binding obligations under the Dealer Agreement, the Intercreditor Agreement, the Covered Bonds Guarantee or any other Transaction Document to which the Covered Bonds Guarantor is a party, which is not remedied within 30 days from the date on which the Covered Bonds Guarantor is notified of such breach;
- (iv) an Insolvency Event occurs in respect of the Covered Bonds Guarantor.

If a Covered Bonds Guarantor Event of Default occurs and is continuing, the Representative of the Covered Bondholders shall serve a notice on the Covered Bonds Guarantor (the **Covered Bonds Guarantor Acceleration Notice**) and all Covered Bonds will accelerate against the Covered Bonds Guarantor, becoming immediately due and payable, and they will rank *pari passu* amongst themselves.

### **Cross Acceleration**

If a Covered Bonds Guarantor Event of Default is triggered with respect to a Series, each series of Covered Bonds will cross accelerate at the same time against the Covered Bonds Guarantor, provided that the Covered Bonds will not otherwise contain a cross default provision and will thus not cross

accelerate against the Covered Bonds Guarantor in case of an Issuer Event of Default.

### **Pre-Maturity Liquidity Test**

The Pre-Maturity Liquidity Test is intended to provide liquidity for Hard Bullet Covered Bonds when the Issuer's long-term credit ratings fall below the Pre-Maturity Liquidity Required Ratings.

On any Business Day (each the **Pre-Maturity Liquidity Test Date**) falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default, the Calculation Agent will determine if the Pre-Maturity Liquidity Test has been breached, and if so, it shall immediately notify the Issuer, the Seller, the Hedging Counterparties and the Representative of the Covered Bondholders.

For the purpose of this paragraph the **Pre-Maturity Liquidity Test** is complied with on any Pre-Maturity Liquidity Test Date if, during the Pre-Maturity Rating Period, all of the Issuer's credit ratings are equal to, or greater than, the Pre-Maturity Liquidity Required Ratings. Following a breach of a Pre-Maturity Liquidity Test in respect of a Series of Covered Bonds:

- (i) the Issuer shall:
  - (A) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or
  - (B) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-Maturity Liquidity Guarantor Ratings; and/or
  - (C) take action in the form of a combination of the foregoing which in aggregate adding up to an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;and/or
- (ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

If the Pre-Maturity Liquidity Test in respect of any Series of Covered Bonds is breached and the Issuer or the Covered Bonds Guarantor has not taken the required actions (as described above) following the breach by the earlier to occur of:

- (a) 20 Business Days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test, and
- (b) the Maturity Date of that Series of Covered Bonds,

an Issuer Event of Default shall occur and the Representative of the Covered Bondholders will serve a Notice to Pay to the Covered Bonds Guarantor.

**Pre-Maturity Liquidity Required Ratings** has the meaning ascribed to such expression in the Master Definition Agreement.

### **Eligible Investments**

The Cash Manager shall invest funds standing to the credit of the Investment Account in Eligible Investments.

### **Authorised Investments**

Following the occurrence of an Article 74 Event or Issuer Event of Default, and service respectively of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, the Cash Manager shall invest funds standing to the credit of the Investment Account in Authorised Investments.

### **Pre-Issuer Default Interest**

#### **Priority of Payment**

On each Guarantor Payment Date, prior to the service of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), the Covered Bonds Guarantor will use Interest Available Funds (as defined below) to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any and all taxes due and payable by the Covered Bonds Guarantor;
- (ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Expenses, to the extent that such costs and expenses are not met by utilising any amounts standing to the credit of the Expenses Account and/or the Corporate Account on the Guarantor Payment Date falling in March and September of each year and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments,

other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date; and (c) to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;

- (v) *fifth*, to credit to the Investment Account an amount equal to the Reserve Fund Required Amount;
- (vi) *sixth*, if an ATI Agent Trigger Event occurs and is continuing and no other ATI Agent Remedy Actions has been implemented, to credit to the Investment Account an amount equal to the ATI Commingling Reserve Amount;
- (vii) *seventh*, to credit to the Principal Receivables Collection Account an amount equal to the amounts paid under item (i) of the Pre-Issuer Default Principal Priority of Payment on any preceding Guarantor Payment Date and not yet repaid under this item (vii);
- (viii) *eighth*, if a Servicer Termination Event has occurred, to credit all remaining Interest Available Funds to the Investment Account until such Servicer Termination Event is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (ix) *ninth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Interest Available Funds to the Investment Account until the following Guarantor Payment Date;
- (x) *tenth*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (iv) above;
- (xi) *eleventh*, to pay *pari passu* and *pro rata*, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (xii) *twelfth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable as Minimum Interest Amount under the Subordinated Loan;
- (xiii) *thirteenth*, to pay any Premium Interest Amount under the Subordinated Loan.

(the **Pre-Issuer Default Interest Priority of Payment**).

#### **Pre-Issuer Default Principal Priority of Payments**

On each Guarantor Payment Date, prior to the service of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), the Covered Bonds Guarantor will use Principal

Available Funds to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay any amount due and payable under items (i) to (vi) of the Pre-Issuer Default Interest Priority of Payment, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;
- (ii) *second, pari passu and pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the TBG Swaps and (b) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payment under the CB Swaps after the relevant Guarantor Payment Date;
- (iii) *third*, if the Pre-Maturity Liquidity Test is satisfied, *pari passu and pro rata* according to the respective amounts thereof, (a) to pay the purchase price of the Public Assets and/or Integration Assets offered for sale by the Seller, the Additional Sellers (if any) or the Issuer in the context of Revolving Assignment in accordance with the provisions of the Master Transfer Agreement or any amount due to the Seller as purchase price in the context of Revolving Assignment pursuant to the Master Transfer Agreement that was not paid on the previous Guarantor Payment Date, (b) to credit to the Investment Account the Purchase Price Accumulation Amount;
- (iv) *fourth*, to deposit on the Investment Account any residual Principal Available Funds in an amount sufficient to ensure that taking into account the other resources available to the Covered Bonds Guarantor, the Tests are met;
- (v) *fifth*, if a Servicer Termination Event has occurred, all residual Principal Available Funds to be credited to the Investment Account until such event of default of the Servicer is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (vi) *sixth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Principal Available Funds to the Investment Account until the following Guarantor Payment Date;
- (vii) *seventh*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (ii) above;
- (viii) *eight*, to pay *pari passu and pro rata* any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement) not already provided for under item (xi) of the Pre-

Issuer Default Interest Priority of Payment;

- (ix) *ninth*, to pay the amount (if any) due to the Seller as principal redemption under the Subordinated Loan (including as a consequence of “*richiesta di rimborso anticipato*” as indicated therein) provided that the Tests and the Pre-Maturity Liquidity Test are still satisfied after such payment;

(the **Pre-Issuer Default Principal Priority of Payment**).

### **Post-Issuer Default Priority of Payments**

On each Guarantor Payment Date, following the service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, but prior to the occurrence of any Covered Bonds Guarantor Events of Default, the Covered Bonds Guarantor will use the Available Funds, to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;
- (ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any amount due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Administrative Services Provider, the Calculation Agent, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date and (c) to pay any interest due and payable on such Guarantor Payment Date or to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof,
  - (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps;
  - (b) to pay any amount in respect of principal due and payable



on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date or to credit to the Investment Account any amount in respect of principal to be paid on each CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date; and

- (c) to pay any Hedging Senior Payment, in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payments under the CB Swaps during the Guarantor Interest Period starting from such Guarantor Payment Date;
- (v) *fifth*, to deposit on the Investment Account any residual amount until all Covered Bonds are fully repaid or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated;
- (vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreement not provided for under items (iii) and (iv) above;
- (vii) *seventh*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (viii) *eighth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;
- (ix) *ninth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as principal under the Subordinated Loan;
- (x) *tenth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan.

(the **Post-Issuer Default Priority of Payments**).

### **Post-Guarantor Default Priority of Payments**

On each Guarantor Payment Date, following the service of a Covered Bonds Guarantor Acceleration Notice, the Covered Bonds Guarantor will use the Available Funds, to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes;
- (ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amounts due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer and to credit an amount up to the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, and (b) to pay any amount, other than in respect of principal, due and payable on each Series of Covered Bonds and (c) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any amount in respect of principal due and payable under each Series of Covered Bonds on such Guarantor Payment Date and (c) to pay any Hedging Senior Payments in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps;
- (v) *fifth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreements not provided for under items (iii) and (iv) above;
- (vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (vii) *seventh*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;
- (viii) *eighth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amounts due as principal under the Subordinated Loan;
- (ix) *ninth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan;

(the **Post-Guarantor Default Priority of Payment**).

## 4. CREATION AND ADMINISTRATION OF THE PORTFOLIO

### Transfer of the Portfolio

The Seller and the Covered Bonds Guarantor entered into a master transfer agreement pursuant to which the Seller (a) transferred to the Covered Bonds Guarantor an initial portfolio comprising Public Assets (the **Initial Portfolio**) and (b) may assign and transfer further portfolios comprising Public Assets and/or Integration Assets, satisfying the Criteria (each a **New Portfolio** and jointly with the Initial Portfolio and any other Integration Assets and Eligible Investments purchased by the Covered Bonds Guarantor, the **Portfolio**), to the Covered Bonds Guarantor from time to time (the **Master Transfer Agreement**), in the cases and subject to the limits on the transfer of further Public Assets referred to below.

The Covered Bonds Guarantor may acquire the aforementioned further Public Assets or Integration Assets, as the case may be, in order to:

- (a) collateralise and allow the issue of further series of Covered Bonds by the Issuer, subject to the Limits to the Assignment of further Public Assets (the **Issuance Collateralisation Assignment**);
- (b) invest the Principal Available Funds, subject to the Limits to the Assignment, provided that no Issuer Event of Default or Covered Bonds Guarantor Event of Default have occurred (the **Revolving Assignment**); or
- (c) comply with the Tests, and prevent the breach of the Tests, in accordance with the Portfolio Administration Agreement (the **Integration Assignment**), subject to the limits referred to in the following provision “Integration Assets”.

Pursuant to the Master Transfer Agreement, and subject to the conditions provided therein, the Seller shall also be allowed to repurchase Receivables and/or Securities which have been assigned to the Covered Bonds Guarantor.

The Public Assets and the Integration Assets will be assigned and transferred to the Covered Bonds Guarantor without recourse (*pro soluto*) in accordance with Law 130 and subject to the terms and conditions of the Master Transfer Agreement.

### Representations and Warranties of the Seller

Under the Warranty and Indemnity Agreement, the Seller has made certain representations and warranties regarding itself and the Receivables or Securities including, *inter alia*:

- (i) its status, capacity and authority to enter into the Transaction Documents and assume the obligations expressed to be assumed by it therein;
- (ii) the legality, validity, binding nature and enforceability of the obligations assumed by it;
- (iii) the existence of the Receivables or Securities, the absence of any lien attaching the Receivables or Securities; subject to the applicable provisions of laws and of the relevant agreements, the full, unconditional, legal title of the Seller to the Initial Portfolio;

- (iv) the validity and enforceability, subject to the applicable provisions of laws and of the relevant agreements, against the relevant Debtors of the obligations from which the Initial Portfolio arises.

## General Criteria

Each of the Receivables forming part of the Portfolio shall comply with all of the following criteria (the **General Criteria**):

- (i) Receivables whose debtors or guarantors (pursuant to a “guarantee valid for the purpose of credit risk mitigation” (garanzie valide ai fini della mitigazione del rischio di credito), as defined by Article 1, paragraph 1, lett. h) of the MEF Decree) are (a) public administrations of Admitted States, including therein any Ministries, municipalities (enti pubblici territoriali), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement; (b) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the “Standardised Approach” to credit risk measurement; (c) municipalities and national or local public bodies not carrying out economic activities (organismi pubblici non economici) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement;
- (ii) Receivables arising out of Loan Agreements which have been fully disbursed or, only in respect of the Multi-tranche Agreements, the Receivables arising out from each credit line or tranche which have been fully disbursed;
- (iii) Receivables in respect of which as of the Cut-off Date (a) there are no amounts due and payable to the Seller by the relevant debtors, both as repayment of any instalments and as interest, which have not been paid and (b) neither the termination of the Loan Agreement nor the acceleration (*decadenza dal beneficio del termine*) of the payment obligations have been requested or declared nor the withdrawal (*recesso*) has occurred;
- (iv) Receivables arising out of fixed rate loans or floating rate loans;
- (v) Receivables in respect of which the relevant amortisation plan for principal and interest provides that the payments have to occur at or within previously fixed payment dates.

The term “Loan Agreement” used in these General Criteria is referred to each of the following agreements:

- (a) loan and financing agreements, including loan agreements for a relevant purpose;
- (b) loan and financing agreements “multi-tranche” which provide for disbursement of singles credit lines or tranches which differ each other in the interest rate, the amortisation plan or the final reimbursement date (hereinafter, the “Multi-tranche Agreements”);
- (c) acknowledgement and consolidation acts or agreements, related to loans disbursed on the basis of a credit opened agreement (contratto di apertura di credito) pursuant to article 205-bis of the Legislative Decree no. 267 of 18 August 2000 (also denominated

master credit opened agreement), by means of which are ruled, inter alia, interest rate, amortisation plan and the final reimbursement date;

- (d) disbursement and receipt acts or agreements (however denominated) – related to loans disbursed on the basis of a credit opened agreement (*contratto di apertura di credito*) (however denominated) – by means of which, inter alia, the interest rate, the amortisation plan, the disbursement date and the final reimbursement date are ruled;
- (e) loan and financing agreements (which provide for, inter alia, an indication of loan amount, interest rate, amortisation plan, guarantees, disbursement date and final reimbursement date) on the basis of a plafond made available by means of an adjudication of a competitive bid and/or the relevant agreement, or by means of a specific loan agreement (*convenzione speciale di finanziamento*) or a treasury agreement (*convenzione di tesoreria*) (which provide for the disbursement of singles loans up to a predetermined maximum amount (id est a plafond);
- (f) receivables purchase agreements with predetermined principal and interest reimbursement dates or receivables purchase agreements in which the receivables have been settled by means of fixing of principal and interest reimbursement dates.

The term “Receivables” used under points from (i) to (v) of these General Criteria is referred to any receivable arising from a Loan Agreement, also, if the case, renegotiated jointly or separately with other Loan Agreements or, exclusively with reference to Multi-tranche Agreements, the receivables arising from each credit line or tranche which differ each other in the interest rate, the amortisation plan, the disbursement date or the final reimbursement date.

The Receivables shall also comply with the Specific Criteria.

**Specific Criteria** means the criteria for the selection of the Receivables to be included in the Portfolio to which such criteria are applied, set forth in Annex 2 (I Criteri Specifici) to the Master Transfer Agreement for the Initial Portfolio and in the relevant offer for New Portfolios.

**Criteria** means jointly the General Criteria and the Specific Criteria.

## Integration Assets

In accordance with Article 2 paragraph 3 of the MEF Decree and paragraph 3 of the BoI OBG Regulations, **Integration Assets** shall include:

- (i) deposits with banks residing in Eligible States;
- (ii) securities issued by banks residing in Eligible States with residual maturity not longer than one year;

The Integration Assets calculated for the purpose of the Tests shall meet the Integration Assets Rating Requirements.

Integration through the inclusion of Integration Assets shall be allowed up to but not exceeding the Integration Assets Limit. Integration (whether through Integration Assets or through originally eligible Public Assets) shall be allowed for the purpose of complying with the Tests.

## Excluded Assets

On the basis of the information provided by the Servicer and in accordance with the provisions of the Cash Management and Agency Agreement the Calculation Agent shall identify (a) the Integration Assets in excess of the Integration Assets Limit to be excluded from the Eligible Portfolio, (b) the aggregate of Integration Assets which do not meet the Integration Assets Rating Requirements (the assets mentioned in (a) and (b) above, the **Excluded Assets**), and (c) the corresponding portion of the hedging arrangements, if any, to be excluded from the calculation of the Tests (the **Excluded Swaps**) with the objective of obtaining a combination of Integration Assets included in the Eligible Portfolio, net of exclusions, that would allow the compliance with the Tests, if possible.

On the basis of the information provided by the Calculation Agent, the Servicer may sell the Excluded Assets and the Cash Manager shall invest the amounts deriving from such selling in Public Assets, Integration Assets (only in the case described under the Cash Management and Agency Agreement) or Authorised Investments or Eligible Investments.

## Tests

In accordance with the Portfolio Administration Agreement and the provisions of the MEF Decree, for so long as the Covered Bonds remain outstanding, the Issuer and the Seller shall procure on a continuing basis and on each Calculation Date, or any other date on which the verification of the tests is required pursuant to the Transaction Documents, that:

- (i) prior to the occurrence of an Issuer Event of Default, the OC Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the **Asset Coverage Test**) or, following the occurrence of an Issuer Event of Default, and service of the Notice to Pay by the Representative of the Covered Bondholders, the Amortisation Test Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the **Amortisation Test**);
- (ii) the Net Present Value of the Eligible Portfolio shall be equal to, or greater than, the Net Present Value of all Series of the outstanding Covered Bonds (the **NPV Test**);
- (iii) the Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Interest Payments and the Annual Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Annual Interest Payments (the **Interest Coverage Test**);

(the tests above are jointly defined as the **Tests**).

Compliance with the Tests will be verified by the Calculation Agent, and internal risk management functions of the Intesa Sanpaolo Group (under the supervision of the management body of the Issuer) on each Calculation Date and on any other date on which the verification of the Tests is required pursuant to the Transaction Documents, and subsequently checked by the Asset Monitor on a semi-annual basis. In addition to the above, following the occurrence of a breach of the Tests, based on the information provided by the Servicer with reference to the end of the previous month and with reference to the last day of each calendar month (starting from the date on which such breach has been notified, and until 6 (six) months after the date on which such breach has been cured the Calculation Agent shall verify compliance with the Tests not later than the fifth Business Day of the following calendar month. For a detailed description see section “*Credit*

*Structure – Tests*”.

## **Breach of the Tests**

In order to cure the breach of the Tests:

- (a) the Seller shall sell, as soon as possible, and in any case within 6 (six) months from the notification of such breach, sufficient Public Assets or Integration Assets to the Covered Bonds Guarantor in accordance with the Master Transfer Agreement and, to this extent, shall grant the funds necessary for payment of the purchase price of the assets to the Covered Bonds Guarantor in accordance with the Subordinated Loan Agreement or, if necessary, increasing the Maximum Amount of the Subordinated Loan, or
- (b) following the occurrence of one of the events indicated in Clause 15.1 (*Cause di estinzione dell'obbligo di acquisto*), of the Master Transfer Agreement, paragraph (i) (*Inadempimento di obblighi da parte del Cedente*), (ii) (*Violazione delle dichiarazioni e garanzie da parte del Cedente*), (iii) (*Mutamento Sostanzialmente Pregiudizievole*) and (iv) (*Crisi*), the Issuer shall sell, as soon as possible, and in any case within 6 (six) months from the notification of such breach, sufficient Public Assets or Integration Assets to the Covered Bonds Guarantor in accordance with the Portfolio Administration Agreement and, to this extent, shall grant the funds necessary for payment of the purchase price of the assets to the Covered Bonds Guarantor in accordance with the subordinated loan agreement to be entered into pursuant to the Portfolio Administration Agreement;

in an aggregate amount sufficient to ensure that the Tests are met as soon as practicable.

A breach of the Tests which is not remedied within 6 (six) months from the notification of the occurrence of such breach constitutes an Issuer Event of Default.

A breach of the Amortisation Test constitutes a Covered Bonds Guarantor Event of Default.

## **Role of the Asset Monitor**

The Asset Monitor will, subject to receipt of the relevant information from the Calculation Agent, test the calculations performed by the Calculation Agent in respect of the Tests on a semi-annual basis and more frequently under certain circumstances. The Asset Monitor will also perform the other activities provided under the Asset Monitor Agreement.

## **Sale of Public Assets following the occurrence of an Article 74 Event or an Issuer Event of Default**

Following the delivery of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay and prior to the occurrence of a Covered Bonds Guarantor Events of Default, if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Portfolio Manager, the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the provisions of the Portfolio Administration Agreement, subject to any pre-emption right of the Seller pursuant to the Master Transfer Agreement or

any other Transaction Documents. The proceeds of any such sale shall be credited to the Investment Account and invested in Authorised Investments.

## 5. THE TRANSACTION DOCUMENTS

### Master Transfer Agreement

On 20 May 2009, the Seller and the Covered Bonds Guarantor entered into a Master Transfer Agreement, as amended and supplemented, pursuant to which the Seller assigned and transferred the Initial Portfolio to the Covered Bonds Guarantor, without recourse (*pro soluto*), in accordance with Law 130. Pursuant to the Master Transfer Agreement, the Covered Bonds Guarantor has agreed to pay the Seller a purchase price of Euro 3,790,358,323.04. Furthermore, the Seller and the Covered Bonds Guarantor agreed that the Seller may, from time to time, assign and transfer Public Assets and/or Integration Assets satisfying the Criteria to the Covered Bonds Guarantor (See Sections “*The Portfolio*” and “*Description of the Transaction Documents - Description of the Transfer Agreement*”).

### Warranty and Indemnity Agreement

On 20 May 2009, the Seller and the Covered Bonds Guarantor entered into a warranty and indemnity agreement (as amended and supplemented, the **Warranty and Indemnity Agreement**), pursuant to which the Seller made certain representations and warranties in favour of the Covered Bonds Guarantor (See Section “*Description of the Transaction Documents - Description of the Warranty and Indemnity Agreement*”).

### Subordinated Loan Agreement

On 20 May 2009, the Seller and the Covered Bonds Guarantor entered into a subordinated loan agreement (as amended and supplemented, the **Subordinated Loan Agreement**), pursuant to which the Seller granted a subordinated loan to the Covered Bonds Guarantor (the **Subordinated Loan**) with a maximum amount equal to the Maximum Amount, as amended from time to time. Under the provisions of such agreement, the Seller shall make advances to the Covered Bonds Guarantor in amounts equal to the relevant price of the Portfolio transferred from time to time to the Covered Bonds Guarantor. The Subordinated Loan shall be remunerated by way of the Subordinated Loan Interest Amount.

### Covered Bonds Guarantee

On or about the Initial Issue Date the Covered Bonds Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds (as amended and supplemented, the **Covered Bonds Guarantee**), in accordance with the provisions of Law 130 and of the MEF Decree (See Sections “*Transaction Summary – Covered Bonds Guarantee*” and “*Description of the Transaction Documents - Description of the Covered Bonds Guarantee*”).

### Servicing Agreement and Collection Policies

Pursuant to the terms of a servicing agreement entered into on 20 May 2009 (as amended and supplemented, the **Servicing Agreement**), the Servicer has agreed to administer and service the Portfolio, on behalf of the Covered Bonds Guarantor in accordance with the Collection Policies.



The Servicer has also agreed to be responsible for verifying that the transaction complies with the law and this Base Prospectus, in accordance with the requirements of Law 130.

The Servicer has undertaken to prepare and submit quarterly reports to the Covered Bonds Guarantor, the Administrative Services Provider and the Calculation Agent, in the form set out in the Servicing Agreement, containing information as to all the **Collections**, as a result of the activity of the Servicer pursuant to the Servicing Agreement during the preceding Collection Period. The reports will provide the main information relating to the Servicer's activity during the period, including without limitation: a description of the Portfolio (outstanding amount, principal and interest), information relating to delinquencies, defaults and collections during the Collection Period as well as a performance analysis (See Section "*Description of the Transaction Documents - Description of the Servicing Agreement*" and "*Collection and Recovery Procedures*").

### **Administrative Services Agreement**

Pursuant to an administrative services agreement entered into on 20 May 2009 (as amended and supplemented, the **Administrative Services Agreement**), the Administrative Services Provider has agreed to provide the Covered Bonds Guarantor with a number of administrative services, including the keeping of the corporate books and of the accounting and tax registers (See "*Description of the Transaction Documents - Description of the Administrative Services Agreement*").

### **Intercreditor Agreement**

Under the terms of an intercreditor agreement entered into on or about the Initial Issue Date (as amended and supplemented, the **Intercreditor Agreement**) among the Covered Bonds Guarantor and the Secured Creditors, the parties agreed that all the Available Funds of the Covered Bonds Guarantor will be applied in or towards satisfaction of the Covered Bonds Guarantor's payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the relevant Priorities of Payments provided in the Intercreditor Agreement.

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to a Covered Bonds Guarantor Event of Default having occurred, ensure that all the Available Funds are applied in or towards satisfaction of the Covered Bonds Guarantor's payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the Post-Guarantor Default Priority of Payments provided in the Intercreditor Agreement.

The obligations owed by the Covered Bonds Guarantor to each of the Covered Bondholders and each of the Secured Creditors will be limited recourse obligations of the Covered Bonds Guarantor. The Covered Bondholders and the Secured Creditors will have a claim against the Covered Bonds Guarantor only to the extent of the Available Funds, in each case subject to and as provided for in the Intercreditor Agreement and the other Transaction Documents (See "*Description of the Transaction Documents - Description of the Intercreditor Agreement*").

### **Cash Management and Agency Agreement**

In accordance with a cash management and agency agreement entered into

on or about the Initial Issue Date, as amended and supplemented, among, *inter alios*, the Covered Bonds Guarantor, the Cash Manager, the Account Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider, the Calculation Agent and the Representative of the Covered Bondholders (the **Cash Management and Agency Agreement**), the Account Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider and the Calculation Agent will provide the Covered Bonds Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts (See “*Description of the Transaction Documents - Description of the Cash Management and Agency Agreement*”).

### **Asset Monitor Agreement**

In accordance with an asset monitor agreement entered into on or about the Initial Issue Date, among the Asset Monitor, the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Issuer and the Calculation Agent (as amended and supplemented, the **Asset Monitor Agreement**), the Asset Monitor will conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable on a semi-annual basis with a view to verifying the compliance by the Covered Bonds Guarantor with such tests (See “*Description of the Transaction Documents - Description of the Asset Monitor Agreement*”).

### **Portfolio Administration Agreement**

By a portfolio administration agreement entered into on or about the Initial Issue Date, among, *inter alia*, the Covered Bonds Guarantor, the Issuer, the Seller, the Representative of the Covered Bondholders, the Calculation Agent, the Cash Manager and the Asset Monitor (as amended and supplemented, the **Portfolio Administration Agreement**), the Seller and the Issuer have undertaken certain obligations for the replenishment of the Portfolio in order to cure a breach of the Tests. (See “*Description of the Transaction Documents - Description of the Portfolio Administration Agreement*”).

### **Quotaholders Agreement**

The quotaholders’ agreement entered into on or about the Initial Issue Date, among the Covered Bonds Guarantor, Intesa Sanpaolo and Stichting Viridis 2 (as amended and supplemented, the **Quotaholders’ Agreement**), contains provisions and undertakings in relation to the management of the Covered Bonds Guarantor. In addition, pursuant to the Quotaholders’ Agreement, Stichting Viridis 2 will grant a call option in favour of Intesa Sanpaolo to purchase from Stichting Viridis 2 and Intesa Sanpaolo will grant a put option in favour of Stichting Viridis 2 to sell to Intesa Sanpaolo the quota of the Issuer quota capital held by Stichting Viridis 2 (See “*Description of the Transaction Documents - Description of the Quotaholders Agreement*”).

### **Deed of Pledge**

By a deed of pledge (as amended and supplemented, the **Deed of Pledge**) executed by the Covered Bonds Guarantor on or about the Initial Issue Date, the Covered Bonds Guarantor will pledge in favour of the Covered

Bondholders and the Secured Creditors all monetary claims and rights and all amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Covered Bonds Guarantor is entitled pursuant or in relation with the Transaction Documents (other than the English law Transaction Documents and the Deed of Pledge), including any monetary claims and rights relating to the amounts standing to the credit of the Accounts and any other account established by the Covered Bonds Guarantor in accordance with the provisions of the Transaction Documents, but excluding, for avoidance of doubt, the Public Assets and Integration Assets. (See “*Description of the Transaction Documents - Description of the Deed of Pledge*”).

### **Deed of Charge**

By a deed of charge executed by the Covered Bonds Guarantor on or about the Initial Issue Date (as amended and supplemented, the **Deed of Charge**), the Covered Bonds Guarantor will assign by way of security to and charge in favour of the Representative of the Covered Bondholders (acting in its capacity as security trustee for itself and on trust for the Covered Bondholders and the Secured Creditors; in such capacity the **Security Trustee**), all of its rights, title, interest and benefit from time to time in and to the Swap Agreements (See “*Description of the Transaction Documents - Description of the Deed of Charge*”).

### **Dealer Agreement**

By a dealer agreement entered into on or about the Initial Issue Date among the Issuer, the Representative of Covered Bondholders and the Dealer, (as amended and supplemented, the **Dealer Agreement**), the Dealer has been appointed as such. The Dealer Agreement contains, *inter alia*, provisions for the resignation or termination of appointment of existing Dealer and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series (See “*Description of the Transaction Documents - Description of the Dealer Agreement*”).

### **Subscription Agreement**

By a subscription agreement entered or to be entered into on or about each Issue Date among the Issuer and the Relevant Dealer(s), the Relevant Dealers will agree to subscribe for the relevant Series of Covered Bonds and pay the Issue Price subject to the conditions set out therein (as amended and supplemented, the **Subscription Agreement**) (See “*Description of the Transaction Documents - Description of the Subscription Agreement*”).

### **Swaps**

In order to hedge the currency and/or interest rate exposure in relation to its floating or fixed rate obligations under the CB, the Covered Bonds Guarantor entered and will enter into one or more swap transactions with the CB Hedging Counterparty on each Issue Date as confirmed by a confirmation (a **CB Swap Confirmation**) evidencing the terms of any such transaction (each a **CB Swap**), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) (the **Credit Support Annex**) and CB Swap Confirmation (the **CB Master Agreement**).

In addition, in order to hedge the interest rate and/or currency risks related to the transfer of each Portfolio, the Covered Bonds Guarantor entered and will

enter into one or more swap transactions with the TBG Hedging Counterparty, on the date of each transfer as confirmed by a confirmation (a **TBG Swap Confirmation**) evidencing the terms of each such transaction (each a **TBG Swap**), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, Credit Support Annex and TBG Swap Confirmation (the **TBG Master Agreement**) (See “*Description of the Transaction Documents - Description of the Swaps*”).

### **ISP Mandate Agreement**

By a mandate agreement entered into on 28 February 2014 between Intesa Sanpaolo, as Swap Service Provider, and the Covered Bonds Guarantor, Intesa Sanpaolo has agreed to provide the Covered Bonds Guarantor with certain services due under the Swap Agreements pursuant to the EMIR Regulation (the **ISP Mandate Agreement**).

### **Provisions of Transaction Documents**

The Covered Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.

## **RISK FACTORS**

*In purchasing Covered Bonds, investors assume the risk that the Issuer and the Covered Bonds Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Covered Bonds. There is a wide range of factors which individually or together could result in the Issuer and the Covered Bonds Guarantor becoming unable to make all payments due in respect of the Covered Bonds.*

*Certain risks which it currently deems not to be material as at the date of this Base Prospectus may become material as a result of the occurrence of events outside the Issuer's and the Covered Bonds Guarantor's control. The Issuer and the Covered Bonds Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Covered Bonds.*

*In addition, risks which are material for the purpose of assessing the market risks associated with the Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the risks described below are the main risks inherent in the holding of Covered Bonds of any Series issued under the Programme but the inability of the Issuer to pay interest or repay principal on the Covered Bonds of any Series may occur for other reasons and the Issuer does not represent that the above statements of the risks of holding Covered Bonds are exhaustive. While the various structural elements described in this Base Prospectus are intended to lessen some of the risks for holders of Covered Bonds of any Series, there can be no assurance that these measures will be sufficient or effective to ensure payment to the holders of Covered Bonds of any Series of interest or principal on such Covered Bonds on a timely basis or at all.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **1. RISK FACTORS RELATING TO THE ISSUER**

*Prospective investors are invited to carefully read this chapter on the risk factors before making any investment decision, in order to understand the risks related to the Intesa Sanpaolo Group and obtain a better appreciation of the Intesa Sanpaolo Group 's abilities to satisfy the obligations related to the Covered Bonds issued and described in the relevant Final Terms. The Issuer deems that the following risk factors could affect the ability of the same to satisfy its obligations arising from the Covered Bonds.*

*The risks below have been classified into the following categories:*

*Risks relating to the financial situation of the Intesa Sanpaolo Group*

*Risks related to legal proceedings;*

*Risks related to the business sector of Intesa Sanpaolo;*

*Risk related to the development of the banking sector regulation and the changes in the regulation on the solution of banking crises; and*

*Risks related to the entry into force of new accounting principles and the amendment of the applied accounting principles.*

#### **Risks related to the financial situation of Intesa Sanpaolo Group**

### ***Risk exposure to debt Securities issued by sovereign States***

*As at 30 June 2019, the exposure to securities issued by Italy amounted to approximately 83 billion Euros, increased compared to approximately 76 billion Euros as at 31 December 2018. On the same date, the investments in sovereign debt securities issued by EU Countries corresponded to 112 billion Euros, compared to 101 billion Euros at the end of 2018. The securities issued by governments, central banks and other public entities represented, globally, about 44.4% % of the total financial assets at the end of 2018, compared to about 46.5%% at the end of 2017.*

*The market tensions regarding government bonds and their volatility, as well as Italy's rating downgrading or the forecast that such downgrading may occur, might have negative effects on the assets, the economic and/or financial situation, the operational results and the perspectives of the Bank.*

Intesa Sanpaolo Group results is and will be exposed to sovereign debtors, in particular to Italy and certain major European Countries.

As at 30 June 2019, the exposure to securities issued by Italy amounted to approximately 83 billion Euros (10.0%% of the total assets of the Group), to which should be added approximately 12 billion Euros represented by investments. On the same date, the investments in sovereign debt securities issued by EU Countries corresponded to 112 billion Euros (13.5% of the total assets of the Group), to which should be added approximately 13 billion Euros represented by loans.

At the end of 2018, the exposure to securities issued by Italy corresponded to approx. 76 billion Euros (9.6% of the total assets of the Group), to which should be added approx. 12 billion represented by investments. On the same date, the investments in sovereign debt securities issued by EU Countries corresponded to 101 billion Euros (12.8% of the total assets of the Group), to which should be added approx. 13 billion represented by loans. On the whole, the securities issued by governments, central banks and other public entities represented approx. 44.4% of the total financial assets.

At the end of 2017, the exposure to securities issued by Italy amounted to approx. 76 billion Euros (which represented 9.5% of the total assets of the Group), to which were added approx. 13 billion represented by loans. On the same date, the investments in sovereign debt securities issued by EU Countries amounted to 106 billion Euros (which represented 13.3% of the total assets of the Group), to which were added approx. 15 billion represented by loans. On the whole, the securities issued by governments, central banks and other public entities represented approx. 46.5% of the total financial assets.

The tensions in the market of Government Bonds and their volatility, in particular with reference to the spread of the performance of Italian bonds compared to other benchmark government bonds may have negative effects on the activities and the economic and/or financial situation of the Bank.

Furthermore, the downgrading of Italy's rating, or the forecast that such downgrading may occur, could make the markets unstable and have negative impacts on the operational results, financial conditions and perspectives of the Bank.

For further information please refer to Part E of the Explanatory Note of the consolidated financial statements for 2018, incorporated by reference in this Base Prospectus.

### **Risks related to legal proceedings**

*As at 30 June 2019 approx. 18,000 disputes – with the exclusion of those against Risanamento S.p.A. which is not subject to the direction and coordination of Intesa Sanpaolo – were pending, with overall claims of 5,433 million Euros and provisions for approx. 609 million Euros to cover any "possible" disbursements.*

*The risk arising from legal proceedings consists of the possibility of the Bank being obliged to pay any sum in case of unfavourable outcome.*

The most common legal disputes are related to invalidity, cancellation, inefficacy actions or compensation for damages as a consequence of transactions related to the ordinary banking and financial activity carried out by the Bank.

For any individual assessment regarding legal disputes please refer to the paragraph titled "Legal Proceedings" on page 100 of this Base Prospectus. Such paragraph also includes information concerning the disputes on the marketing of convertible and/or subordinated shares/bonds issued by *Banca Popolare di Vicenza* or *Veneto Banca*, which filed against respectively *Banca Nuova* and *Banca Apulia* (both subsequently merged by incorporation in *Intesa Sanpaolo*).

In this respect, the Bank would like to highlight that, as of 31 December 2018, the Arbitrator for Financial Controversies accepted no. 88 appeals from *Banca Nuova*'s clients, whose claims aimed the shares of *Banca Popolare di Vicenza*, as well as no. 108 appeals submitted by the clients of *Banca Apulia* whose claims aimed the shares of *Veneto Banca*. *Banca Nuova* and *Banca Apulia* (both now *Intesa Sanpaolo*) have not executed the decisions as – in compliance with the provisions of Decision C(2017) 4501 of the European Commission on State Aid – every liability in relation to the marketing of shares of ex Venetian banks shall be borne exclusively by *Veneto Banca S.p.A.* in compulsory administrative liquidation and *Banca Popolare di Vicenza* in compulsory administrative liquidation.

### **Risks related to the business sector of Intesa Sanpaolo**

#### ***Risks related to the economic/financial crisis and the impact of current uncertainties of the macro-economic context***

*The future development in the macro-economic context may be considered as a risk as it may produce negative effects and trends in the economic and financial situation of the Bank and/or the Group.*

*Any negative variations of the factors described hereafter, in particular during periods of economic-financial crisis, could lead the Bank and/or the Group to suffer losses, increases of financing costs, and reductions of the value of the assets held, with a potential negative impact on the liquidity of the Bank and/or the Group and its financial soundness.*

The trends of the Bank and the Group are affected by the general, national and economic situation of the Eurozone, the dynamics of financial markets and the soundness and growth prospects of the economy of other geographic areas in which the Bank and/or the Group operates.

In particular, the profitability capacity and solvency of the Bank and/or the Group are affected by the trends of certain factors, such as the investors' expectations and trust, the level and volatility of short-term and long-term interest rates, exchange rates, financial markets liquidity, availability and cost of capital, sustainability of sovereign debt, household incomes and consumer spending, unemployment levels, business profitability, inflation and housing prices.

The macro-economic framework is currently characterised by significant profiles of uncertainty, in relation to: (a) the real economy trends, with respect to the likelihood of recession both at the domestic and global level; (b) the future developments of ECB monetary policies in the Euro area and of the FED in the dollar area; (c) the tensions observed, on a more or less recurrent basis, on the financial markets; (d) the trust instability among Italian public debt holders of, due to the uncertainty of budgetary policies; and (e) the exit of the United Kingdom from the European Union, the terms and conditions of which remain uncertain.

With specific reference to point (e), the regulatory and politic uncertainties, along with the uncertainty of when Brexit will actually take place, imply risks of business and operational discontinuity. In such

context, the main impacts of a hard Brexit scenario (*worst case scenario*)<sup>1</sup> that has been observed by the Bank and/or the Group through a dedicated project which concerns: (i) the loss of the European passport of the United Kingdom branches with consequent need, in order to ensure business continuity, the obtaining of a new authorisation to operate as a third country branch, to relocate certain business activities and review the operative model of certain branches located in the UK; (ii) the impossibility of accessing the post-trading infrastructures within the United Kingdom in absence of an equivalence decision of the European Commission, with consequent need to identify *ad hoc* solutions in order to guarantee the continuity of execution and access to the post-Brexit clearing systems by means of central compensation counterparties (CCP) and central securities depositories (CSD); (iii) the discontinuity of certain contracts, with consequent need to perform their revision or substitution (i.e. by means of bilateral renegotiation, entering into a new agreement); (iv) certain British rules peculiarities envisage, for Third Country Branches, the appointment of senior roles with well-defined responsibilities and, therefore, require an adjustment of the organisational order of the branches in the United Kingdom, aimed at guaranteeing the compliance with the new regulatory framework.

### **Credit risk**

*We would like to remark that, as of 30 June 2019, Intesa Sanpaolo recorded a gross NPL ratio of 8.4%. On 31 December 2018, the same data corresponded to 8.8%, compared to 11.9% recorded on 31 December 2017. The credit institutions which recorded a gross NPL ratio higher than 5% are required – on the grounds of the "Guidelines on management of non performing and forborne exposures" of EBA – to prepare specific strategic and operative plans for the management of such exposures.*

*Taking into consideration the pattern of the main credit risk indicators in 2017–2018, in the first six months of 2019 and the assignment of non-performing loans mentioned hereafter, Intesa Sanpaolo deems that the risk related to credit quality is of low relevance.*

The economic and financial activity and soundness of the Bank depend on the degree of credit reliability of its clients.

The Bank is exposed to the traditional risks related to credit activity. Therefore, the clients' breach of the agreements entered into and of their underlying obligations, or any lack of information or incorrect information provided by them as to their respective financial and credit position, could have negative effects on the economic and/or financial situation of the Bank.

Furthermore, any exposures in the bank portfolio towards counterparties, groups of connected counterparties and counterparties of the same economic sector, which perform the same activity or belong to the same geographic area, could increase the Bank concentration risk.

More generally, the counterparties may not satisfy their respective obligations towards the Bank by reason of bankruptcy, absence of liquidity, operational malfunction or any other reason. The bankruptcy of an important participant in the market, or any concerns about its default, could cause serious liquidity issues, losses or defaults by other institutions, which, in turn, could negatively affect the Bank. The Bank may also be subject to the risk, under specific circumstances, that some of its credits towards third parties are no longer collectable. Furthermore, a decrease of the creditworthiness of third parties, including sovereign States, of which the Bank holds securities or bonds, might cause losses and/or negatively affect the ability of the Bank to invest again or use in a different way such

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<sup>1</sup> Such scenario envisages that, following the exit from the European Union, the United Kingdom becomes a Third Country without any agreement with the European Union and any definition of a "Transitional Period", and assumes that the EU regulations cease to be applied in the UK.



securities or bonds for liquidity purposes. A significant decrease of the creditworthiness of the counterparties of the Bank might, therefore, have a negative impact on the results of the same Bank. Albeit, in many cases, the Bank could require further guarantees to the counterparties which are in financial difficulties, certain disputes may arise with respect to the amount of guarantee that the Bank is entitled to receive and the value of the assets which are object of guarantee. The levels of default, counterparties rating decrease and disputes in relation to counterparties on the guarantee assessment could be significantly increased during periods of market tensions and illiquidity.

For further information on the management of the "credit risk", please refer to Part E of the Explanatory Note of the consolidated financial statements for 2018, included by reference into this Base Prospectus.

### **Market risk**

*As to the VaR (Value at Risk) of the trading portfolio, with respect to the entirety of 2018, the medium risk profile of the Group (equal to 74,1 million Euros) resulted in an increase compared to the average values of 2017 (equal to 69 million Euros). The average VaR for the first semester 2019 is equal to 170,4 million Euros, compared to 55 million for the first semester 2018. The dynamics of the indicator – mainly determined by Banca IMI – is ascribable to an increase of the risk measures, which are primarily attributable to government bond transactions, which are compliant with the Risk Appetite Framework 2019. By analysing its composition we observe, with respect to the different factors, the prevalence of credit spread risk. It should be specified that in Banca IMI, the VaR limit also includes the HTCS (Held To Collect and Sell) component.*

*As to the bank portfolio risks, the market risk, measured in terms of VaR, has recorded in the first six months of 2019 an average value of 103 million Euros (136 million was the average value on 30/06/2018). On 30 June 2019, the VaR was equal to 126 million Euros, compared to 147 million on 30 June 2018. On 31 December 2018, the VaR was equal to 91 million, compared to 153 million on 31 December 2017.*

The market risk is the risk of losses in the value of financial instruments, including the securities of sovereign States held by the Bank, due to the movements of market variables (by way of example and without limitation, interest rates, prices of securities, exchange rates), which could determine a deterioration of the financial soundness of the Bank and/or the Group. Such deterioration could be produced either by negative effects on the income statement deriving from positions held for trading purposes, or from negative changes in the FVOCI (*Fair Value through Other Comprehensive Income*) reserve, generated by positions classified as financial Activities evaluated at fair value, with an impact on the overall profitability.

The Bank is therefore exposed to possible changes of the financial instruments value, including the securities issued by sovereign States, due to fluctuations of interest rates, exchange rates of currencies, prices of the securities listed on the markets, commodities and credit spreads and/or other risks. Such fluctuations could be caused by changes in the general economic trend, the investors' propensity to investments, monetary and tax policies, liquidity of the markets on a global scale, availability and capital cost, interventions of rating agencies, political events both at social and international level, war conflicts and acts of terrorism. The market risk occurs both with respect to the trading book, which includes the financial trading instruments and derivative instruments related thereto, and the banking book, which includes the financial assets and liabilities that are different from those contained in the trading book.

For further information please see Part E of the Explanatory Note of the consolidated financial statements, incorporated by reference to this Base Prospectus.

### **Liquidity risk of Intesa Sanpaolo**

*The ratio between the credits towards customers and the direct deposit taking, as reported in the consolidated financial statement ("**Loan to deposit ratio**") on 30 June 2019 was at 93%, compared to 95% on 31 December 2018.*

*The "Liquidity Coverage Ratio" (LCR) on 30 June 2019 was higher than 100% against a minimum regulatory threshold equal to 100% starting from 1 January 2018.*

*The "Net Stable Funding Ratio" (NSFR) on 30 June 2019 was higher than 100% against a minimum regulatory threshold of 100% to be respected starting from 2021.*

*The participation of the Group to TLTRO funding transactions with ECB at the end of June 2019 was equal to approx. 61 billion Euros.*

*Although the Bank constantly monitors its own liquidity risk, any negative development of the market situation and the general economic context and/or creditworthiness of the Bank, possibly accompanied by the need to adapt the liquidity situation of the Bank to the regulatory requirements updated from time to time in implementation of the European rules, may have negative effects on the activities and the economic and/or financial situation of the Bank and the Group.*

The liquidity risk is the risk that the Bank is not able to satisfy its payment obligations at maturity, both due to the inability to raise funds on the market (funding liquidity risk) and of the difficulty to disinvest its own assets (market liquidity risk).

The liquidity of the Bank may be prejudiced by the temporary impossibility of accessing capital markets by the issuance of debt securities (both guaranteed and not guaranteed), the inability to receive funds from counterparties which are external to or of the Group, the inability to sell certain assets or redeem its investments, as well as unexpected cash outflows or the obligation to provide more guarantees. Such a situation may occur by reason of circumstances that are independent from the control of the Bank, such as a general market disruption or an operational issue which affects the Bank or any third parties, or also by reason of the perception among the participants in the market that the Bank or other participants in the market are experiencing a higher liquidity risk. The liquidity crisis and the loss of trust in the financial institutions may increase the the Bank's cost of funding and limit its access to some of its traditional liquidity sources.

Examples of liquidity risk manifestation are the bankruptcy of an important participant to the market, or concerns about its possible default, which may cause serious liquidity issues, losses or defaults of other banks which, in turn, could negatively affect the Bank; and a decrease of the creditworthiness of third parties of which the Bank holds securities or bonds, that may determine losses and/or negatively affect the ability of the Bank to invest again or use in a different way such securities or bonds for liquidity purposes.

Towards a better understanding, the report below details the participation of the Group to the TLTRO funding transactions with the ECB as at the first six months of 2019.

Management data, not subject to audit (€ billion)

<b>Starting date</b>	<b>Maturity date</b>	<b>Amount</b>
29/06/2016	24/06/2020	approx. 40
28/09/2016	30/09/2020	approx. 5

<b>Starting date</b>	<b>Maturity date</b>	<b>Amount</b>
21/12/2016	16/12/2020	approx. 4
29/03/2017	24/03/2021	approx. 12
<b>Total</b>		<b>approx. 61</b>

For further information please see Part E of the Explanatory Note of the consolidated financial statements, incorporated by reference in this Base Prospectus.

### ***Operational risk***

*The Bank is exposed to several categories of operational risk which are intrinsic to its business, among which those mentioned herein, by way of example and without limitation: frauds by external persons, frauds or losses arising from the unfaithfulness of the employees and/or breach of control procedures, operational errors, defects or malfunctions of computer or telecommunication systems, computer virus attacks, default of suppliers with respect to their contractual obligations, terrorist attacks and natural disasters. The occurrence of one or more of said risks may have significant negative effects on the business, the operational results and the economic and financial situation of the Bank.*

The operational risk may be defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk and compliance risk, model risk, ICT risk and financial reporting risk; strategic and reputational risk are not included.

The Bank has defined a framework for the operational risks management which consists of the following phases:

- identification, which includes the activities of detection, collection and classification of the quantitative and qualitative information concerning the operational risks;
- measurement and assessment, which includes the definition of the exposure to operational risks of the Intesa Sanpaolo Group, performed on the basis of information collected in the "identification" phase;
- monitoring and control, which includes the supervision of operational risk profiles (including ICT and cyber risk) and of the exposures to relevant losses by promoting, through a proper reporting activity, an active risk management;
- management (or mitigation), which includes the activities aimed to manage the operational risks, which are undertaken by operating on the significant risk factors or through their transfer by means of use of insurance coverages or other instruments; and
- communication, which includes the information flows related to the management of operational risks among the several stakeholders involved, in order to monitor the process and to obtain an appropriate knowledge of the exposure to such risks.

Although the Bank constantly supervises its own operational risks, certain unexpected events and/or events out of the Bank's control may occur (including those mentioned above by way of example and

without limitation), with possible negative effects on the business and the economic and/or financial situation of the Bank and the Group, as well as on its reputation.

For further information please see Part E of the Explanatory Note of the consolidated financial statements for 2018, incorporated by reference in this Base Prospectus.

### ***Foreign exchange risk***

*The Bank is exposed to several categories of foreign exchange risk which are intrinsic to its business and are tied in foreign currency loans and deposits held by customers, purchases of securities, equity investments and other financial instruments in foreign currencies, conversion to domestic currency of assets, liabilities and income of branches and subsidiaries abroad, trading of foreign currencies and banknotes, and collection and/or payment of interest, commissions, dividends and administrative costs in foreign currencies. Although the Bank constantly monitors its exposure to foreign currencies, any negative development of the foreign rates may have negative effects on activities and the economic and/or financial situation of the Bank and the Group.*

“Foreign exchange risk” is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Group’s balance sheet aggregates. The key sources of exchange rate risk lie in:

- foreign currency loans and deposits held by corporate and/or retail customers;
- purchases of securities, equity investments and other financial instruments in foreign currencies;
- conversion into domestic currency of assets, liabilities and income of branches and subsidiaries abroad;
- trading of foreign currencies and banknotes;
- collection and/or payment of interest, commissions, dividends and administrative costs in foreign currencies.

More specifically, “structural” foreign exchange risk refers to the exposures deriving from the commercial operations and the strategic investment decisions of the Intesa Sanpaolo Group.

Foreign exchange transactions, spot and forward, are carried out mostly by Banca IMI, which also operates in the name and on behalf of the Intesa Sanpaolo with the task of guaranteeing pricing throughout the Bank and the Intesa Sanpaolo Group while optimizing the proprietary risk profile deriving from brokerage of foreign currencies traded by customers.

The main types of financial instruments traded include: spot and forward exchange transactions in foreign currencies, forex swaps, domestic currency swaps, and foreign exchange options.

### **Risk related to the development of the banking sector regulation and the changes in the regulation on the solution of banking crises**

*The Bank is subject to a complex and strict regulation, as well as to the supervisory activity performed by the relevant institutions (in particular, the European Central Bank, the Bank of Italy and CONSOB). Both aforementioned regulation and supervisory activity are subject, respectively, to continuous updates and practice developments.*

*Furthermore, as a listed Bank, the Bank is required to comply with further provisions issued by CONSOB.*

*The Bank, besides the supranational and national rules and the primary or regulatory rules of the financial and banking sector, is also subject to specific rules on anti-money laundering, usury and consumer protection.*

*Although the Bank undertakes to comply with the set of rules and regulations, any changes of the rules and/or changes of the interpretation and/or implementation of the same by the competent authorities could give rise to new burdens and obligations for the Bank, with possible negative impacts on the operational results and the economic and financial situation of the Bank.*

### **Regulatory framework**

Starting from 1 January 2014, a part of the Supervisory Rules has been amended on the grounds of the Directions deriving from the so called Basel III agreements, mainly with the purpose to significantly strengthen the minimum capital requirements, the restraint of the leverage degree and the introduction of policies and quantitative rules for the mitigation of the liquidity risk of the banks.

As known, *Intesa Sanpaolo*, as a bank of significant importance for the European financial system, is subject to direct supervision of the European Central Bank (ECB). Following the Supervisory Review and Evaluation Process (SREP) the ECB provides, on an annual basis, a final decision of the capital requirement that *Intesa Sanpaolo* must comply with a consolidated level. On 8 February 2019, *Intesa Sanpaolo* received the final decision of the ECB concerning the capital requirement that must be respected in terms of Common Equity Tier 1 ratio starting from 1 March 2019, which was fixed at 8.88% according to the transitional criteria in force for 2019 and at 9.35% according to the criteria currently in force.

Although the above-mentioned regulatory evolution (further described under the "*Regulatory Section*" on page 122 of this Base Prospectus) envisages a gradual adaptation to the new prudential requirements, the impacts on the management dynamics of the Bank could be significant.

In this context, a few other relevant provisions are the implementation of Directives 2014/49/EU (*Deposit Guarantee Schemes Directive*) of 16 April 2014 and the adoption of the (EU) Regulation no. 806/2014 of the European Parliament and the Council of 15 July 2014 (*Single Resolution Mechanism Regulation*, – so called **SRMR**), which may determine a significant impact on the economic and financial position of the Bank and the Group, as such rules set the obligation to create specific funds with financial resources that shall be provided, starting from 2015, by means of contributions by the credit institutions.

Moreover, the Directive 2014/59/EU of the European Parliament and the Council (Bank Recovery and Resolution Directive, **BRRD**, as amended by Directive 879/2019/EU, **BRRD II**), which, *inter alia*, introduced the so called "bail-in", Regulation 2019/876/EU of the European Parliament and the Council, which amends Regulation 575/2013/EU (s.c. "CRR II") and the Directive of the Parliament and the Council 2019/878/EU, which amends Directive 2013/36/EU (s.c. "CRD V") must be taken into consideration and put in force by Intesa Sanpaolo Group.

The Intesa Sanpaolo Group is subject to the BRRD, as amended from time to time, which is intended to enable a wide range of actions that could be taken towards institutions considered to be at risk of failing (i.e. the sale of business, the asset separation, the bail-in and the bridge bank). The execution of any action under the BRRD towards the Intesa Sanpaolo Group could materially affect the value of, or any repayments linked to the Covered Bonds.

Notwithstanding the above, it should be noted that pursuant to Article 44 (2) of the BRRD, as implemented in Italy by Article 49 of Legislative Decree No. 180 of 16 November 2015, resolution authorities shall not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may

be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments), that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

On 15 October 2013, the Council of the European Union adopted the Council Regulation (EU) No. 1024/2013 granting specific tasks to the ECB as per prudential supervision policies of credit institutions (the **SSM Regulation**) in order to establish a single supervisory mechanism (the **Single Supervisory Mechanism** or **SSM**). From 4 November 2014, the SSM Regulation has given the ECB, in conjunction with the national regulatory authorities of the Eurozone and participating Member States, direct supervisory responsibility over "banks of significant importance" in the Eurozone.

Notwithstanding the fulfilment of the relevant criteria, the ECB, on its own initiative after consulting with each national competent authority or upon request by a national competent authority, may declare an institution significant to ensure the consistent application of high-quality supervisory standards. Intesa Sanpaolo and the Intesa Sanpaolo Group have been classified, respectively, as a significant supervised entity and a significant supervised group within the meaning of Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the European Central Bank and each national competent authority and with national designated authorities (the **SSM Framework Regulation**) and, as such, are subject to direct prudential supervision by the ECB in respect of the functions granted to ECB by the SSM Regulation and the SSM Framework Regulation.

For further details, please see the "*Regulatory Section*" on page 122 of this Base Prospectus.

### **Risks related to the entry into force of new accounting principles and the amendment of the applied accounting principles**

*The Bank is exposed, as well as any other entity operating within the bank sector, to the effects deriving from both the entry into force of new accounting principles and the amendment of the existing ones, in particular with respect to the international IAS/IFRS accounting principles, as approved and adopted within the European legal system. On the date of first implementation of the IFRS 9 principle (31 March 2018), the main impacts for the Intesa Sanpaolo Group arised from the application of the new impairment accounting model (based on the "expected loss" concept instead of the "incurred loss" approach, which was previously envisaged by IAS 39), which has led to an increase of the value adjustments. The first implementation of the IFRS 16 principle, on 31 March 2019, caused an impact on the CET 1, equal to -8 base points.*

It is important to highlight that a particular attention should be given towards other interventions on the accounting regulations, particularly the new international principle IFRS 9 "*Financial Instruments*", which replaced the IAS 39 as per the classification and measurement of the financial instruments. Such principle, which has been approved by means of Regulation (EU) 2067/2016, entered into force on 1 January 2018.

For an in depth analysis of the IFRS 9, the relevant implementation project and the effects of its first application (FTA) we refer to the chapter on "*The transition to the international accounting principle IFRS 9*" included in the balance sheet as of 31 December 2018. We would like to underline that, upon the first application of the principle, the main impacts for *Intesa Sanpaolo* Group arised from the enforcement of the new impairment accounting model (based on the concept of "expected loss" instead of the approach of the "incurred loss", previously envisaged by IAS 39), which caused an increase of the value adjustments.

Also with reference to the application of the IFRS 9, we observe that the *Intesa Sanpaolo* Group, as mainly a banking financial conglomerate, has decided to avail itself of the option of application of the so called "Deferral Approach" (or Temporary Exemption), by virtue of which the financial assets and

liabilities of the insurance subsidiary Companies continue to be registered on the balance sheet under the provisions of IAS 39, awaiting the entry into force of the new international accounting principle on insurance agreements (IFRS 17), which is scheduled for 2021<sup>2</sup>.

For further information, please refer to the specific information included in the Balance Sheet as of 31 December 2018.

## **2. RISKS RELATED TO COVERED BONDS**

*The risks below have been classified into the following categories:*

*Risks related to Covered Bonds generally*

*Risks related to the Guarantor;*

*Risks related to the underlying; and*

*Risk related to the market.*

### **Risks related to Covered Bonds generally**

***The Covered Bonds may not be a suitable investment for all investors***

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

### ***Obligations to make payments when due on the Covered Bonds***

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking

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<sup>2</sup> Please note that in June 2019 IASB published the Exposure Draft Amendments to IFRS 17 which includes the proposal to postpone the date of first application to 2022

*pari passu* without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations. Consequently, any claim directly against the Issuer in respect of the Covered Bonds will not benefit from any security or other preferential arrangement granted by the Issuer. The Covered Bonds Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bonds Guarantee until the service on the Covered Bonds Guarantor of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay. Failure by the Covered Bonds Guarantor to pay amounts due under the Covered Bonds Guarantee in respect of any Series or Tranche would constitute a Covered Bonds Guarantor Event of Default which would entitle the Representative of the Covered Bondholders to serve a Covered Bonds Guarantor Acceleration Notice and accelerate the obligations of the Covered Bonds Guarantor under the Covered Bonds Guarantee and entitle the Representative of the Covered Bondholders to enforce the Covered Bonds Guarantee. The occurrence of an Issuer Event of Default does not constitute a Covered Bonds Guarantor Event of Default.

The Covered Bonds will not represent an obligation or be the responsibility of any of the Dealers, the Arranger, the Representative of the Covered Bondholders or any other party to the Transaction Documents, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and, upon service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, the Covered Bonds Guarantor. The Issuer and the Covered Bonds Guarantor will be liable solely in their corporate capacity and, as to the Covered Bonds Guarantor, limited recourse to the Available Funds, for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

#### ***Extendable obligations under the Covered Bonds Guarantee***

With respect to the Series of Covered Bonds in respect of which the Extendable Maturity is specified in the relevant Final Terms, if the Covered Bonds Guarantor is obliged under the Covered Bonds Guarantee to pay a Guaranteed Amount and has insufficient funds available under the relevant Priority of Payments to pay such amount on the Maturity Date, then the obligation of the Covered Bonds Guarantor to pay such Guaranteed Amounts shall automatically be deferred to the relevant Extended Maturity Date. However, to the extent the Covered Bonds Guarantor has sufficient moneys available to pay in part the Guaranteed Amount in respect of the relevant Series of Covered Bonds, the Covered Bonds Guarantor shall make such partial payment in accordance with the relevant Priorities of Payments, as described in Condition 8 (*Redemption and Purchase*) on the relevant Maturity Date and any subsequent CB Payment Date falling prior to the relevant Extended Maturity Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Maturity Date. Interest will continue to accrue and be payable on the unpaid Guaranteed Amount on the basis set out in the applicable Final Terms or, if not set out therein, in Condition 8 (*Redemption and Purchase*), *mutatis mutandis*. In these circumstances, except where the Covered Bonds Guarantor has failed to apply money in accordance with the relevant Priorities of Payments in accordance with Condition 8 (*Redemption and Purchase*), failure by the Covered Bonds Guarantor to pay the relevant Guaranteed Amount on the Maturity Date or any subsequent CB Payment Date falling prior to the Extended Maturity Date (or the relevant later date following any applicable grace period) shall not constitute a Covered Bonds Guarantor Events of Default. However, failure by the Covered Bonds Guarantor to pay any guaranteed amount or the balance thereof, as the case may be, on the relevant Extended Maturity Date and/or pay any other amount due under the Covered Bonds Guarantee will (subject to any applicable grace period) constitute a Covered Bonds Guarantor Events of Default.

#### ***Risks related to the structure of a particular issue of Covered Bonds***

Covered Bonds issued under the Programme will either be fungible with an existing Series (in which case they will form part of such Series) or have different terms to an existing Series (in which case they will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share equally in the security granted by the Covered Bonds Guarantor under the Covered Bonds Guarantee. If an Issuer Event of Default and/or a Covered Bonds



Guarantor Event of Default occurs and results in acceleration, all Covered Bonds of all Series will accelerate at the same time.

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Under no circumstances shall the interest payments for the Covered Bondholder be less than zero. Set out below is a description of the most common of such features:

*(a) Covered Bonds subject to optional redemption by the Issuer*

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*(b) Zero Coupon Covered Bonds*

The Issuer may issue Covered Bonds which do not pay current interest but are issued at a discount from their nominal value or premium from their principal amount. Such Covered Bonds are characterised by the circumstance that the relevant covered bondholders, instead of benefitting from periodical interest payments, shall be granted an interest income consisting in the difference between the redemption price and the issue price, which difference shall reflect the market interest rate. A holder of a zero coupon covered bond is exposed to the risk that the price of such covered bond falls as a result of changes in the market interest rate. Prices of zero coupon Covered Bonds are more volatile than prices of fixed rate Covered Bonds and are likely to respond to a greater degree to market interest rate changes than interest bearing Covered Bonds with a similar maturity. Generally, the longer the remaining terms of such Covered Bonds, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

*(c) Fixed/Floating Rate Covered Bonds*

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

*(d) Covered Bonds issued at a substantial discount or premium*

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

***Certain decisions of Representative of the Covered Bondholders taken without the consent or sanction of any of the Covered Bondholders***

Pursuant to the Rules of the Organisation of the Covered Bondholders, the Representative of the

Covered Bondholders may, without the consent or sanction of any of the Covered Bondholders concur with the Issuer and/or the Covered Bonds Guarantor and any other relevant parties in making or sanctioning any modifications to the Rules of the Organisation of the Covered Bondholders, the Conditions and/or the other Transaction Documents:

- (i) provided that in the opinion of the Representative of the Covered Bondholders such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or
- (ii) which in the opinion of the Representative of the Covered Bondholders are made to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or of a formal, minor or technical nature, or are made to comply with mandatory provisions of law.

In establishing whether an error is established as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers reasonable to rely on, and may, but shall not be obliged to, have regard to all or any of the following:

- (i) a certificate from a Relevant Dealer, stating the intention of the parties to the relevant Transaction Document, confirming nothing has been said to, or by, the investors or any other parties which is in any way inconsistent with such stated intention and stating the modification to the relevant Transaction Document that is required to reflect such intention;
- (ii) confirmation from the Rating Agency that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

***Covered Bondholders are bound by Extraordinary Resolutions and Programme Resolutions***

A meeting of Covered Bondholders may be called to consider matters which affect the rights and interests of Covered Bondholders. These include (but are not limited to): (i) instructing the Representative of the Covered Bondholders to take enforcement action against the Issuer and/or the Covered Bonds Guarantor; (ii) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (iii) alteration of the currency in which payments under the Covered Bonds are to be made; (iv) alteration of the majority required to pass an Extraordinary Resolution; and (v) any amendments to the Covered Bonds Guarantee or the Deed of Pledge (except in a manner determined by the Representative of the Covered Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series).

Certain decisions of Covered Bondholders shall be taken at a Programme level by means of Programme Resolution. A Programme Resolution will bind all Covered Bondholders, irrespective of whether they attended the meeting or voted in favour of the Programme Resolution. No Resolution, other than a Programme Resolution, passed by the holders of one Series of Covered Bonds will be effective in respect of another Series unless it is sanctioned by an Ordinary Resolution or an Extraordinary Resolution, as the case may require, of the holders of that other Series. Any Resolution passed at a meeting of the Covered Bondholders of a Series shall bind all other holders of that Series, irrespective of whether they attended the meeting and whether they voted in favour of the relevant Resolution.

It should also be noted that after the delivery of a Notice to Pay, the protection and exercise of the Covered Bondholders' rights against the Issuer will be exercised by the Covered Bonds Guarantor (or the Representative of the Bondholders on its behalf). The rights and powers of the Covered Bondholders may only be exercised in accordance with the Rules of the Organisation of the Covered Bondholders. In addition, after the delivery of a Covered Bonds Guarantor Acceleration Notice, the protection and exercise of the Covered Bondholders' rights against the Covered Bonds Guarantor and the security under the Covered Bonds Guarantee is one of the duties of the Representative of the Covered Bondholders. The Conditions limit the ability of each individual Covered Bondholder to commence proceedings against the Covered Bonds Guarantor by conferring on the meeting of the Covered Bondholders the power to determine in accordance with the Rules of the Organisation of the

Covered Bondholders, whether any Covered Bondholder may commence any such individual actions.

***Representative of the Covered Bondholders' powers may affect the interests of the Covered Bondholders***

In the exercise of its powers, trusts, authorities and discretions the Representative of the Covered Bondholders shall only have regard to the interests of the Covered Bondholders and the other Secured Creditors but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between these interests, the Representative of the Covered Bondholders shall have regard solely to the interests of the Covered Bondholders.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Representative of the Covered Bondholders is of the opinion that the interests of the Covered Bondholders of any one or more Series would be materially prejudiced thereby, the Representative of the Covered Bondholders shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 75 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series.

***Credit rating of the Covered Bonds may not reflect all risks***

The rating assigned to the Covered Bonds address, *inter alia*:

- the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each CB Payment Date;
- the likelihood of timely payment of principal in relation to the Hard Bullet Covered Bonds on the Maturity Date; and
- the likelihood of ultimate payment of principal in relation to Covered Bonds on (a) the Maturity Date thereof, or (b) if the Covered Bonds are subject to an Extended Maturity Date in accordance with the applicable Final Terms, the Extended Maturity Date thereof.

Whether or not a rating in relation to any Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by Moody's Investors Service Ltd. which is established in the European Union and is registered under the CRA Regulation. As such Moody's Investors Service Ltd. is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> in accordance with such Regulation. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

The expected rating of the Covered Bonds is set out in the relevant Final Terms for each Series of Covered Bonds. The Rating Agency may lower its ratings or withdraw its rating if, in its sole judgement, the credit quality of the Issuer or the Covered Bonds has declined or is in question, and the Issuer has not undertaken to maintain a rating. In addition, at any time the Rating Agency may revise its relevant rating methodology with the result that, amongst other things, any rating assigned to the Covered Bonds may be lowered. If any rating assigned to the Covered Bonds is lowered or withdrawn,

the market value of the Covered Bonds may reduce.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds.

***The return on an investment in Covered Bonds will be affected by charges incurred by investors***

An investor's total return on an investment in any Covered Bonds will be affected by the level of fees charged by the nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of one or more investment accounts, transfers of Covered Bonds, custody services and on payments of interest, principal and other amounts. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Covered Bonds. Certain information in that respect are available under the section headed "*General Information*".

***Law 130***

Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. Law 130 was further amended during the following years.

As at the date of this Base Prospectus, no interpretation of the application of Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the MEF Decree setting out the technical requirements of the guarantee which may be given in respect of covered bonds, (ii) the BoI OBG Regulations concerning guidelines on the valuation of assets, the procedure for purchasing integration assets and controls required to ensure compliance with the legislation, and (iii) the clarifications, provided for by the Bank of Italy, to certain queries concerning the OBG Regulations submitted to the such authority by Italian banks and the Italian Banking Association (*Associazione Bancaria Italiana*). Consequently, it is possible that such or different authorities may issue further regulations relating to Law 130 or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

***Change of law***

The structure of the Programme and, *inter alia*, the issue of the Covered Bonds and the rating assigned to the Covered Bonds are based on the relevant law, tax and administrative practice in effect at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to the law (including any change in regulation which may occur without a change in primary legislation), tax or administrative practice or its interpretation will not change after the Issue Date of any Series or that such change will not adversely impact the structure of the Programme and the treatment of the Covered Bonds. This Base Prospectus will not be updated to reflect any such changes or events.

***The regulation and reform of "benchmarks" may adversely affect the value of Covered Bonds linked to such "benchmarks"***

The London Interbank Offered Rate (**LIBOR**), the Euro Interbank Offered Rate (**EURIBOR**) and other indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to such a "benchmark".

Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and will apply from 1 January 2018. The Benchmarks Regulation applies, subject to certain conditions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require

benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuers) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Covered Bonds linked or referencing to a rate or index deemed to be a “benchmark”, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the “benchmark”.

More broadly, any of the international or national reforms other proposals for reform, or the general increased regulatory scrutiny of “Benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “Benchmark” and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech made by the UK Financial Conduct Authority (FCA)’s Chief Executive on 12 July 2018, it was confirmed that banks will no longer be persuaded or compelled banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcements**). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short- term Rate (**€STR**) as the new risk free rate. The ECB published the €STR for the first time on 2 October 2019, reflecting trading activity on 1 October 2019. €STR will replace EONIA with effect from 3 January 2022. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to enter into new contracts referencing EURIBOR or EONIA without more robust fallback provisions may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Covered Bond linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The terms and conditions of the Covered Bonds provide that, if the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event (as defined in the Conditions) has occurred (including, but not limited to, a Reference Rate (as defined in the Conditions) ceasing to be provided or upon a material change of a Reference Rate), then the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the purposes of determining a Successor Rate or an Alternative

Benchmark Rate (as further described in Condition 6(f) (*Fallback Provisions*) of the Terms and Conditions of the Covered Bonds and, if applicable, an Adjustment Spread. If the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser and the Issuer cannot agree upon, or cannot select, the Successor Rate or Alternative Benchmark Rate, the Issuer may determine the replacement rate, provided that if the Issuer is unable or unwilling to determine the Successor Rate or Alternative Benchmark Rate, the further fallbacks described in the Terms and Conditions of the Covered Bonds shall apply. In certain circumstances, including but not limited to where the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page, the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest of the last preceding Interest Period being used. This may result in effective application of a fixed rate of interest for Covered Bonds initially designated to be Floating Rate Covered Bonds. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

The use of a Successor Rate or an Alternative Benchmark Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Covered Bonds if the relevant benchmark remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Issuer fails to agree a Successor Rate or an Alternative Benchmark Rate or adjustment spread, if applicable with the Independent Adviser, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Benchmark Rate or adjustment spread, if applicable in a situation in which it is presented with a conflict of interest. In addition, while any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Covered Bonds may not do so and may result in the Covered Bonds performing differently (which may include payment of a lower interest rate) than they would do if the Reference Rate were to continue to apply in its current form.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Covered Bonds, investigations and licensing issues in making any investment decision with respect to the Covered Bonds linked to or referencing such a “benchmark”.

### ***Controls over the transaction***

The BoI OBG Regulations require that certain controls be performed by the Issuer (see paragraph headed "Controls over the transaction" under the section headed “*Selected aspects of Italian law*”), aimed, *inter alia*, at mitigating the risk that any obligation of the Issuer or the Covered Bonds Guarantor under the Covered Bonds is not complied with. Whilst the Issuer believes that it has implemented the appropriate policies and controls in compliance with the relevant requirements, investors should note that there is no assurance that such compliance ensures that the aforesaid controls are actually performed and that any failure to properly implement the relevant policies and controls could have an adverse effect on the Issuer’s or the Covered Bonds Guarantor’s ability to perform their obligations under the Covered Bonds.

### **Risks related to the Guarantor**

#### ***Covered Bond Guarantor only obliged to pay the Guaranteed Amounts on the Due for Payment Date***

The Covered Bonds Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bonds Guarantee until service by the Representative of the Covered Bondholders:

- (i) on the Covered Bonds Guarantor, following the occurrence of an Article 74 Event or an Issuer Event of Default, respectively, of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay; and

- (ii) following the occurrence of a Covered Bonds Guarantor Event of Default, on the Covered Bonds Guarantor of a Covered Bonds Guarantor Acceleration Notice.

An Article 74 Notice to Pay can only be served if an Article 74 Event occurs and results in service by the Representative of the Covered Bondholders of an Article 74 Notice to Pay on the Issuer and the Covered Bonds Guarantor. A Notice to Pay can only be served if an Issuer Event of Default occurs and results in service by the Representative of the Covered Bondholders of a Notice to Pay on the Issuer and the Covered Bonds Guarantor. A Covered Bonds Guarantor Acceleration Notice can only be served if a Covered Bonds Guarantor Events of Default occurs.

Following service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay on the Covered Bonds Guarantor (provided that (a) an Article 74 Event or an Issuer Event of Default has occurred and (b) no Covered Bonds Guarantor Acceleration Notice has been served) under the terms of the Covered Bonds Guarantee, the Covered Bonds Guarantor will be obliged to pay the Guaranteed Amounts as on the Due for Payment Date. Such payments will be subject to and will be made in accordance with the Post-Issuer Default Priority of Payments. In these circumstances, other than the Guaranteed Amounts, the Covered Bonds Guarantor will not be obliged to pay any amount, for example in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds.

Pursuant to the Covered Bonds Guarantee, following the occurrence of an Article 74 Event or an Issuer Event of Default and service, respectively, of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, but prior to the occurrence of any Covered Bonds Guarantor Event of Default, the Covered Bonds Guarantor shall substitute the Issuer in every and all obligations of the Issuer towards the Covered Bondholders, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

Furthermore, please note that the above restrictions are provided for by either the MEF Decree or contractual agreements between the parties of the Covered Bonds Guarantee, and there is no case-law or other official interpretation on this issue. Therefore, we cannot exclude that a court might uphold a Covered Bondholder's right to act directly against the Issuer.

#### ***Limited resources available to the Covered Bonds Guarantor***

The Covered Bonds Guarantor's ability to meet its obligations under the Covered Bonds Guarantee will depend on the realisable value of the Portfolio, the amount of principal and revenue proceeds generated by the Portfolio and/or the Eligible Investments and Authorised Investments and the timing thereof and amounts received from the Hedging Counterparties, the Receivables Collection Account Bank and the Account Bank. The Covered Bonds Guarantor will not have any other source of funds available to meet its obligations under the Covered Bonds Guarantee.

If a Covered Bonds Guarantor Event of Default occurs, the proceeds of the Portfolio, the Eligible Investments and Authorised Investments and the amounts received from the Hedging Counterparties, the Receivables Collection Account Bank and the Account Bank, may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. If the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Coverage Test and the Amortisation Test have been structured to ensure that the outstanding nominal amount of the assets included in the Portfolio shall be greater than or equal to the Outstanding Principal Balance of the Covered Bonds. In addition the MEF Decree and the BoI OBG Regulations provide for certain further tests aimed at ensuring that (a)

the net present value of the Eligible Portfolio (net of certain costs) shall be greater than or equal to the net present value of the Covered Bonds; and (b) the amount of interest and other revenues generated by the assets included in the Portfolio (net of certain costs) shall be equal to, or greater than, the interest and costs due by the Issuer under the Covered Bonds (for a full description of the Tests see Section "*Credit Structure*").

However there is no assurance that there will not be a shortfall in the amounts available to the Covered Bonds Guarantor to meet its obligations under the Covered Bonds Guarantee.

#### ***Reliance of the Covered Bonds Guarantor on third parties***

The Covered Bonds Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Covered Bonds Guarantor. In particular, but without limitation, the Servicer has been (and Successor Servicer may be) appointed to service, in accordance with the terms of the Servicing Agreement, Public Assets and Integration Assets included in the Portfolio and the Asset Monitor has been appointed to monitor compliance with the Tests.

In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Portfolio or any part thereof may be affected, or, pending such realisation (if the Portfolio or any part thereof cannot be sold), the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds Guarantee may be affected. For instance, if the Servicer has failed to adequately administer the Portfolio, this may lead to higher incidences of non-payment or default by Debtors. The Covered Bonds Guarantor is also reliant on the Hedging Counterparties to provide it with the funds matching its obligations under the Covered Bonds Guarantee.

If an event of default occurs in relation to the Servicer pursuant to the terms of the Servicing Agreement, then the Covered Bonds Guarantor with the prior notice to the Representative of the Covered Bondholders will be entitled to terminate the appointment of the Servicer and with the prior consent of the Representative of the Covered Bondholders and prior notice to the Rating Agency will be entitled to appoint a Successor Servicer in its place. There can be no assurance that a successor with sufficient experience in carrying out the activities of the Servicer would be found and would be willing and able to carry out the relevant activities on the terms of the Servicing Agreement. The ability of a Successor Servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a Successor Servicer may affect the realisable value of the Portfolio or any part thereof, and/or the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds Guarantee.

The Representative of the Covered Bondholders is not obliged in any circumstances to act as a Servicer or to monitor the performance by the Servicer of its obligations.

#### ***Reliance on Hedging Counterparties***

To provide a hedge against interest rate risks and/or currency risk in respect of each Series of the Covered Bonds issued under the Programme, the Covered Bonds Guarantor may enter into CB Swaps with the CB Hedging Counterparties. Additionally, to provide a hedge against interest rate risk and/or currency risk on the Portfolio, the Covered Bonds Guarantor will enter into TBG Swaps in respect of each assigned portfolio (together the TBG Swaps and the CB Swaps, the **Swap Agreements**) with the TBG Hedging Counterparties (together the TBG Hedging Counterparties and the CB Hedging Counterparties, the **Hedging Counterparties**).

If the Covered Bonds Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will (unless otherwise stated in the relevant Swap Agreement) have defaulted under that Swap Agreement. A Hedging Counterparty is (unless otherwise stated in the relevant Master Agreement) only obliged to make payments to the Covered Bonds Guarantor as long as the Covered Bonds Guarantor complies with its payment obligations under the relevant Swap Agreement. In circumstances where non-payment by the Covered Bonds Guarantor under a Swap Agreement does not result in a default under that Swap Agreement, the Hedging Counterparty may be obliged to make payments to the Covered Bonds Guarantor pursuant to the Master Agreements as if payment had been made by the Covered Bonds Guarantor. Any amounts not paid by the Covered Bonds Guarantor to a



Hedging Counterparty may in such circumstances incur additional amounts of interest by the Covered Bonds Guarantor, which would rank senior to amounts due on the Covered Bonds. If the Hedging Counterparty is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Covered Bonds Guarantor on the payment date under the Master Agreements, the Covered Bonds Guarantor will be exposed to changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest.

If a Swap Agreement terminates, then the Covered Bonds Guarantor may be obliged to make a termination payment to the relevant Hedging Counterparty. There can be no assurance that the Covered Bonds Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the Covered Bonds Guarantor will be able to enter into a replacement swap agreement, or if one is entered into, that the credit rating of the replacement hedging counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by the Rating Agency. In addition, the Master Agreements may provide that notwithstanding any relevant Hedging Counterparty ceasing to be assigned the requisite ratings and it failing to take the remedial action set out in the relevant Master Agreement, the Covered Bonds Guarantor may not terminate the Master Agreement until a replacement hedging counterparty has been found. There can be no assurance that the Covered Bonds Guarantor will be able to enter into a replacement swap agreement with a replacement hedging counterparty with the requisite ratings and at the same terms and conditions subsequent swap agreement.

If the Covered Bonds Guarantor is obliged to pay a termination payment under any Master Agreement, such termination payment may rank ahead of amounts due on the Covered Bonds and with amounts due under the Covered Bonds Guarantee. Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Covered Bonds Guarantor to meet its obligations under the Covered Bonds Guarantee.

#### ***No Gross-up for Taxes by the Covered Bonds Guarantor***

Notwithstanding anything to the contrary in this Base Prospectus, if withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the Covered Bonds Guarantor will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders.

#### ***VAT Group***

Italian Law no. 232 of 11 December 2016 (the **2017 Budget Law**) has introduced new rules relating to VAT groups (articles from 70-bis to 70-duodecies of Presidential Decree no. 633 of 26 October 1972) which, if so elected by an entity, apply from 1 January 2019. Pursuant to such rules, all entities included in the relevant VAT group are jointly and severally liable to the Italian Tax Authority for any VAT payments due by all members of the VAT group.

On 31 October 2018, the Italian Tax Authority issued a circular specifying that funds, as pools of segregated assets, would be liable only for the VAT payment obligations specifically relating to their assets.

With ruling No. 487 of 15 November 2019, the Italian Revenue Agency confirmed that the same principle would also apply to Italian companies incorporated pursuant to Article 7-bis of the Italian Securitisation Law, such as the Guarantor, where the company itself would be jointly liable for VAT liabilities of the VAT group to which it belongs, although such joint liability would not apply to the securitised pool of asset segregated for the purposes of the Guarantee. Considering the brief guidelines and the absence of case law, it is still not entirely clear to what extent such limitation would apply in practice.

Intesa Sanpaolo has opted into the new VAT regime introduced by the 2017 Budget Law in respect of the Issuer's group (including the Covered Bond Guarantor) with effect from 1 January 2019. Pending further clarification on the scope of application of the new rules, the Issuer has undertaken to hold

harmless and indemnify on demand the Covered Bond Guarantor for any costs, expenses, liabilities and other charges which the Covered Bond Guarantor may incur as a result of its participation in the VAT group.

### **Risks related to the underlying**

#### ***Limits to the integration***

Under the BoI OBG Regulations, any integration, whether through Public Assets or Integration Assets, shall be carried out in accordance with the modalities, and subject to the limits, set out in the BoI OBG Regulations (see paragraph headed “*Tests set out in the MEF Decree*” under the section headed “*Selected aspects of Italian law*”).

More specifically, under the BoI OBG Regulations, integration is allowed exclusively for the purpose of (i) complying with the tests provided for under the MEF Decree; (ii) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements or (iii) complying with the Integration Assets Limit.

Investors should note that the integration is not allowed in circumstances other than as set out in the BoI OBG Regulations and specified above.

#### ***Limited description of the Portfolio***

Covered Bondholders may not receive detailed statistics or information in relation to the Public Assets and Integration Assets included in the Portfolio, because it is expected that the constitution of the Portfolio will frequently change due to, for instance:

- (i) the Seller selling further Public Assets and Integration Assets,
- (ii) the Seller repurchasing certain Public Assets and Integration Assets in accordance with the Master Transfer Agreement; and
- (iii) the Seller (as long as it is the Servicer in the context of the Programme) being granted by the Covered Bonds Guarantor with a wide power to renegotiate the terms and conditions of Public Assets and Integration Assets included in the Portfolio.

However, each Receivable and Security being, from time to time, part of the Portfolio, will be required to meet the Criteria and/or the characteristics (as applicable) set out in the Master Transfer Agreement and to conform to the representations and warranties granted by the Seller under the Warranty and Indemnity Agreement (see paragraph headed “*Warranty and Indemnity Agreement*” under the section headed “*Description of the Transaction Documents*”). In addition, the Tests are intended to ensure, *inter alia*, that the ratio of the Covered Bonds Guarantor’s assets to the Covered Bonds is maintained at a certain minimum level and the Asset Cover Report to be provided by the Calculation Agent on each Calculation Date will set out, *inter alia*, certain information in relation to the Tests.

In accordance with the Portfolio Administration Agreement, any Additional Seller may sell to the Covered Bonds Guarantor, and the latter shall purchase, Public Assets and Integration Assets, subject to, *inter alia*: (i) the execution of a master transfer agreement substantially in the form of the Master Transfer Agreement, and (ii) the granting of a subordinated loan by such Additional Seller for the purpose of financing the purchase of Public Assets or Integration Assets from it, in accordance with the provision of a subordinated loan agreement to be executed substantially in the form of the Subordinated Loan Agreement.

#### ***Sale of Selected Assets and/or Integration Assets following the occurrence of an Article 74 Event or an Issuer Event of Default***

Following the service of an Article 74 Notice to Pay (which has not been withdrawn) or of a Notice to Pay and prior to the occurrence of a Covered Bonds Guarantor Event of Default, if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Portfolio Manager, then the Covered Bonds Guarantor, shall direct the Servicer

to sell Selected Assets (selected on a random basis) and/ or Integration Assets, provided that no representations and warranties will be given by the Covered Bonds Guarantor in respect of the Selected Assets sold (see “*Description of the Transaction Documents — Portfolio Administration Agreement*”).

There is no guarantee that a buyer will be found to acquire Selected Assets and/or Integration Assets at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained for such Selected Assets and/or Integration Assets, which may affect payments under the Covered Bonds Guarantee. However, the Selected Assets and/or Integration Assets may not be sold by the Covered Bonds Guarantor (through the Servicer) for an amount lower than the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until 6 (six) months prior to the Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date in respect of such Covered Bonds. If, *inter alia*, Selected Assets and/or Integration Assets have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is 6 (six) months prior to the Maturity Date or Extended Maturity Date of a Series of Covered Bonds which are not Long Dated Covered Bonds, the Covered Bonds Guarantor (through the Servicer), is obliged to sell the Selected Assets and/or Integration Assets for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount (see paragraph headed “*Portfolio Administration Agreement*” under the section headed “*Description of the Transaction Documents*”).

#### ***Realisation of assets following the occurrence of a Covered Bonds Guarantor Event of Default***

If a Covered Bonds Guarantor Events of Default occurs and a Covered Bonds Guarantor Acceleration Notice is served on the Covered Bonds Guarantor, then the Representative of the Covered Bondholders shall, in the name and on behalf of the Covered Bonds Guarantor, direct the Servicer to sell the Selected Assets and/or the Integration Assets as quickly as reasonably practicable taking into account the market conditions at that time (see paragraph headed “*Portfolio Administration Agreement*” under the section headed “*Description of the Transaction Documents*”).

There is no guarantee that the proceeds of realisation of the Portfolio will be in an amount sufficient to repay all amounts due to creditors (including the Covered Bondholders) under the Covered Bonds and the Transaction Documents. If a Covered Bonds Guarantor Acceleration Notice is served on the Covered Bonds Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

#### ***Factors that may affect the realisable value of the Portfolio or the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds Guarantee***

Following the occurrence of an Issuer Event of Default, the service of a Notice to Pay on the Issuer and on the Covered Bonds Guarantor, the realisable value of the assets included in the Portfolio may be reduced (which may affect the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds Guarantee) by, *inter alia*:

- (i) default by the Debtors on amounts due in respect of Public Assets and Integration Assets;
- (ii) set-off risks in relation to some types of Public Assets and Integration Assets included in the Portfolio;
- (iii) limited recourse to the Covered Bonds Guarantor;
- (iv) possible regulatory changes by the Bank of Italy, CONSOB and other regulatory authorities;
- (v) adverse movement of the interest rate;
- (vi) unwinding cost related to the hedging structure; and
- (vii) regulations in Italy that could lead to some terms of the Public Assets and Integration Assets being unenforceable.

Each of these factors is considered in more detail below. However, it should be noted that the Amortisation Test is intended to ensure that there will be an adequate amount of Public Assets and

Integration Assets in the Portfolio and monies standing to the credit of the Accounts to enable the Covered Bonds Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of a Notice to Pay on the Issuer and on the Covered Bonds Guarantor and accordingly it is expected (although there is no assurance) that Selected Assets and/or Integration Assets could be realised for sufficient values to enable the Covered Bonds Guarantor to meet its obligations under the Covered Bonds Guarantee.

#### ***Default by Debtors in paying amounts due on Receivables or Securities***

Debtors may default on their obligations due under the Receivables or the Securities for a variety of reasons. The Public Assets and Integration Assets are affected by credit, liquidity and interest rate risks. Various factors influence delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Certain factors may lead to an increase in default by the Debtors, and could ultimately have an adverse impact on the ability of the Debtors to repay the Receivables or the Securities.

#### ***Changes to the lending criteria of the Seller***

Each of the Loans originated by the Seller will have been originated in accordance with its lending criteria at the time of origination. Each of the Loans sold to the Covered Bonds Guarantor by the Seller, but originated by a person other than the Seller (an **Originator**), will have been originated in accordance with the lending criteria of such Originator at the time of origination. It is expected that the Seller's or the relevant Originator's, as the case may be, lending criteria will generally consider term of loan, indemnity guarantee policies, status of applicants and credit history. In the event of the sale or transfer of any Loans to the Covered Bonds Guarantor, the Seller will warrant that (a) such Loans as were originated by it were originated in accordance with the Seller's lending criteria applicable at the time of origination and (b) such Loans as were originated by an Originator, were originated in accordance with the relevant Originator's lending criteria applicable at the time of origination. The Seller retains the right to revise its lending criteria from time to time subject to the terms of the Master Transfer Agreement. An Originator may additionally revise its lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Loans, that may lead to increased defaults by Debtors and may affect the realisable value of the Portfolio and the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds Guarantee. However, Defaulted Assets in the Portfolio will be given a zero weighting for the purposes of the calculation of the Tests.

#### ***Loans disbursed by lenders in pool (ATI and Convenzioni in Pool)***

The Portfolio includes certain Loans disbursed by lenders in pool both by means of ATI (as defined in this Base Prospectus) or Convenzioni in Pool (as defined in this Base Prospectus).

Pursuant to Italian law, should a pool of banks participate in a public auction for the granting of a loan towards a public entity, such banks are requested to form an ATI, such a temporary association of enterprises, and give an irrevocable mandate (an *in rem propriam* mandate) to one of them acting as agent bank. The agent bank is entitled, *inter alia*, to enter into the loan agreement and perform all the recovery and collection activity towards the Debtor. In particular, the agent bank is, among the lenders, the only entity entitled to exercise the enforcement, recovery and collection activities towards the Debtor, provided that the agent bank shall, in accordance with an intercreditor agreement, distribute to each of the lender the relevant reimbursement amount. The lenders constituting the pool are therefore subject to the timing of payment by the agent bank and to the due fulfillment of its obligation under the intercreditor agreement.

Certain Loans included in the Portfolio are loans disbursed by lenders in the pool both by means of ATI or Convenzioni in Pool and, in respect to some of such loans, Intesa Sanpaolo (former Banca Infrastrutture Innovazione e Sviluppo S.p.A.) acts as agent bank otherwise Intesa Sanpaolo acts as principal.

Where Intesa Sanpaolo acts as agent bank in an ATI, Intesa Sanpaolo may, in accordance with the

provisions regulating the ATI, assign its rights against the Debtor, but nevertheless will remain the only recognised counterparty for the public entity Debtor and, accordingly, the only entitled to perform, also in the interest of the Covered Bonds Guarantor, the enforcement and recovery procedures *vis-à-vis* such Debtor.

In the event that Intesa Sanpaolo is not the agent bank, but acts solely in its capacity as a lender in the pool, Intesa Sanpaolo would, following the assignment of the Loan and the Portfolio, not be able to supervise the enforcement, recovery and collection activities, which are performed by the relevant agent bank.

For the avoidance of doubt, the Covered Bonds Guarantor shall only be able to rely on the relevant agent bank fulfilling its obligations in a timely and orderly fashion.

The Transaction Documents contain certain provisions aimed at mitigating the risks mentioned above. In particular, in accordance with the Servicing Agreement and the Portfolio Administration Agreement, upon the occurrence of an ATI Agent Trigger Event, the Issuer and the Servicer are required to implement certain ATI Agent Remedy Actions. (For a complete description see “Credit Structure”).

## **Risk related to the market**

### ***Limited secondary market***

Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Covered Bonds. In addition, Covered Bonds issued under the Programme might not be rated or listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Covered Bonds may be adversely affected. In an illiquid market, an investor might not be able to sell his Covered Bonds at any time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted by country specific reasons. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

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

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the **Investor’s Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (i) the Investor’s Currency-equivalent yield on the Covered Bonds, (ii) the Investor’s Currency equivalent value of the principal payable on the Covered Bonds and (iii) the Investor’s Currency equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***Interest rate risks***

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

**Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and/or tax advisers to determine whether and to what extent (i) Covered Bonds are legal investments for it, (ii) Covered Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

## DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following documents which have previously been published or which are published simultaneously with this Base Prospectus and which have been filed with the CSSF shall be incorporated by reference in, and form part of this Base Prospectus:

- (a) the Issuer's unaudited condensed consolidated financial statements as at 30 September 2019;  
[https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2019/20191128\\_Trimestrale3Q19\\_uk.pdf](https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2019/20191128_Trimestrale3Q19_uk.pdf);
- (b) the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2019, with auditors' limited review report;  
<https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2019/document.pdf>
- (c) the Issuer's audited consolidated annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles, in respect of the year ended on and as at 31 December 2018;  
<https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2018/CNT-05-000000052A83D/CNT-05-000000052F133.pdf>
- (d) the Issuer's audited consolidated annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles, in respect of the year ended on and as at 31 December 2017<sup>3</sup>;  
<https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2017/CNT-05-00000004FCE48/CNT-05-000000050134A.pdf>
- (e) the Covered Bond Guarantor's unaudited interim condensed financial statements, including the auditors' limited review report, in respect of the half-year 2019;  
[https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/Contenuti/RISORSE/Documenti%20PDF/en\\_prosp\\_obg/20191220\\_ISP\\_CB\\_PUBB\\_LICO\\_Half\\_year\\_300619.PDF](https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/Contenuti/RISORSE/Documenti%20PDF/en_prosp_obg/20191220_ISP_CB_PUBB_LICO_Half_year_300619.PDF)
- (f) the Covered Bonds Guarantor audited annual financial statements, including the auditor's report thereon, in respect of the year ended on and as at 31 December 2018;  
[https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/Contenuti/RISORSE/Documenti%20PDF/en\\_prosp\\_obg/20191220\\_ISP\\_CB\\_PUBB\\_LICO\\_Financial\\_Statements\\_2018.pdf](https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/Contenuti/RISORSE/Documenti%20PDF/en_prosp_obg/20191220_ISP_CB_PUBB_LICO_Financial_Statements_2018.pdf)
- (g) the Covered Bonds Guarantor audited annual financial statements including the auditor's

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<sup>3</sup> Please note that the files incorporated under items (c) and (d) above include the consolidated financial statements of the Intesa Sanpaolo Group as required under the Prospectus Regulation, and does not include the individual financial statements of Intesa Sanpaolo. Therefore, even if the index of these documents contains references to the Intesa Sanpaolo's individual financial statements, only information related to the consolidated financial statements of the Intesa Sanpaolo Group is relevant and incorporated by reference in the Base Prospectus.

report thereon, in respect of the year ended on and as at 31 December 2017;

[https://group.intesasanpaolo.com/content/dam/portalgroupp/repository-documenti/investor-relations/Contenuti/RISORSE/Documenti%20PDF/en\\_prosp\\_obg/20191220\\_ISP\\_CB\\_Publico\\_Financial\\_Statements\\_2017.pdf](https://group.intesasanpaolo.com/content/dam/portalgroupp/repository-documenti/investor-relations/Contenuti/RISORSE/Documenti%20PDF/en_prosp_obg/20191220_ISP_CB_Publico_Financial_Statements_2017.pdf)

The table below sets out the relevant page references for, *inter alia* (i) the notes, the balance sheet, the income statement and the accounting policies relating to the unaudited condensed financial statements of the Issuer as at 30 September 2019 and the unaudited condensed consolidated financial statements of the Issuer in respect of the half-year ended on 30 June 2019, with auditors' limited review report; (ii) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the consolidated financial statements of the Issuer for the years ended on and as at 31 December 2017 and 31 December 2018, (iii) the notes, the balance sheet, the income statement and the accounting policies relating to the interim financial statements of the Covered Bonds Guarantor in respect of the half-year ended on 30 June 2019, with auditors' limited review report, and (iv) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the financial statements of the Covered Bonds Guarantor for the years ended on and as at 31 December 2017 and 31 December 2018.

The audited consolidated financial statements referred to above, together with the audit reports thereon, the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2019 and the Issuer's unaudited condensed consolidated financial statements as at 30 September 2019 are available both in the original Italian language and in English language. The English language versions represent a direct translation from the Italian language documents. The Issuer and the Covered Bonds Guarantor, as relevant, are responsible for the English translations of the financial reports incorporated by reference in this Base Prospectus and declare that such is an accurate and not misleading translation in all material respects of the Italian language version of the Issuer's and Cover Bonds Guarantor's financial reports (as applicable). Any part of the documents listed under items from (1) to (7) above not listed in cross reference list below but contained in such documents, is not incorporated by reference in this Base Prospectus and is either not relevant for the investor or it is covered elsewhere in this Base Prospectus.

### **Cross-reference List**

The following table shows where the information incorporated by reference into this Base Prospectus, including the information required under Annex 7 of the Prospectus Regulation (in respect of the Issuer) and the Covered Bond Guarantor, can be found in the above mentioned financial statements incorporated by reference into this Base Prospectus.



## **Intesa Sanpaolo interim statements as at 30 September 2019**

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## **Intesa Sanpaolo half-yearly report as at 30 June 2019**

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**Audited annual consolidated financial statements of the Issuer for the year ended on 31 December 2018**

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**Audited annual consolidated financial statements of the Issuer for the year ended on 31 December 2017**

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**Covered Bond Guarantor half-yearly report as at and for the six months ended on 30 June 2019**

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**Audited annual financial statements of the Covered Bond Guarantor for the year ended on 31 December 2018**

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<b>Audited annual consolidated financial statements of the Issuer</b>	<b>Page number(s)</b>
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**Audited annual financial statements of the Covered Bond Guarantor for the year ended on 31 December 2017**

<b>Audited annual financial statements of the Covered Bond Guarantor</b>	<b>Page number(s)</b>
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Independent Auditor's Report	First five pages of the PDF version of the document

The financial statements referred to above 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, as adopted by the European Union

under Regulation (EC) 1606/2002.

### **Availability of Documents**

Copies of the documents incorporated by reference into this Base Prospectus may also be obtained from the registered office of the Issuer; the Issuer's unaudited condensed consolidated interim financial statements as at 31 September 2019, the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2019 and the audited consolidated annual financial statements of the Issuer, including the auditor's report thereon, notes thereto and the relevant accounting principles in respect of the years respectively ended on as at 31 December 2017 and 31 December 2018, on the Issuer's website ([http://www.group.intesasanpaolo.com/scriptIsir0/si09/salastampa/eng\\_comunicati\\_stampa.jsp](http://www.group.intesasanpaolo.com/scriptIsir0/si09/salastampa/eng_comunicati_stampa.jsp) and [http://www.group.intesasanpaolo.com/scriptIsir0/si09/investor\\_relations/eng\\_bilanci\\_relazioni.jsp#/investor\\_relations/eng\\_bilanci\\_relazioni.jsp](http://www.group.intesasanpaolo.com/scriptIsir0/si09/investor_relations/eng_bilanci_relazioni.jsp#/investor_relations/eng_bilanci_relazioni.jsp) ).

Copies of all documents incorporated by reference herein may be obtained without charge at the head office of the Luxembourg Listing Agent in the city of Luxembourg and the website of the Luxembourg Stock Exchange (<https://www.bourse.lu/programme/Programme-IntesaSanpaolo/13643>). Written or oral requests for such documents should be directed to the specified office of the Luxembourg Listing Agent.

### **SUPPLEMENT TO THE BASE PROSPECTUS**

The Issuer has undertaken, in connection with the listing of the Covered Bonds on the official list of the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the information set out under "Terms and Conditions of the Covered Bonds", that is material in the context of issuance of Covered Bonds under the Programme, the Issuer will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus, for use in connection with any subsequent issue by the Issuer of Covered Bonds to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.

## DESCRIPTION OF THE ISSUER

### **History and organisation of the Intesa Sanpaolo Group Intesa Sanpaolo Origins**

Intesa Sanpaolo is the result of the merger by incorporation of Sanpaolo IMI S.p.A. with Banca Intesa S.p.A. (effective 1 January 2007).

#### **Banca Intesa S.p.A.**

Banca Intesa S.p.A. was originally established in 1925 under the name of La Centrale and invested in the business of the production and distribution of electricity. After the nationalisation of companies in this sector in the early 1960s, the company changed its name to La Centrale Finanziaria Generale, acquiring equity investments in various companies in the banking, insurance and publishing sector. The company merged by incorporation with Nuovo Banco Ambrosiano in 1985 and assumed its name and constitutional objects. Following the acquisition of Cassa di Risparmio delle Provincie Lombarde S.p.A. (**Cariplo**) in January 1998, the Intesa Sanpaolo Group's name was changed to Gruppo Banca Intesa. Then, in 2001, Banca Commerciale Italiana S.p.A. was merged into the Gruppo Banca Intesa and the Intesa Sanpaolo Group's name was changed to "Banca Intesa Banca Commerciale Italiana S.p.A.". On 1 January 2003 the corporate name was changed to "Banca Intesa S.p.A."

#### **Sanpaolo IMI S.p.A.**

Sanpaolo IMI S.p.A. (**Sanpaolo IMI**) was formed in 1998 through the merger of Istituto Mobiliare Italiano S.p.A. (**IMI**) and Istituto Bancario San Paolo di Torino S.p.A. (**Sanpaolo**).

Sanpaolo originated from the "Compagnia di San Paolo" brotherhood, which was set up in 1563 to help the needy. The "Compagnia di San Paolo" began undertaking credit activities and progressively developed into a banking institution during the nineteenth century, becoming a public law credit institution (Istituto di Credito di Diritto Pubblico) in 1932. Between 1960 and 1990, Sanpaolo expanded its network nationwide through a number of acquisitions of local banks and medium-sized regional banks, ultimately reaching the level of a multifunctional group of national importance in 1991 after its acquisition of Crediop. On 31 December 1991, Sanpaolo became a stock corporation (*società per azioni*) with the name Istituto Bancario San Paolo di Torino Società per Azioni.

IMI was established as a public law entity in 1931 and during the 1980s it developed its specialist credit and investment banking services and, with Banca Fideuram, its professional asset management and financial consultancy services. IMI became a joint stock corporation (*società per azioni*) in 1991.

#### **The merger between Banca Intesa and Sanpaolo IMI and the creation of Intesa Sanpaolo S.p.A.**

The boards of directors of Banca Intesa and Sanpaolo IMI unanimously approved the merger of Sanpaolo IMI with Banca Intesa on 12 October 2006 and the merger became effective on 1 January 2007. The surviving entity changed its name to Intesa Sanpaolo S.p.A., the parent company of the Intesa Sanpaolo Group.

#### **Legal Status**

Intesa Sanpaolo is a company limited by shares, incorporated in 1925 under the laws of Italy and registered with the Companies' Registry of Turin under registration number 00799960158. It is also registered on the National Register of Banks under no. 5361 and is the parent company of "Gruppo Intesa Sanpaolo". Intesa Sanpaolo operates subject to the Banking Law.

#### **Registered Office**

Intesa Sanpaolo's registered office is at Piazza San Carlo 156, 10121 Turin (Italy) and its telephone number is +39 0115551. Intesa Sanpaolo's secondary office is at Via Monte di Pietà 8, 20121 Milan (Italy). The LEI Code of the Issuer is 2W8N8UU78PMDQKZENC08.

### **Website**

The website of the Issuer is [www.intesasanpaolo.com](http://www.intesasanpaolo.com).

The information on the website does not form part of this Base Prospectus unless information contained therein is incorporated by reference into this Base Prospectus.

### **Objects**

The objects of Intesa Sanpaolo are deposit-taking and the carrying-on of all forms of lending activities, including through its subsidiaries. Intesa Sanpaolo may also, in compliance with laws and regulations applicable from time to time and subject to obtaining the required authorisations, provide all banking and financial services, including the establishment and management of open-ended and closed-ended supplementary pension schemes, as well as the performance of any other transactions that are incidental to, or connected with, the achievement of its objects.

### **Ratings**

The credit ratings assigned to the Issuer are the following:

- BBB (high) by DBRS Morningstar;
- BBB by Fitch Ratings;
- Baa1 by Moody's; and
- BBB by S&P Global Ratings.

### **Share Capital**

As at 11 September 2019, Intesa Sanpaolo's issued and paid-up share capital amounted to €9,085,663,010.32, divided into 17,509,728,425 ordinary shares without nominal value. Since 11 September 2019, there has been no change to Intesa Sanpaolo's share capital.

The Issuer is not aware of any arrangements currently in place, the operation of which may at subsequent date result in a change of control of the Issuer.

### **Organisational Structure as at 12 December 2019**





(1) Domestic commercial banking

(\*) Russian Federation

(\*\*) Slovenia

The Intesa Sanpaolo Group is a provider of financial products and services to both households and business.

The Intesa Sanpaolo Group has 11.8 million customers and approximately 3,800 branches in Italy and a strategic international presence, with approximately 1,100 branches and 7.3 million customers, comprising subsidiaries operating in commercial banking in 12 countries in Central Eastern Europe and Middle Eastern and North African areas.

The Intesa Sanpaolo Group operates through six divisions:

- a) The **Banca dei Territori division**: focuses on the market and centrality of the territory for stronger relations with individuals, small and medium-sized businesses and non-profit entities. The division includes the activities in industrial credit, leasing and factoring, and - through Banca 5 - in instant banking.
- b) The **Corporate and Investment Banking division**: a global partner which supports, taking a medium-long term view, the balanced and sustainable development of corporates and financial institutions, both nationally and internationally. Its main activities include capital markets and investment banking carried out through Banca IMI. The division is present in 25 countries where it facilitates the cross-border activities of its customers through a specialist network made up of branches, representative offices and subsidiary banks focused on corporate

banking. The division operates in the public finance sector as a global partner for public administration.

- c) The **International Subsidiary Banks division**: includes the following commercial banking subsidiaries: Intesa Sanpaolo Bank Albania in Albania, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Privredna Banka Zagreb in Croatia, the Prague branch of VUB Banka in the Czech Republic, Bank of Alexandria in Egypt, Eximbank in Moldova, CIB Bank in Hungary, Intesa Sanpaolo Bank Romania in Romania, Banca Intesa Beograd in Serbia, VUB Banka in Slovakia and Intesa Sanpaolo Bank in Slovenia, and Pravex Bank in Ukraine.
- d) The **Private Banking division**: serves the customer segment consisting of private clients and high net worth individuals with the offering of products and services tailored for this segment. The division includes Fideuram - Intesa Sanpaolo Private Banking with 5,902 private bankers.
- e) The **Asset Management division**: asset management solutions targeted at the Intesa Sanpaolo Group's customers, commercial networks outside the Intesa Sanpaolo Group, and the institutional clientele. The division includes Eurizon with €260 billion of assets under management.
- f) The **Insurance division**: insurance and pension products tailored for the Intesa Sanpaolo Group's clients. The division includes Intesa Sanpaolo Vita, Intesa Sanpaolo Life, Fideuram Vita and Intesa Sanpaolo Assicura with direct deposits and technical reserves of €164 billion.

## **Intesa Sanpaolo in the last two years**

### **Intesa Sanpaolo in 2018 – highlights**

On 10 January 2018 Intesa Sanpaolo communicated that the Bank is considering strategic options involving the NPL servicing activity, which include a disposal of a bad loan portfolio of the Group, as part of the upcoming business plan.

Such options do not modify the commitment of Intesa Sanpaolo to distribute €3.4 billion cash dividends for 2017, which is confirmed.

At a meeting of the Board of Directors of Intesa Sanpaolo on 6 February 2018, the Board of Directors of Intesa Sanpaolo decided to submit, alongside its approval of the Group's 2018-2021 business plan, a long-term incentive plan (the **Incentive Plan**) for the approval of shareholders, who will be summoned to the meeting scheduled for 27 April 2018. The Incentive Plan is based on Intesa Sanpaolo S.p.A. financial instruments and is reserved for all Group employees in Italy. The Incentive Plan is a tool facilitating a broad-based shareholding in the capital of the Bank, aimed at enhancing the role of employees as key enablers in the achievement of the business plan's results.

The Incentive Plan consists of two systems:

with regard to top management, risk takers and key managers, it provides for the assignment of equity call options on Intesa Sanpaolo ordinary shares (POP – Performance-based Option Plan);

with regard to all the other Group employees, it provides for:

- (a) the assignment of new ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment and, as an alternative choice for employees,
- (b) the opportunity to subscribe to an Investment Plan in a certain proportion to the number of shares received free of charge.



This Incentive Plan is based on new Intesa Sanpaolo ordinary shares deriving from a capital increase with payment, reserved for employees and at a discounted issue price (LECOIP 2.0 – Leveraged Employee Co-Investment Plan).

In detail, the POP Incentive Plan stipulates that performance conditions must be applied for incentives to be actually awarded, in relation to specific key objectives to be achieved over the course of the business plan. It does not envisage any protection of the initial assignment to the employee.

The related documentation will be made available to shareholders and the public in accordance with regulations in force and within the period of time provided by law.

The Incentive Plan is subject to authorisations being received from the competent authorities.

Assuming all employees subscribe to the Incentive Plan, the total number of ordinary shares to be issued in the capital increase without payment and in the capital increase with payment is estimated to be equal to a maximum number representing around 3.5% of the ordinary share capital following the increase and 3.4% of the total share capital (comprising the ordinary shares and the savings shares) of Intesa Sanpaolo following the increase.

The Board of Directors of Intesa Sanpaolo announced that as of 6 February, 2018 it has resolved, concurrently with the approval of the 2018-2021 business plan, to submit to the shareholders' meeting a proposal for the mandatory conversion of savings shares of Intesa Sanpaolo into ordinary shares of Intesa Sanpaolo, on the basis of a conversion ratio of 1.04 ordinary shares per each savings share, without any payment of cash adjustments (the **Conversion**) and along with the concurrent removal from the Articles of Association of the nominal value indication with regard to the Bank's shares.

Therefore, the Board of Directors has called the extraordinary shareholders' meeting, on single call, to take place on 27 April 2018, at the new headquarters in Turin, with entrance in Corso Inghilterra no. 3, at 10:00 of 27 April 2018, in order to resolve upon the following item of the agenda:

Mandatory Conversion of savings shares into ordinary shares and concurrent removal of the indication of nominal value for the shares of Intesa Sanpaolo from the Articles of Association.

Amendment of Articles 5 and 29 and removal of Article 30 of the Articles of Association. Pertinent and consequent resolutions.

The Board of Directors has also called the special meeting of savings shareholders, on single call, to take place on 27 April 2018, at the new headquarters in Turin, with entrance in Corso Inghilterra no. 3, at 16:00 of 27 April 2018 and in any case at the end of the meeting of ordinary shareholders, in order to resolve upon the following item of the agenda:

1. Approval, pursuant to Article 146, paragraph 1, letter b) of Legislative Decree no. 58 of 24 February 1998, of the resolutions of the extraordinary shareholders' meeting concerning the Mandatory Conversion of the company's savings shares into ordinary shares of the same company, as well as the removal of the indication of the nominal value of the shares from the Articles of Association and the relative amendments to the Articles of Association. Pertinent and consequent resolutions.

The effectiveness of the Conversion, should it receive the approval of the extraordinary shareholders' meeting, will be conditioned upon:

- the approval of the Conversion by the special savings shareholders' meeting;
- the authorisations of the European Central Bank required under the current legal and regulatory framework, for the purposes of the amendments to the Articles of Association, the inclusion of the ordinary shares that are issued in connection with the Conversion in the CET 1 and the possible purchase by the company of own shares at the end of the liquidation procedure relating to withdrawing shareholders; and

- the amount owed to those who elect to exercise the withdrawal right not exceeding €400 million at the end of the pre-emption and pre-emptive rights offering period concerning any offer to the Intesa Sanpaolo shareholders of the shares held by the withdrawing savings shareholders pursuant to Art. 2437-*quater*, par. 1 and 2 of the Italian Civil Code.

The conversion ratio has been set by the Board of Directors on the basis of, *inter alia*, the report of an independent expert and includes an implied premium on the savings shares' price equal to:

- 3.4% in relation to the last stock exchange closing price of 5 February 2018;
- 3.3% in relation to the average price registered in the past month;
- 4.4% in relation to the average price registered in the past 3 months.

Since the resolution approving the Conversion implies an amendment to the company's Articles of Association regarding voting and participation rights, the savings shareholders who do not take part in the approval of the related resolution of the special savings shareholders' meeting will be entitled to exercise the right of withdrawal pursuant to Art. 2437, par. 1 (g) of the Italian Civil Code (the **Withdrawal Right**). The liquidation value of each savings share was calculated in accordance with Art. 2437-*ter* of the Italian Civil Code and set by the Board of Directors at €2.74, equal to the arithmetic average of closing prices of the savings shares on the market in the six months prior to the date of publication of the notice of call of the special savings shareholders' meeting (6 February 2018). The Articles of Association do not derogate from the abovementioned legal criteria.

Should any of the aforesaid savings shareholders exercise the Withdrawal Right, it will be necessary to liquidate their shareholdings in accordance with the liquidation procedure provided under Art. 2437-*quater* of the Italian Civil Code. In the context of said liquidation procedure, the company may be required to repurchase the shares from the withdrawing shareholders that are not purchased by the other shareholders or possibly placed on the market at their liquidation value. For this reason, the Board of Directors will propose among the items on the agenda for the extraordinary shareholders' meeting set for 27 April 2018 also the authorisation of the sale of shares that may be purchased in the light of this procedure, in order to allow the company to liquidate an investment which would be otherwise fully deducted from shareholders' equity and CET 1 (Common Equity Tier 1) due to their quality as own shares. The maximum amount of shares which are the subject matter of said authorisation will be equal to the number of ordinary shares resulting from the Conversion which will be purchased by the company at the end of the possible liquidation process in connection with the shares remaining at the end of the pre-emption/pre-emptive offer.

The documentation concerning the abovementioned proposals of shareholder meeting resolutions will be made publicly available in accordance with the provisions set out in the current legal framework.

Please note that:

- the ordinary shares that will be issued to service the Conversion will bear regular dividend rights;
- it is foreseen that the date of effectiveness of the Conversion – where the relevant conditions have been fulfilled – shall fall after the ex-right date of dividends relating to the financial year ended 31 December 2017 (set for 21 May 2018); said dividend shall therefore be distributed to both ordinary and savings shareholders in accordance with the Articles of Association in place prior to the Conversion (Art. 29.3 of the Articles of Association);
- the withdrawal procedure will commence and will conclude after the ex-right date of the dividends relating to the financial year ended 31 December 2017, and the savings shareholders who exercise the Withdrawal Right – as well as those who do not exercise such right – will receive such privileged dividend in accordance with Art. 29.3 of the Articles of Association currently in force.

The Conversion will be directed at all holders of savings shares.

The effective date of the Conversion shall be agreed with Borsa Italiana S.p.A. and made publicly available on the website of the company and in at least one national daily newspaper, in accordance with Art. 72, par. 5, of the Issuers' Regulation – CONSOB resolution no. 11971/1999. With same notice, the company will provide details on the modalities of assignment of the ordinary shares resulting from the conversion ratio and on the management of any fractions of shares resulting from the conversion ratio. On the same date, the savings shares shall be revoked from listing on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., and the ordinary shares resulting from the Conversion will be listed on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A..

The Conversion is aimed at rationalising and simplifying the capital structure of Intesa Sanpaolo, as well as simplifying the company's corporate governance by aligning all shareholder rights. Furthermore, with respect to the capital requirements provided under the supervisory regulations, it is worth noting that the nominal value of the savings shares – unlike that of ordinary shares – is not included in the CET 1 (Common Equity Tier 1) but is included in Additional Tier 1 capital. Therefore, assuming a scenario in which all savings shares are converted, the CET 1 ratio of the Intesa Sanpaolo Group would register – on the basis of the figures as at 31 December 2017 and all other terms being equal – an increase equal to 18 bps. Such increase would instead be equal to 3 bps if withdrawals entail the company to incur the maximum costs provided in the conditions upon which the effectiveness of the Conversion is subject and should the ordinary shares remaining post-Conversion (and therefore purchased by the company) not be sold.

Should all of the savings shares be converted into ordinary shares, the voting rights of the ordinary shareholders will be diluted by approximately 5.8%. In the instance of maximum costs being incurred by the company following the exercise of Withdrawal Rights (without placement of the shares purchased in the context of the abovementioned liquidation procedure on the market), said dilution will instead be equal to approximately 4.9%.

The economic dilution, following the increase in the total number of shares due to the conversion ratio of 1.04 ordinary shares per each savings share, will be equal to approximately 0.2 per cent. in the case of all of the savings shares being converted into ordinary shares, while the Conversion would be accretive by approximately 0.7 per cent. in the case of maximum costs being incurred by the company following the exercise of Withdrawal Rights without placement of the shares purchased on the market.

On 17 April 2018, Intesa Sanpaolo published a press release with the following wording:

“Following approval by Intesa Sanpaolo’s Board of Directors of the offer that the Bank received from Intrum, Intesa Sanpaolo and Intrum today reached a binding agreement to form a strategic partnership in respect of non-performing loans (NPLs), involving the two transactions outlined below.

- The creation of a leading servicer in the Italian NPL market, through the integration of the Italian NPL platforms of Intesa Sanpaolo and Intrum, with the following features:
  - around Euro 40 billion serviced;
  - 51% of the new platform to be held by Intrum and 49% to be held by Intesa Sanpaolo;
  - a 10-year contract for the servicing of Intesa Sanpaolo bad-loan portfolios (“*sofferenze*”), with terms and conditions in line with market standards;
  - major commercial development plans of the new platform in the domestic market;
  - around 1,000 employees involved, including around 600 people from the Intesa Sanpaolo Group in respect of whom discussion will be held with the Trade Unions also with the aim of enabling the partnership to further enhance the human resources concerned.

- Disposal and securitisation of a sizeable bad-loan portfolio of the Intesa Sanpaolo Group – a landmark transaction for the Italian market – amounting to Euro 10.8 billion of gross book value at a price in line with the carrying value already reckoned for the portion of the Group’s bad loans which has disposability features, taking into account the sale scenario. The capital of the securitisation vehicle will be structured as follows, in order to obtain the full accounting and regulatory derecognition of the portfolio at the closing date (expected in November 2018):

- a Senior Tranche equivalent to 60% of the portfolio price, to be underwritten by a pool of leading banks;

- Junior and Mezzanine Tranches equivalent to the remaining 40% of the portfolio price, to be underwritten by a vehicle (51%) - to be participated by Intrum and one or more co-investors, but however to act as a single investor for governance purposes - and by Intesa Sanpaolo (49%).

The aforementioned transactions, which are subject to authorisations being received from the competent authorities, envisage a valuation of around Euro 0.5 billion for the servicing platform of Intesa Sanpaolo and around Euro 3.1 billion for the bad-loan portfolio to be securitised.

The agreement underpins the de-risking strategy envisaged by Intesa Sanpaolo in its 2018-2021 Business Plan and will result in:

- reduction in the gross NPL ratio to single digit (down to 9.6% from 11.9%, when considering 2017 year-end figures);

- proven ability of Intesa Sanpaolo to dispose of a sizeable amount of NPLs at no extraordinary cost to shareholders;

- a net capital gain of around Euro 400 million in the consolidated income statement;

- meeting the Supervisors’ expectations in respect of Italian banks’ NPL reduction;

- possible further improvement in the recovery on the bad-loan portfolio retained by Intesa Sanpaolo due to the partnership with a leading international player, benefitting from combined skills, capabilities and resources;

- potential future value creation through the development of a best-in-class platform in Italy, which is one of the largest European markets for NPL servicing.”

On 27 April 2018, Intesa Sanpaolo published a press release with the following wording:

*"The Meeting of Ordinary Shareholders and the Special Meeting of Savings Shareholders were held today.*

At the Meeting of Ordinary Shareholders, the resolutions detailed below were passed.

#### Ordinary part

Item 1 on the agenda: 2017 financial statements a) Approval of the parent company's 2017 financial statements b) Allocation of net income for the year and distribution to shareholders of dividend and part of the Share Premium Reserve. The Shareholders approved the parent company's 2017 financial statements. The Shareholders also adopted a resolution to distribute €1,353,639,567.85 as dividends on the net income for the year (corresponding to 8 euro cents on each of the 15,859,786,585 ordinary shares and 9.1 euro cents on each of the 932,490,561 savings shares) and €2,065,450,088.96 as a reserve assignment from the Share Premium Reserve (corresponding to 12.3 euro cents on each ordinary share and savings share) for a total amount of €3,419,089,656.81. The reserve assignment will be subject to the same tax regime as the distribution of dividends. Dividends not distributed in respect of any own shares the Bank holds at the record date shall be allocated to the extraordinary reserve. The dividend payment will take place from 23 May 2018 (with coupon presentation on 21

May and record date on 22 May). The dividend yield is 6.4% per ordinary share and 6.5% per savings share based on today's stock price.

Item 2 on the agenda: Increase in the compensation of the Independent Auditors for the assignment of the statutory audit. The Shareholders approved the proposal regarding the updating of the economic terms and conditions currently set out for the assignment of the statutory audit granted to KPMG S.p.A., resulting in an increase - for each of the financial years 2017-2020 - of €140,000, as a result of the increased activities deriving from the entry into force of Legislative Decree no. 135/2016 and Regulation EU no. 537/2014.

Item 3 on the agenda: Remuneration and own shares.

2018 remuneration policies for employees and other staff not bound by an employment agreement and for certain categories governed by an agency contract. The Shareholders approved the remuneration policies for 2018, as described in the Report on Remuneration, Section I, 4 "*Remuneration policy for employees and staff not bound by an employment agreement*" and Section I, 5 "*Remuneration policy for certain categories governed by an agency contract*". The Shareholders also voted in favour of the procedures for the adoption and implementation of the remuneration policies, as described in the Report on Remuneration, Section I, 1 "*Procedures for adoption and implementation of the remuneration policies*".

Confirmation of the increase in the cap on the variable-to-fixed remuneration to all Risk Takers that are not part of the Corporate Control Functions. The Shareholders approved the proposal to confirm the increase in the cap on the variable-to-fixed remuneration from 1:1 to 2:1 to the population identified as Risk Takers not belonging to the Corporate Control Functions.

Approval of the 2017 Annual Incentive Plan based on financial instruments. The Shareholders approved the share-based Incentive Plan for 2017 covering Risk Takers who accrue a bonus in excess of the so-called "materiality threshold", and those Managers or Professionals who are not Risk Takers and accrue "relevant bonuses". The Plan provides for the free assignment of Intesa Sanpaolo ordinary shares to be purchased on the market.

Authorisation to purchase and dispose of own shares to service the 2017 Annual Incentive Plan. The Shareholders authorised the purchase and disposal of own shares to ensure implementation of the Incentive Plan. In accordance with this authorisation:

- Intesa Sanpaolo ordinary shares will be purchased, in one or more tranches, up to a maximum number and a maximum percentage of the Intesa Sanpaolo share capital calculated by dividing the comprehensive amount of approximately €40,000,000 by the official price recorded today by the Intesa Sanpaolo share. As the official price recorded today by the Intesa Sanpaolo ordinary shares was €3.153, the maximum number of shares to be purchased on the market to meet the total requirement of the aforementioned Incentive Plan of the Intesa Sanpaolo Group as a whole amounts to 12,686,330. This represents around 0.08% of the ordinary share capital and of the total share capital (comprising ordinary shares and savings shares);
- the purchase of shares will be executed in compliance with the provisions included in Articles 2357 and following of the Italian Civil Code, within the limits of distributable income and available reserves, as determined in the financial statements most recently approved. Pursuant to Article 132 of Legislative Decree no. 58 of 24 February 1998 and Article 144-*bis* of the Issuers' Regulation and subsequent amendments, purchases will be executed on regulated markets in accordance with trading methods laid down in market rules, in full accordance with the regulatory requirements as to equality of treatment among shareholders, the measures preventing market abuse, as well as the market practices permitted by CONSOB. By the date the Group-level purchase programme begins – disclosure of which will be made to the market as required by the regulations – the subsidiaries will have completed the procedure for seeking equivalent authorisation at their shareholders' meetings, or from the bodies with jurisdiction over such matters within their structures;

- in accordance with the authorisation obtained at the Shareholders' Meeting today, which is effective for up to 18 months, purchases will be executed at a price identified on a case-by-case basis, net of accessory charges, within a minimum and maximum price range. This price will be determined using the following criteria: the minimum purchase price will not be lower than the reference price of the share recorded in the stock market session on the day prior to each single purchase transaction, less 10%; the maximum purchase price will not be higher than the reference price the share recorded in the stock market session on the day prior to each single purchase transaction, plus 10%. At any rate, the purchase price will not be higher than the higher of the price of the last independent trade and the highest current independent bid on the market;
- pursuant to Article 2357-ter of the Italian Civil Code, the Shareholders authorised the disposal on the regulated market of own ordinary shares exceeding the Incentive Plan's requirements under the same conditions as those applied to the purchases and at a price no lower than the reference price of the share in the stock market session on the day prior to each single particular transaction, less 10%. Alternatively, these shares may be retained to service possible future incentive plans and/or possible remuneration granted the event of early termination of the employment relationship (Severance).

Approval of the 2018-2021 POP (Performance Call Option) Long-term Incentive Plan for Top Management, Risk Takers and Key Managers. The Shareholders approved the 2018-2021 POP (Performance Call Option) Long-term Incentive Plan for Top Management, Risk Takers and Key Managers in Italy.

Approval of the 2018-2021 LECOIP 2.0 Long-term Incentive Plan for all employees that are not recipients of the POP Plan. The Shareholders approved a plan based on financial instruments called Leveraged Employee Co-Investment Plan - LECOIP 2.0. This Plan is open to all employees, meaning by that all Professionals and Managers in Italy, with the exception of Top Management, Risk Takers and Key Managers, who are eligible to take part in the POP Plan.

Extraordinary part

Item 1 on the agenda: Mandatory Conversion of savings shares into ordinary shares and concurrent removal of the indication of nominal value for the shares of Intesa Sanpaolo from the Articles of Association. Amendment of Articles 5 and 29 and removal of Article 30 of the Articles of Association. Pertinent and consequent resolutions.

Shareholders:

- approved the mandatory conversion of the outstanding savings shares – following the cancellation of 61 savings shares by an authorised intermediary, with the reduction of said shares to no. 932,490,500 – into no 969,790,120 ordinary shares of the Company, the latter to consist in newly issued shares, with regular economic rights and having the same features of the ordinary shares outstanding at the date of the conversion, at a conversion ratio, equal to no. 1.04 ordinary shares for each savings share with concurrent removal of the indication of the nominal value of all of the shares of Intesa Sanpaolo S.p.A. outstanding as at the relative date of effectiveness of the conversion, pursuant to Articles 2328 and 2346 of the Italian Civil Code, so that the corporate share capital remains unchanged and divided into only ordinary shares;

***provided that*** the mandatory conversion of the savings shares in accordance with the above (and therefore also the effectiveness of any withdrawals that may be exercised by the savings shareholders entitled thereto and of the cancellation of the 61 savings shares) take place subject to:

- (a) the approval of the mandatory conversion, along with the relative amendments to the Articles of Association, pursuant to Article 146, paragraph 1, letter b) of Legislative Decree no. 58 of 1998 by the special meeting of the savings shareholders;

- (b) the authorisations of the European Central Bank required under the current legal and regulatory framework, for the purposes of the amendments to the Articles of Association, the inclusion of the ordinary shares that are issued in connection with the conversion in the CET 1 and the possible purchase by the Company of own shares at the end of the liquidation procedure relating to withdrawing shareholders; and
- (c) the amount owed to those who elect to exercise the withdrawal right not exceeding €400 million at the end of the pre-emption and pre-emptive rights offering period concerning any offer to the Intesa Sanpaolo shareholders of the shares held by the withdrawing savings shareholders pursuant to Article 2437-*quater*, paragraphs 1 and 2 of the Italian Civil Code;
  - approved the amendment to Articles 5, with sole regard to paragraph 5.1, and 29 of the company's Articles of Association;
  - granted powers and mandate to the Board of Directors and to the Chairman of the Board of Directors and the Chief Executive Officer, severally and with full power to sub delegate, to carry out all actions deemed necessary or appropriate to fully implement the above resolutions, including without limitation, (i) to define any additional terms and conditions of the Mandatory Conversion, including, *inter alia*, the date on which such conversion will be effective upon agreement with Borsa Italiana S.p.A., which must fall after the ex-right date of dividends relating to the financial year ended 31 December 2017; (ii) to define the terms and conditions of the procedure relating to the exercise of the right of withdrawal to which savings shareholders are entitled pursuant to Article 2437, paragraph 1, letter g) of the Italian Civil Code; (iii) to carry out the liquidation process of the savings shares which are the subject matter of the withdrawal process, also purchasing if necessary such shares using the available reserves; and (iv) to carry out any other formality and actions in relation to the overall number of outstanding shares as at the date of effectiveness of the conversion and to obtain the necessary authorisations for the above resolutions and, generally, any other authorisation to fully implement the resolutions, together with any necessary power thereof, with no exclusion and exemption, including the power to fulfil any requests made by the relevant Supervisory Authorities as well as to proceed with the deposit and the registration with the Company Register of the updated Articles of Association with the approved amendments thereto;
  - authorised the Board of Directors to sell the Company's own shares that may be bought as a consequence of rights of withdrawal being exercised, at the end of the liquidation process pursuant to Article 2437-*quater* of the Italian Civil Code, without limitation, for a consideration which shall not be lower than the share reference price on the trading day preceding each sale with a 10% discount, specifying that the disposal may be carried out on the market or off the market, as spot and/or forward transactions.

Item 2 on the agenda: Mandate to the Board of Directors to increase the share capital pursuant to Article 2443, as well as Article 2349, paragraph 1, and Article 2441, paragraph 8 of the Italian Civil Code for the purposes of implementing the 2018-2021 LECOIP 2.0 Long-term Incentive Plan based on financial instruments, referred to under item 3f) of the ordinary part, and consequent amendment of Article 5 (Share Capital) of the Articles of Association.

The Shareholders granted powers, pursuant to Article 2443 of the Italian Civil Code, to the Board of Directors of Intesa Sanpaolo to carry out:

- a share capital increase without payment, in one or more tranches, by 27 October 2019, pursuant to Article 2349, paragraph 1 of the Italian Civil Code, for a maximum amount of €400,000,000 (inclusive of share premium) with the issuance of up to 170,000,000 ordinary shares of Intesa Sanpaolo;
- a share capital increase with payment, in one or more tranches, by 27 October 2019, for a maximum amount of €1,200,000,000 (inclusive of share premium, and net of discount), excluding option rights in favour of the employees of the Intesa Sanpaolo Group, pursuant to

Article 2441, paragraph 8 of the Italian Civil Code, with the issuance of up to 555,000,000 ordinary shares of Intesa Sanpaolo. The share issue price will be inclusive of a discount from the market price of ordinary shares of Intesa Sanpaolo, calculated as the average of market prices observable in the 30-day period immediately prior to the issue date.

- The determination of the maximum number of ordinary shares to be issued shall depend on the issue price, which shall be determined by the Board of Directors. Assuming all employees adhere to the Professional Plan and the Manager Plan, the two share capital increases would have a dilutive effect of 3.5% on the ordinary share capital of Intesa Sanpaolo on the assumption that the share price is €3, and of 4.4% on the assumption that the maximum amount of shares per the Shareholders' Meeting resolution is issued in a stress scenario at an price of €2.4. Assuming, in addition, that all savings shares are converted into ordinary shares, the dilutive effect would be equal to around 4.1% of the total share capital post-conversion of the savings shares.

As regards the amendments to the Articles of Association approved at the Shareholders' Meeting, the European Central Bank has already released the verification, required under Article 56 of Legislative Decree 385/1993, that is needed to start procedures for entry in the Company Register.

The Special Meeting of Savings Shareholders, which followed the Meeting of Ordinary Shareholders, resolved on the only item on the agenda, in accordance with Article 146, paragraph 1, letter b) of Legislative Decree no. 58 of 24 February 1998, and approved, to the extent of its responsibility, the resolution passed in the extraordinary session, item 1 on the agenda, of the Meeting of Ordinary Shareholders, as reported above."

Intesa Sanpaolo: Assignment and Subscription of Ordinary Shares Reserved For Employees Under The 2018-2021 Lecoip 2.0 Long-Term Incentive Plan

On 11 July 2018, Intesa Sanpaolo published a press release with the following wording:

"Intesa Sanpaolo hereby communicates the number of Intesa Sanpaolo ordinary shares that have been assigned to the Group's employees and Intesa Sanpaolo ordinary shares that have been subscribed to by the Group's employees, as well as the corresponding number of Certificates issued by J.P. Morgan, i.e. the financial instruments, representative of the abovementioned shares, that the Group's employees receive under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan. The Plan, which is based on financial instruments, was approved at the Shareholders' Meeting of 27 April 2018 and has already been disclosed to the market.

The LECOIP 2.0 Plan provides for:

- the assignment, free of charge, to employees, of new Intesa Sanpaolo ordinary shares deriving from a capital increase without payment (**Free Shares**), for an amount equivalent to the Variable Result Bonus advance for 2018;
- the assignment, also free of charge, to employees, of additional new Intesa Sanpaolo ordinary shares deriving from the same capital increase without payment (**Matching Shares**) and the subscription by employees to new Intesa Sanpaolo ordinary shares deriving from a capital increase with payment, reserved for employees, through the issue of shares at a discounted price (**Discounted Shares**).

Certificates are divided into two categories, and have different characteristics according to whether they are reserved for Professionals or for Managers employed by the Group in Italy. Certificates reflect the terms of certain options that have Intesa Sanpaolo ordinary shares as their underlying instruments, and will allow subscribers to receive, at maturity, in the absence of trigger events, an amount in cash (or in Intesa Sanpaolo ordinary shares) that is equal to the original market value of the Free Shares and the Matching Shares with regard to Professionals and 75% of this value with regard to



Managers, plus a portion of any appreciation, compared to the original market value, related to the amount of the Free Shares, Matching Shares and Discounted Shares.

Today, 25,147,152 Free Shares and 47,411,243 Matching Shares were assigned to the Group's employees, and 507,908,765 Discounted Shares were subscribed to by the Group's employees. The numbers were calculated on the basis of the arithmetic average of the Volume Weighted Average Price (VWAP) of the Intesa Sanpaolo ordinary shares recorded on each working day in the 30 calendar days preceding 11 July 2018, which is equal to €2.5416. Consequently, a total number of 72,558,395 Certificates - corresponding to the abovementioned sum of Free Shares plus Matching Shares - were today assigned to the Group's employees. In detail:

Category	Number of Free Shares	Number of Matching Shares	Number of Discounted Shares	Number of Certificates
Professionals	25,147,152	29,680,708	383,795,020	54,827,860
Managers		17,730,535	124,113,745	17,730,535
Total	25,147,152	47,411,243	507,908,765	72,558,395

Following the delegation of powers granted by the Shareholders' Meeting to the Board of Directors pursuant to Article 2443 of the Italian Civil Code, today:

- a share capital increase without payment was executed, pursuant to Article 2349, paragraph 1 of the Italian Civil Code, for an amount of €87,959,908.40, through the issue of 169,153,670 Intesa Sanpaolo ordinary shares with a nominal value of €0.52;
- a share capital increase with payment was executed, with the exclusion, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of the option right, in favour of the Intesa Sanpaolo Group's employees, for an amount of €264,112,557.80, through the issue of 507,908,765 Intesa Sanpaolo ordinary shares at a price of €2.1645 (applying a discount of 14.837% to the aforementioned arithmetic average of the VWAP recorded in the 30 calendar days preceding 11 July 2018), of which €0.52 of nominal value and €1.6445 of share premium.

The total number of shares issued in the capital increase with payment and the capital increase without payment represents 4.1% of the ordinary share capital and 3.9% of the total share capital (comprising ordinary shares and savings shares) of Intesa Sanpaolo after the capital increase.

The capital increase with payment leads to an increase in the Intesa Sanpaolo Group's consolidated shareholders' equity of €1,099 million, of which €264 million in share capital and €835 million in share premium reserve, and generates an increase in the Group's Common Equity Tier 1 ratio in the region of 40 basis points on the basis of the figures as at 31 March 2018."

On 1 August 2018, Intesa Sanpaolo published a press release with the following wording:

"Today, the Board of Directors of Intesa Sanpaolo S.p.A. (**Intesa Sanpaolo** or the **Company**) resolved to proceed with the reimbursement through the purchase by the Company, pursuant to Article 2437-*quater*, paragraph 5 of the Italian Civil Code, of no. 14,962,024 savings shares of Intesa Sanpaolo following withdrawal that remained unsold (the **Shares**) after the pre-emption and pre-emptive rights offering (the **Offering**) which ended on 17 July 2018. This was in accordance with the resolution of the Special Meeting of savings shareholders of 27 April 2018 which approved the mandatory conversion of the Intesa Sanpaolo savings shares into ordinary shares (the **Mandatory Conversion**) and the consequent amendments to the company's Articles of Association. Accordingly, the Shares will not be offered on the market, as permitted by Article 2437-*quater*, paragraph 4 of the Italian Civil Code. The Shares will be purchased by using available reserves of the

Company at the liquidation value of the shares following withdrawal, set in accordance with the provisions under Article 2437-ter, paragraph 3 of the Italian Civil Code, of €2.74 each, with settlement date on 3 August 2018.

In accordance with the resolutions taken by the Extraordinary Meeting of the ordinary shareholders of Intesa Sanpaolo on 27 April 2018, the Shares purchased by the Company will be subsequently sold at a price of no less than the reference price recorded by the share in the stock market session on the day prior to each single disposal transaction, decreased by ten per cent.

Furthermore, it should be noted that:

- the settlement of the Shares and related operations following the exercise of the pre-emption and pre-emptive rights under the Offering shall take place on 3 August 2018;
- the last trading date of the Intesa Sanpaolo savings shares shall be 6 August 2018;
- the Mandatory Conversion of savings shares into ordinary shares will become effective on 7 August 2018 and, therefore, from that date only Intesa Sanpaolo ordinary shares will be traded on the Mercato Telematico Azionario of Borsa Italiana; once the Mandatory Conversion of the no. 932,490,500 savings shares into ordinary shares becomes effective, the share capital of Intesa Sanpaolo, fully subscribed and paid-in, equal to €9,084,056,582.12, will be composed of no. 17,506,639,140 ordinary shares without nominal value;
- any fractions resulting from the Mandatory Conversion of savings shares into ordinary shares will be managed by an intermediary appointed by the Company, with settlement in cash to be carried out by the beneficiaries' intermediaries."

On 7 August 2018 Intesa Sanpaolo communicated the new composition of its share capital resulting from the mandatory conversion of savings shares into ordinary shares, effective on the same date. Intesa Sanpaolo's fully subscribed and paid-in share capital thus amounts to €9,084,056,582.12, divided into 17,506,639,140 ordinary shares without nominal value.

On 12 September 2018, Intesa Sanpaolo launched and concluded an ordinary share buy-back programme. The programme executes a plan that assigns, free of charge, ordinary shares to the Group's employees; this covers the share-based incentive plan for 2017 reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold", as well as for those who, among Managers or Professionals that are not Risk Takers, accrue "relevant bonuses". In addition, the programme is implemented in order to grant, when certain conditions occur, severance payments to Risk Takers upon early termination of employment. The purchases were made in accordance with the terms authorised by the Shareholders' Meeting of Intesa Sanpaolo of 27 April 2018. The subsidiaries concerned also terminated their purchase programmes of the Issuer's shares to be assigned, free of charge, to their employees. The programmes were approved by their respective corporate bodies within their remits and are analogous to the programme approved at the Issuer's Shareholders' Meeting.

On the sole day of execution of the programme, the Intesa Sanpaolo Group purchased a total of 12,686,321 Intesa Sanpaolo ordinary shares, through Banca IMI (which was responsible for the programme execution), representing approximately 0.07% of the share capital of the Issuer, at an average purchase price of €2.291 per share, for a total value of €29,061,008. The Bank purchased 9,035,838 shares at an average purchase price of €2.287 per share, for a value of €20,668,935.

On 2 November 2018, Intesa Sanpaolo published a press release with the following wording:

"Intesa Sanpaolo was subject to the 2018 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank (ECB), and the European Systemic Risk Board (ESRB).

Intesa Sanpaolo notes the announcements made today by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise.

The 2018 EU-wide stress test does not contain a pass fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will assist competent authorities in assessing Intesa Sanpaolo's ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2018-2020). The stress test has been carried out applying a static balance sheet assumption as at December 2017, and therefore does not take into account future business strategies and management actions. It is not a forecast of Intesa Sanpaolo profits.

The Intesa Sanpaolo Common Equity Tier 1 ratio (CET1 ratio) resulting from the stress test for 2020, the final year considered in the exercise, would stand at:

- 13.04% on a phased-in basis, in accordance with the transitional arrangements for 2020, and 12.28% on a fully loaded basis, under the baseline scenario;
- 10.40% on a phased-in basis, in accordance with the transitional arrangements for 2020, and 9.66% on a fully loaded basis, under the adverse scenario.

This compares with the starting-point figure of 13.24% on a phased-in basis and 11.85% on a fully loaded basis, as at 31 December 2017 taking the impact of the first time adoption of IFRS 9 into account.

The CET1 ratio resulting from the stress test for 2020 under the adverse scenario would be 10.99% on a phased-in basis and 10.26% on a fully loaded basis when considering the capital increase executed on 11 July 2018 under the 2018-2021 LECOIP 2.0 Long-term Incentive Plan and the conversion of savings shares into ordinary shares finalised on 7 August 2018, other things being equal.

On 26 November 2018, Intesa Sanpaolo published a press release with the following wording: "Intesa Sanpaolo hereby communicates the new composition of its subscribed and paid-in share capital following the finalisation of the merger by incorporation of Cassa dei Risparmi di Forlì e della Romagna S.p.A. into Intesa Sanpaolo S.p.A..

The merger deed was signed on 10 October 2018 and registered in the competent Company Registers, with legal effects as of 26 November 2018. As a consequence, a total of 2,717,826 Intesa Sanpaolo ordinary shares, having no nominal value and regular dividend entitlement as coupon 42, were issued. This raised the share capital from €9,084,056,582.12 to €9,085,469,851.64, divided into 17,509,356,966 ordinary shares without nominal value."

On 3 December 2018, Intesa Sanpaolo published a press release with the following wording: "Following the obtainment of required authorisations from the relevant authorities, Intesa Sanpaolo and Intrum have finalised the agreement concerning the strategic partnership in respect of non-performing loans which was signed on 17 April 2018 and disclosed to the market on the same day. The agreement includes the creation of a servicing platform owned 51% by Intrum and 49% by Intesa Sanpaolo, and the disposal and securitisation of a bad-loan portfolio of the Intesa Sanpaolo Group.

The finalisation of the transaction generates a net capital gain of around €400 million for the Intesa Sanpaolo Group's consolidated income statement in the fourth quarter of 2018."

In compliance with the provisions of the "Guidelines on management of non performing and forborne exposures" of the EBA, in 2017 *Intesa Sanpaolo* submitted to the ECB a plan for the reduction of non-performing loans, which was mainly focused on recovery activities by means of internal management. In the last part of 2017 – in light of the regulatory developments with the publication, in October, of the draft of the Addendum to the "NPL Guidance", aimed to define the minimum levels of prudential

provisioning for non-performing loans, and the guidelines of the Supervisory Authority provided for banks with non-performing exposures above average and concerning the need to proceed with more strength in the reduction of non-performing loans – *Intesa Sanpaolo*, in the preparation of the Business Plan 2018–2021 approved by the Board of Directors, identified, among the main items of concern, a significant de-risking to be realised also through the assignment of a portfolio of non-performing loans, later perfected at the end of 2018.

The reduction of non-performing loans, before the value adjustments, in the first six months of 2019 has been of approximately €1,7 billion from 31 December 2018, and of approximately €17 billion from December 2017 (approximately €6 billion excluding the transaction for the assignment of non-performing loans to Intrum which was perfected at the end of 2018), therefore already achieving in the first 18 months of the Business Plan 2018–2021 67% of the reduction objective set for the entire four-year period.

### **Intesa Sanpaolo in 2019 – Highlights**

During the first nine months of 2019, the corporate simplification process envisaged by the business plan continued according to the established schedule.

Specifically, the deed of merger by incorporation of Intesa Sanpaolo Group Services into Intesa Sanpaolo was signed on 11 January. The merger took effect with respect to third parties on 21 January 2019, while the operations conducted by the incorporated company were posted to the financial statements of the absorbing company, including for tax purposes, effective from 1 January 2019.

On 1 February 2019, the merger between Intesa Sanpaolo Private Banking (Suisse) S.A. and Banque Morval S.A. was completed. After obtaining the authorisations from the competent supervisory authorities, the new bank was renamed Intesa Sanpaolo Private Bank (Suisse) Morval S.A.. It was created to contribute to the strategic initiative outlined in the 2018-2021 business plan of the Intesa Sanpaolo Private Banking Division. The new company, which the London branch also reports to, is continuing the process of international expansion already begun by Fideuram – Intesa Sanpaolo Private Banking. The main branches (Geneva and Lugano) and the international network of private bankers will enable the expansion of the geographical footprint to high-potential countries, particularly in the Middle East and South America.

On 5 February 2019, the deeds were also signed for the merger by incorporation of Cassa di Risparmio di Pistoia e della Lucchesia into Intesa Sanpaolo, with an increase in the absorbing company's share capital of €64,511.72 through the issue of 124,061 ordinary shares without nominal value, and for the merger by incorporation of Cassa di Risparmio in Bologna and Cassa di Risparmio di Firenze. The legal effects of the transactions started from 25 February 2019, while the accounting and tax effects started from 1 January 2019.

On 14 May 2019, the deed was signed for the merger by incorporation of Banca Apulia S.p.A. into Intesa Sanpaolo, with the issue of 247,398 Intesa Sanpaolo ordinary shares bearing regular dividend rights, without nominal value, and an increase in share capital from 9,085,534,363.36 to 9,085,663,010.32. The deed of merger by incorporation of Banca Prossima S.p.A. into Intesa Sanpaolo was then signed on 24 May 2019. The legal effects of these two operations started on 27 May 2019 and were posted to the financial statements of the absorbing company from 1 January 2019 also for tax purposes. Lastly, the merger plan for the merger by incorporation of Mediocredito Italiano into the Issuer was filed on 14 June 2019. Such merger has been effective as at 11 November 2019.

On 15 January 2019, Intesa Sanpaolo published a press release with the following wording:

“With reference to recent news in the press regarding communication from the ECB to the banks supervised about their gradual reaching in the next few years of a coverage ratio of NPL stock in line with that set for inflows in the Addendum to the ECB Guidance on NPLs as of 1 April 2018, Intesa Sanpaolo does not envisage any significant impact in respect of targets and forecasts concerning its

income statement and balance sheet for the 2018 financial year and the 2018-2021 Business Plan, already disclosed to the market.”

On 8 February 2019, Intesa Sanpaolo received notification of the ECB’s final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2019, following the results of the Supervisory Review and Evaluation Process (SREP). The overall capital requirement ISP has to meet in terms of Common Equity Tier 1 ratio is 8.96% under the transitional arrangements for 2019 and 9.36% on a fully loaded basis.

The overall capital requirement ISP has to meet in terms of Common Equity Tier 1 ratio is 8.96% under the transitional arrangements for 2019 and 9.36% on a fully loaded basis.

In February 2019, Intesa Sanpaolo announced the invitation to the holders or beneficial owners of the following series of notes outstanding: (i) U.S.\$1,000,000,000 5.25% Section 3(a)(2) Notes Due 2024, (ii) U.S.\$1,250,000,000 3.875% Rule 144A Notes Due July 14, 2027, (iii) U.S.\$1,000,000,000 3.875% Rule 144A Notes Due 2028, and (iv) U.S.\$500,000,000 4.375% Rule 144A Notes Due 2048 or the global receipts representing beneficial interests in any Series of Notes issued through Citibank N.A. as the receipt issuer, to tender their notes for the cash purchase by the Issuer, as described in the Tender Offer Memorandum of 7 February 2019. The offers, not subject to any future issue on the capital markets, form part of the liability management transactions carried out by the Issuer. At the close of the transaction, the total nominal amount tendered and accepted was USD 2,100,761,000.

On 30 April 2019, the Ordinary Shareholders’ Meeting of Intesa Sanpaolo – in addition to approving its financial statements, the allocation of the net income for the year and the distribution of the dividend to shareholders, the financial statements of the merged companies Intesa Sanpaolo Group Services and Cassa di Risparmio di Pistoia e della Lucchesia – appointed EY S.p.A. as the independent auditors for the financial years 2021-2029, determining their fee. The Shareholders’ Meeting also appointed the members of the Board of Directors and the Management Control Committee for financial years 2019-2021 on the basis of slates of candidates submitted by the shareholders.

The Shareholders’ Meeting then passed specific resolutions on the remuneration and own shares. Specifically, it:

- approved the remuneration policies in respect of the Board of Directors of Intesa Sanpaolo;
- determined the remuneration of the Board of Directors;
- approved the remuneration and incentive policies for 2019 and voted in favour of the procedures used to adopt and implement the remuneration and incentive policies, as described in the Report on Remuneration;
- approved the increase in the variable-to-fixed remuneration cap for personnel operating exclusively in the Investment Management units belonging to Intesa Sanpaolo Group Asset Management entities, both in Italy and abroad;
- authorised the purchase and disposal of own shares to service the 2018 annual incentive plan.

Lastly, the Shareholders’ Meeting approved the proposal for the settlement of the liability action brought against Alberto Guareschi and Roberto Menchetti in their capacity as former Chairman and former General Manager of Banca Monte Parma, with proceeds of €4.35 million.

On 2 May 2019, the Board of Directors unanimously appointed Carlo Messina as Managing Director and CEO, granting him the powers necessary and appropriate to ensure consistent management of the Company.

The first sell-back of high-risk loans deriving from the Venetian banks in compulsory administrative liquidation was launched on 11 May 2019, following notification of Intesa Sanpaolo on 11 March

2019 from the Ministry of the Economy and Finance of the issue of the decree formalising the high-risk guarantee for a total of €4 billion. The high-risk positions reclassified as “bad loans” and/or “unlikely to pay loans” were sold back for €456 million, calculated per the contract on the basis of the gross carrying value of the reclassified high-risk loans, less (i) provisions at the date of execution and (ii) 50% of the impairment losses which under IAS/IFRS the Intesa Sanpaolo Banking Group would have recognised had the Banks in compulsory administrative liquidation not had the obligation to purchase. Since the Intesa Sanpaolo Banking Group had already reclassified the loans in question as discontinued operations at a carrying amount consistent with the above consideration, no differences between the net value of the loans sold and their sell-back price emerged. As at 30 June 2019, discontinued operations included the residual high-risk loans classified in the interim as “bad loans” and/or “unlikely-to-pay loans” and to be sold back by the end of 2019.

On 14 May 2019, the deed was signed for the merger by incorporation of Banca Apulia S.p.A. into Intesa Sanpaolo, with the issue of 247,398 Intesa Sanpaolo ordinary shares bearing regular dividend rights, without nominal value, and an increase in share capital from 9,085,534,363.36 to 9,085,663,010.32. The deed of merger by incorporation of Banca Prossima S.p.A. into Intesa Sanpaolo was then signed on 24 May 2019. The legal effects of these two operations started on 27 May 2019 and were posted to the financial statements of the absorbing company from 1 January 2019 also for tax purposes. Lastly, the merger plan for the merger by incorporation of Mediocredito Italiano into the Issuer was filed on 14 June 2019. Such merger has been effective as at 11 November 2019.

As at 30 June 2019, discontinued operations included the residual high-risk loans classified in the interim as “bad loans” and/or “unlikely-to-pay loans” and to be sold back by the end of 2019.

As a result of the acquisition of certain assets and liabilities and certain legal relationships of the former Venetian banks in compulsory administrative liquidation and the resulting provisions of the European Competition Authority to the Italian government, in the agreements dated 13 July and 12 October 2017, the Intesa Sanpaolo Banking Group resolved to reduce staff by 4,000 resources (of which at least 1,000 within the scope of the former Venetian banks) by 30 June 2019.

As around 6,850 applications had been received, a number much higher than the 3,000 expected (in addition to the 1,000 applications regarding the former Venetian banks), also with a view to the business plan under preparation, the subsequent integration agreement of 21 December 2017 confirmed the acceptance of the “public offer” of the protocol dated 12 October 2017 for all staff that applied, extending the validity of the agreement for voluntary access to the Solidarity Fund to 30 June 2020.

The postponement of the exits to 30 June 2020 and the reduction in the average time drawing on the Solidarity Fund made it possible to optimise the charges for voluntary exits to be borne by the Intesa Sanpaolo Banking Group.

At the start of 2019, as a result of the effects of the legislative changes regarding pensions, the trade unions requested the assessment of the possibility of re-opening the terms for access to the Solidarity Fund and the retirement schemes set out in those agreements also to staff that, as a result of said legislative measures, could now fall within the scope of addressees of the protocol dated 12 October 2017.

In that context, without prejudice to the overall amounts allocated to the Solidarity Fund and the exits for retirement pursuant to the agreements of 13 July, 12 October and 21 December 2017, and considering the full completion of the process of integrating the businesses of the former Venetian banks which, as a result of the achievement of synergies improved the measurement of excess production capacity, the Group confirmed its willingness to permit the voluntary exits also of people who were previous excluded, as an alternative to the required professional reallocation envisaged in the business plan.

In order to allow for incentives for the retirement of up to 1,000 people and for up to 600 people to participate in the Solidarity Fund, the agreement extended to 30 June 2021 the option to access the Solidarity Fund.

In the second quarter, the Intesa Sanpaolo Banking Group carried out the voluntary realignment of some tax values. Specifically, Intesa Sanpaolo exercised the option set out in Law no. 145/2018 (Budget Act 2019) to realign tax values to their higher carrying amounts, with regard to owned real estate assets, for which values to realign were identified for €1,955.6 million. These mainly derive from the revaluations carried out starting with the 2017 financial statements, following the adoption of the criteria for revaluation of the value of owner-occupied properties (IAS 16) and of the fair value for investment property (IAS 40). These correspond to a substitute tax of €269.4 million. At consolidated level, the exercise of this option resulted in: i) the recognition of substitute tax of €269.4 million, of which €93.9 million posted to the income statement for the period and €175.5 million to shareholders' equity; ii) the derecognition of net deferred tax liabilities of €622.6 million, of which €217.1 million through profit or loss and €405.5 million through shareholders' equity, with a positive impact on the income statement of the period of € 123.2 million and an additional €230 million in shareholders' equity. The Board of Directors identified the share premium reserve in the financial statements to be classified as the suspended tax reserves, in an amount equal to the difference between the higher values realigned and the substitute tax due (€1,686.2 million), which will be subject to approval by the ordinary shareholders' meeting of Intesa Sanpaolo at the next possible meeting, presumably on approval of the 2019 Financial Statements.

On the 31 July 2019, following Intesa Sanpaolo's Board of Directors' approval of the offer that the Bank received from Prelios, Intesa Sanpaolo and Prelios reached a binding agreement to form a strategic partnership in respect of loans classified as unlikely to pay (UTP).

The agreement reached with a leading player in the UTP segment, which adds to the strategic partnership with Intrum in respect of bad loans finalised in 2018, will enable the Intesa Sanpaolo Group to focus - also thanks to the redeployment of skilled employees, in the region of a few hundred people - on the proactive credit management of early delinquency loan portfolio (specifically, the Pulse initiative) using the best external platforms for the management of subsequent stages, and to further accelerate the achievement of the NPL reduction target set out in the 2018-2021 Business Plan.

The agreement consists of the two transactions outlined below.

- A 10-year contract for the servicing of UTP Corporate and SME loans of the Intesa Sanpaolo Group to be provided by Prelios initially covering a portfolio worth around €6.7 billion of gross book value, with terms and conditions in line with market standards and a fee structure mostly composed of a variable component specifically aimed at maximising the return of positions to performing status;
- the disposal and securitisation of a portfolio of UTP Corporate and SME loans of the Intesa Sanpaolo Group worth around €3 billion of gross book value, at a price of around €2 billion which is in line with the carrying value. Taking this disposal into consideration with reference to the figures as at the end of June 2019, the NPL to total loan ratio would be down from 8.4% to 7.7% gross, from 4.1% to 3.6% net, and the NPL reduction achieved in the first 18 months of the 2018-2021 Business Plan would be as much as around 80% of the target set for the entire four-year period, at no extraordinary cost to shareholders. The capital structure of the securitisation vehicle will be the following, in order to obtain full accounting and regulatory derecognition of the portfolio at the closing date:
  - a Senior Tranche equivalent to 70% of the portfolio price, to be underwritten by Intesa Sanpaolo;
  - Junior and Mezzanine Tranches equivalent to the remaining 30% of the portfolio price, to be underwritten to the tune of 5% by Intesa Sanpaolo and the remaining 95% by Prelios and third-party investors.

The finalisation of the transactions above is subject to authorisation being received from the competent authorities. The transactions are compliant with the Group's income statement and balance sheet

targets and forecasts which have already been disclosed to the market for the 2019 financial year and the 2018-2021 Business Plan. They do not affect the strategic partnership in place with Intrum.

On the 9 September 2019, Intesa Sanpaolo has received notification of the ECB's permission to calculate the Group's consolidated capital ratios applying the so-called Danish Compromise – under which insurance investments are risk weighted instead of being deducted from capital – as of the regulatory filings for 30 September 2019.

On 18 September 2019, Intesa Sanpaolo communicated that it concluded the ordinary share buy-back programme launched on 17 September 2019 and announced to the market in a press release dated 16 September 2019. The programme executes a plan that assigns, free of charge, ordinary shares of Intesa Sanpaolo to the Group's employees; this covers the share-based incentive plan for 2018 reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold", as well as for those who, among Managers or Professionals that are not Risk Takers, accrue "relevant bonuses". In addition, the programme has been implemented in order to grant, when certain conditions occur, severance payments to Risk Takers upon early termination of employment. The programme has been carried out in accordance with the terms approved at the Shareholders' Meeting of Intesa Sanpaolo on 30 April 2019. Moreover, the Bank's subsidiaries indicated in the aforementioned press release have concluded their purchase programmes of the Issuer's shares to be assigned, free of charge, to their employees. The programmes were approved by their respective corporate bodies within their remits and are analogous to the programme approved at the Issuer's Shareholders' Meeting.

In compliance with Article 113-*ter* of Legislative Decree 58 of 24 February 1998, Article 5 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, and Article 2 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016, details concerning the purchases executed are provided below. Information is also given by Intesa Sanpaolo on behalf of the aforementioned subsidiaries.

On the two days of execution of the programme (17 and 18 September 2019), the Intesa Sanpaolo Group purchased a total of 17,137,954 Intesa Sanpaolo ordinary shares through Banca IMI (which was responsible for the programme execution). These represent approximately 0.10% of the share capital of Intesa Sanpaolo. The average purchase price was 2.129 euro per share, for a total countervalue of 36,481,543 euro. The Issuer purchased 12,393,958 shares at an average purchase price of 2.129 euro per share, for a countervalue of 26,388,935 euro.

Purchase transactions were executed in compliance with provisions included in Articles 2357 and following and 2359-*bis* and following of the Italian Civil Code and within the limits of number of shares and consideration as determined in the resolutions passed by the competent corporate bodies. Pursuant to Article 132 of *TUF* and Article 144-*bis* of the Issuers' Regulation and subsequent amendments, purchases were executed on the regulated market MTA managed by Borsa Italiana in accordance with trading methods laid down in the market rules for these transactions.

Moreover, purchases have been arranged in compliance with the conditions and the restrictions under Article 5 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, and Articles 2, 3, and 4 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

The total number of shares purchased and, therefore, the daily volume of purchases executed, did not exceed 25% of the daily average volume of the Intesa Sanpaolo ordinary shares traded in August 2019, which was equal to 127.3 million shares.

On 26 November 2019, Intesa Sanpaolo has received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2020, following the results of the Supervisory Review and Evaluation Process (SREP).



The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 9.16% under the transitional arrangements for 2020 and 9.35% on a fully loaded basis.

This is the result of:

- a SREP requirement in terms of Total Capital ratio of 9.5% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is Common Equity Tier 1 ratio, and an additional Pillar 2 capital requirement of 1.5% made up entirely of Common Equity Tier 1 ratio;
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - a Capital Conservation Buffer of 2.5% on a fully loaded basis from 2019,
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.56% under the transitional arrangements for 2020 and 0.75% on a fully loaded basis in 2021,
  - a Countercyclical Capital Buffer of 0.1%<sup>4</sup>

Intesa Sanpaolo's capital ratios as at 30 September 2019 on a consolidated basis - net of €2,648 million dividends accrued in the first nine months of 2019 - were as follows:

- 14% in terms of Common Equity Tier 1 ratio<sup>5 6</sup>
- 17.8% in terms of Total Capital ratio<sup>6 7</sup>  
calculated by applying the transitional arrangements for 2019, and
- 14.2% in terms of pro-forma Common Equity Tier 1 ratio calculated on a fully loaded basis<sup>6 7</sup>
- 18.2% in terms of pro-forma Total Capital ratio calculated on a fully loaded basis<sup>6 8</sup>

On 3 December 2019, concerning the Prelios agreement, Intesa Sanpaolo published a press release with the following wording:

"Having received the required authorisations from the relevant authorities, Intesa Sanpaolo and Prelios have finalised the agreement concerning the strategic partnership in respect of loans classified as unlikely to pay (UTP), which was signed on 31 July 2019 and disclosed to the market on the same day. The agreement consists of a contract for servicing activities to be provided by Prelios aimed at maximising the return of positions to performing status and the disposal and securitisation of a portfolio, in respect of UTP Corporate and SME loans of the Intesa Sanpaolo Group."

### **Sovereign risk exposure**

As at 30 September 2019, Intesa Sanpaolo Group's exposure in securities to Italian sovereign debt - including the insurance business – amounted to a total of €88,554 million, in addition to receivables for €11,556 million. The security exposures increased compared to €75,913 million as at the 31 December 2018.

### **Management**

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<sup>4</sup> Calculated taking into account the exposures as at 30 September 2019 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating either to 2019-2020, where available, or to the latest update of the reference period (requirement was set at zero per cent in Italy for 2019).

<sup>5</sup> After the deduction of accrued dividends, equal to 80% of net income for the first nine months of the year, and the coupons accrued on the Additional Tier 1 issues.

<sup>6</sup> Excluding the mitigation of the impact of the first time adoption of IFRS9, capital ratios are 13.1% for the Common Equity Tier 1 ratio and 17.1% for the Total Capital ratio.

<sup>7</sup> Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285 million covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward and the expected distribution of the 9M 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

## ***Board of Directors***

The composition of Intesa Sanpaolo's Board of Directors as at the date hereof is as set out below.

<b>Member of the Board of Directors</b>	<b>Position</b>	<b>Principal activities performed outside Intesa Sanpaolo S.p.A., where significant with respect to the Issuer's activities</b>
Gian Maria Gros-Pietro	Chairman	Chairman of ASTM S.p.A.
Paolo Andrea Colombo <sup>(a)</sup>	Deputy Chairperson	Chairman of Colombo & Associati S.r.l.
Carlo Messina <sup>(*)</sup>	Managing Director and CEO	None
Bruno Picca	Director	None
Rossella Locatelli <sup>(a)</sup>	Director	Chairman of Società per la Bonifica dei Terreni Ferraresi e per Imprese Agricole S.p.A. Member of the Supervisory Board of Darma SGR, a company in administrative compulsory liquidation Chairman of B.F. S.p.A.
Livia Pomodoro <sup>(a)</sup>	Director	None
Franco Ceruti	Director	Director of Intesa Sanpaolo Expo Institutional Contact Sr.l. Director of Intesa Sanpaolo Private Banking S.p.A.
Daniele Zamboni <sup>(a)</sup>	Director	None
Maria Mazarella <sup>(a)</sup>	Director	None
Milena Teresa Motta <sup>(a)</sup>	Director and Member of the Management Control Committee	Director of Strategie & Innovazione S.r.l. Chairman of the Board of Statutory Auditors of Trevi Finanziaria Industriale S.p.A.
Alberto Maria Pisani <sup>(a)</sup>	Chairman of the Management Control Committee	None
Maria-Cristina Zoppo <sup>(a)</sup>	Director and Member of the Management Control Committee	Chairman of the Board of Statutory Auditors of Houghton Italia S.p.A. Chairman of the Board of Statutory Auditors Schoeller Allibert S.p.A, Standing Statutory Auditor of Coopers & Standard

<b>Member of the Board of Directors</b>	<b>Position</b>	<b>Principal activities performed outside Intesa Sanpaolo S.p.A., where significant with respect to the Issuer's activities</b>
		Automotive Italy S.p.A.
Luciano Nebbia	Director	Deputy Chairman of Equiter S.p.A. Director of Intesa Sanpaolo Casa S.p.A.
Maria Alessandra Stefanelli <sup>(a)</sup>	Director	None
Guglielmo Weber <sup>(a)</sup>	Director	None
Anna Gatti <sup>(a)</sup>	Director	Director of Rai Way S.p.A. Director of Lastminute Group
Fabrizio Mosca <sup>(a)</sup>	Director	Deputy Chairman of Mecplast S.r.l., Standing Statutory Auditor of Bolaffi S.p.A., Chairman of the Board of Statutory Auditors of Aste Bolaffi S.p.A., Chairman of the Board of Statutory Auditors of Bolaffi Metalli Preziosi S.p.A., Standing Statutory Auditor of M. Marsiaj & C. S.r.l., Standing Statutory Auditor of Moncanino S.p.A.
Corrado Gatti <sup>##(a)</sup>	Director	Chairman of the Board of Statutory Auditors of Atlantia S.p.A.
Andrea Sironi <sup>##(a)</sup>	Director	Chairman of the Board of Borsa Italiana S.p.A. Director of London Stock Exchange plc Chairman of the Board of London Stock Exchange Group Holding Italia s.p.a.

(\*) *Carlo Messina was appointed Managing Director and CEO by the Board of Directors on 2 May 2019. He is the only executive member on the Board.*

(a) *Meets the independence requirements pursuant to Article 13.4.3 of the Articles of Association, the Corporate Governance Code and Article 148, third paragraph, of Legislative Decree 24 February 1998 no. 58.*

# *Andrea Sironi was co-opted as a Director on 2 December 2019 replacing outgoing Director Giovanni Gorno Tempini.*

## *On voluntary suspension effective 13 December 2019 and until 31 March 2020*

### **Conflicts of Interest**

As at the date of this Base Prospectus no member of the Board of Directors of Intesa Sanpaolo is subject to potential conflicts of interest between their obligations arising out of their office or employment with the Issuer or the Intesa Sanpaolo Group and any personal or other interests.

The Issuer and its corporate bodies have adopted internal measures and procedures to guarantee compliance with the relevant regulation on board member conflict of interest.

## Principal Shareholders

As at 11 September 2019, the shareholder structure of Intesa Sanpaolo was composed as follows (holders of shares exceeding 3 per cent <sup>(1)(2)</sup>). Such figures are updated based on the results from the register of shareholders and the latest communications received.

SHAREHOLDER	ORDINARY SHARES	% OF ORDINARY SHARES
Compagnia di San Paolo	1,188,947,304	6.790%
BlackRock Inc. <sup>(*)</sup>	876,009,296	5.003%
Fondazione Cariplo	767,029,267	4.381%

<sup>(1)</sup> Shareholders that are fund management companies may be exempted from disclosure up to the 5% threshold.

<sup>(2)</sup> The aggregate investment of 6.952%, of which 1.941% with voting rights, disclosed by JPMorgan Chase & Co. in form 120 B updated as at 26 November 2018, has been recalculated in 6.951%, of which 2.674% with voting rights as disclosed in form 120 A dated 20 June 2019, due to the change in Intesa Sanpaolo's share capital of 26 November 2018 as a result of the merger by incorporation of Cassa dei Risparmi di Forlì e della Romagna. JPMorgan Chase & Co. made the original disclosure on 16 July 2018 (through form 120 B) in view of the positions held in relation to the issue of LECOIP 2.0 Certificates, having as underlying instruments Intesa Sanpaolo ordinary shares, that the Intesa Sanpaolo Group's employees received under the 2018-2021 LECOIP 2.0 Long-term Investment Plan based on financial instruments.

<sup>(\*)</sup> Fund Management

## Legal Proceedings

### *Disputes relating to anatocism and other current account and credit facility conditions*

For many years, this type of dispute has been a significant part of the civil disputes brought against the Italian banking industry and therefore also the Group banks. The overall economic impact of lawsuits in this area remains at insignificant level in absolute terms.

In 2016, Art. 120 of the Consolidated Law on Banking which governs the compounding of interest in banking transactions was amended. Without prejudice to the requirement of the same frequency of calculation of the interest it was established that the frequency must not be "less than one year" with calculation at 31 December of each year and, in any event, at the end of the relationship and that debt interest accrued could not in general give rise to interest other than arrears interest. In addition, for current account credit facilities and overdrafts it was established that:

- the debt interest is calculated at 31 December and becomes due on 1 March of the year after the year when it accrued; if the account is closed, the interest becomes due immediately;

- the customer can provide authorisation, also beforehand, for the interest to be charged to their account (and therefore for its compounding) when it becomes due; this authorisation can be revoked at any time, provided it is before the charge has been made.

The implementing resolution by the CICR was published in August 2016. It establishes, among other things, that the new regulations apply to interest accrued from 1 October 2016.

In February 2017, the Italian Antitrust Authority initiated proceedings against Intesa Sanpaolo for alleged unfair business practices involving, among other things, the methods used to request the above-mentioned authorisation from customers for the charging of the interest to the account.

The Authority completed the proceedings in October 2017, ruling that Intesa Sanpaolo had implemented an "aggressive" policy aimed at acquiring the authorisation, by soliciting the customers through various means of communications and without putting them in a position to consider the consequences of that choice in terms of the interest calculation on the compounded debt interest. As a result, the Authority issued a fine of €2 million against Intesa Sanpaolo. Intesa Sanpaolo has submitted an appeal with the Lazio Regional Administrative Court, on the grounds that the ruling was unfounded. The proceedings are still pending. No significant disputes have yet emerged specifically regarding the 2014-2016 legislation.

### *Disputes relating to investment services*

In general, in 2018, the number of disputes relating to investment services decreased both in terms of number and in terms of the total value of the claims. There was only an increase in the number of disputes concerning OTC derivatives and equities, but the amounts involved were insignificant.

### *ENPAM lawsuit*

In June 2015 ENPAM sued Cassa di Risparmio di Firenze (wholly owned subsidiary of Intesa Sanpaolo), along with other defendants such as JP Morgan Chase & Co and BNP Paribas, before the Court of Milan.

ENPAM's allegations related to the trading (in 2005) of several complex financial products known as "JP Morgan 69,000,000" and "JP Morgan 5,000,000" and the subsequent "swap" (in 2006) of those products with other similar products known as "CLN Corsair 74,000,000", the latter were credit-linked notes, i.e. securities whose repayment of principal at maturity was tied to the credit risk associated with a tranche of a synthetic CDO. Due to the defaults on the CDO portfolio, the investment allegedly resulted in significant losses, for which compensation is sought.

In the writ of summons, ENPAM submitted several petitions for inquiries and rulings (in particular for contractual and tort liability and breach of Articles 23, 24 and 30 of the Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**), asking for the repayment of an amount of €222 million, and compensation for damages on an equitable basis, the part relating to Cassa di Risparmio di Firenze's position should be around €103 million (plus interest and the purported "additional damages").

Cassa di Risparmio di Firenze was sued as the transferee of the Italian branch of Cortal Consors S.A. (subsequently merged into BNP Paribas), which had provided ENPAM with the investment services within which the above mentioned securities has been subscribed.

At a preliminary stage, Cassa di Risparmio di Firenze raised various objections (including a lack of standing to be sued and the time bar). On the merits, it argued, among other positions, that the provisions of the Financial Services Act indicated by ENPAM were not applicable and that there was no evidence of the damages. It also disputed their calculation and in alternative, that ENPAM had contributed to causing the damages. If an unfavourable judgment is rendered, Cassa di Risparmio di

Firenze has requested that the court determine its internal share of the total liability of the defendants and that the other defendants be ordered to hold it harmless.

During the proceedings it emerged from the analysis of the 2016 financial statements of ENPAM that the securities subject of the allegations against Cassa di Risparmio di Firenze had been "sold back" to JP Morgan at a price of around €206 million. This circumstance was emphasised in further defence pleadings by Cassa di Risparmio di Firenze, highlighting the lack of the alleged damages and perhaps even the presence of a capital gain.

By order of 15 February 2018, the judge rejected part of the preliminary objections raised, while reserving judgment on the others (including those relating to the claimant's lack of standing to sue and the defendants' lack of standing to be sued), to be decided together with the decision on the merits. The judge also ordered a court-appointed expert's review aimed at determining, among other matters:

- whether during the pre-contractual phase the structure, value and costs of the securities at issue were properly represented to ENPAM;
- whether the securities were fit for the purpose indicated in the entity's Charter and Investment Guidelines;
- the performance achieved by ENPAM as at the date of conclusion of the individual transactions;
- the difference, if any, between the performance achieved by ENPAM and the performance that would have resulted if other investments consistent with the entity's Charter and Investment Guidelines had been undertaken (also considering the need for diversification of the risk).

The case was deferred until April 2019 for a review of the expert report. The deadline for the filing of the court-appointed expert report was extended to 28 February 2020 (due to the need for additional research), and the hearing for the examination of the report was set for 12 March 2020.

In the meantime, at the invitation of the court-appointed expert, ENPAM and some of the defendants – including Intesa Sanpaolo (which took over in the proceedings as the absorbing company of Cassa di Risparmio di Firenze) – declared their willingness to consider a settlement solution, but have not yet reached an agreement. In any event, a provision has been made for an amount corresponding to the contribution to the settlement that Intesa Sanpaolo has agreed to pay, which is much lower than the total remedy sought by ENPAM.

### ***Disputes regarding tax-collection companies***

In the context of the government's decision to reassume responsibility for tax collection, Intesa Sanpaolo sold to Equitalia S.p.A. full ownership of Gest Line and ETR/ESATRI, companies that managed tax-collection activities, undertaking to indemnify the buyer against any expenses associated with the collection activity carried out up to the time of purchase of the equity interests.

In particular, such expenses refer to liabilities for disputes (with tax authorities, taxpayers and employees) and out-of-period expenses and capital losses with respect to the financial situation at the time of the sale.

A technical roundtable has been formed with Equitalia (now Agenzia delle Entrate – Riscossione) in order to assess the parties' claims.

### ***Administrative and judicial proceedings against Banca IMI Securities Corp. of New York***

The SEC proceedings were concluded in 2017 through the payment of a total sum of approximately 35 million dollars – entirely covered by provision – levied on the basis of violations of Articles 15(b)(4)(E) of the Exchange Act and 17(a)(3) of the Securities Act.

With regard to the investigation started in October 2016 by the Antitrust Division of the Department of Justice (DoJ), the procedure was concluded in May 2019, on the basis of a Plea Agreement pursuant to the Federal Rules of Criminal Procedure, according to which IMI SEC has paid a criminal fine of USD 2,207,107.00 on the basis of a violation of the Sherman Antitrust Act, plus a USD 400 special assessment.

US Authorities significantly appreciated the cooperation provided within the overall investigation. The overall paid amount had been already fully provisioned, therefore it does not impact the 2019 balance sheet.

### *Offering of diamonds*

In October 2015, the Bank signed a partnership agreement with Diamond Private Investment (DPI) governing how diamond offerings were made by that company to the customers of Intesa Sanpaolo and of the banks of the Banca dei Territori Division. The aim of this initiative was to enhance the range of products offered to customers, by introducing a diversification solution with the characteristics of a "safe haven asset" in which to allocate a marginal part of their assets over the long-term. Diamonds had already been sold for several years by other leading national banking networks.

This activity primarily generated purchase volumes in 2016, with a significant fall starting from the end of that year. A total of around 8,000 customers purchased diamonds, for a total of around €130 million. The marketing process was based on criteria of transparency, with safeguards progressively enhanced over time, including quality controls on the diamonds and the fairness of the prices applied by DPI.

In February 2017, the AGCM (the Italian Competition Authority) brought proceedings against companies that marketed diamonds, (DPI and other companies), for alleged conduct in breach of the provisions on unfair business practices. In April, those proceedings were extended to the intermediaries that carried out the recommendation of the services of those companies.

At the end of those proceedings, on 30 October 2017, the AGCM notified the penalties imposed for the alleged breach of the Consumer Code through the conduct of DPI and of the banking intermediaries which the proceedings had been extended to, consisting - in short - of having provided partial, deceptive and misleading information on the characteristics of the diamond purchases, the methods used to calculate the price - presented as being the market price - and the performance of the diamond market. The Authority issued a fine of €3 million against Intesa Sanpaolo, reduced from the initial fine of €3.5 million, after the Authority had recognised the value of the measures taken by the Bank from 2016 to strengthen the safeguards on the offering process aimed, in particular, at ensuring proper information to customers.

Following the order by the AGCM, the Bank paid the amount of the fine and filed an appeal with the Lazio Regional Administrative Court against the order. The proceeding is still pending.

From November 2017, Intesa Sanpaolo:

- terminated the partnership agreement with DPI and ceased the activity, which had already been suspended in October;
- started a process that provides for the payment to customers of the original cost incurred for the purchase of the diamonds and the withdrawal of the stones, in order to satisfy the customers' resale needs which, due to the illiquidity that had arisen in the market, are not met by DPI within the contractually-agreed period of 30 days;
- sent a communication in January 2018 to the diamond-holding customers reiterating the nature of the stones as durable goods, and also confirming the Bank's willingness to intervene directly in relation to any realisation needs expressed by the customers and not met by DPI.

As at 30 September 2019, a total of 6,512 repurchase requests had been received from customers and met by the Bank, for a total value of € 110,7 million. The risk of potential losses connected to the diamonds for which the Bank may be required to pay the original cost incurred for their purchase is covered by a prudential provision. The assessment of this risk is carried out and updated taking into account the current appraisal values of the diamonds sold (retail prices) and their estimated wholesale prices.

In February 2019 an order for preventive criminal seizure of €11.1 million was served, corresponding to the fee and commission income paid by DPI to the Bank.

The preliminary investigations initiated by the Public Prosecutor's Office of Milan also concern four other banks (more involved) and two companies that sell diamonds. ISP is accused of an administrative offence pursuant to Legislative Decree 231/2001 in relation to the alleged offence of self laundering.

In this regard, the Bank is confident that the correctness of its actions will emerge and that the aforementioned initiatives towards customers will be appreciated.

As part of the criminal proceedings initiated by the Milan public prosecutor's office, in the first few days of October 2019, the notice of conclusion of the investigation was served, which showed no significant new elements in relation to what was previously known. Thus, two operators are currently under investigation for alleged aggravated fraud (in collusion with other parties to be identified) and other persons are being identified for allegations of self-laundering, while Intesa Sanpaolo is being charged with the administrative offence pursuant to Italian Legislative Decree 231/2001 in relation to this latter predicate offence.

***Disputes connected with the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation***

With regard to the risks connected with the possible outcomes for the Intesa Sanpaolo Group of the lawsuits relating to Banca Popolare di Vicenza and Veneto Banca (and/or their directors and top management), the following is noted:

- a) based on the agreements between the two Banks in compulsory administrative liquidation and Intesa Sanpaolo (sale contract of 26 June 2017 and Second Acknowledgement Agreement of 17 January 2018), two distinct categories of disputes can be identified (also relating to the subsidiaries of the former Venetian banks included in the sale):
  - the Previous Disputes, included among the liabilities of the Aggregate Set transferred to Intesa Sanpaolo, which include civil disputes relating to judgements already pending at 26 June 2017, with some exceptions, and in any case different from those included under the Excluded Disputes (see the point below);
  - the Excluded Disputes, which remain under the responsibility of the Banks in compulsory administrative liquidation and which concern, among other things, disputes brought (also before 26 June 2017) by shareholders and convertible and/or subordinate bondholders of one of the two former Venetian banks, disputes relating to non-performing loans, disputes relating to relationships terminated at the date of the transfer, and all disputes (whatever their subject) arising after the sale and relating to acts or events occurring prior to the sale;



- b) the relevant allowances were transferred to Intesa Sanpaolo along with the Previous Disputes; in any case, if and to the extent the provisions transferred prove insufficient, Intesa Sanpaolo will be entitled to be indemnified by the Banks in compulsory administrative liquidation, at the terms provided for in the sale contract of 26 June 2017. This indemnity is backed by a government guarantee, pursuant to Decree Law 99/2017;
- c) after 26 June 2017, a number of lawsuits included within the Excluded Disputes were initiated or resumed against Intesa Sanpaolo. With regard to these lawsuits:
- Intesa Sanpaolo is pleading and will plead its non-involvement and lack of capacity to be sued, both on the basis of the provisions of Decree Law 99/2017<sup>8</sup> (Article 3), the sale contract signed with the two Banks in compulsory administrative liquidation on 26 June 2017 (Articles 3.1.1, 3.1.4 and 3.2), the First Acknowledgement Agreement signed on 19 December 2017, and the Second Acknowledgement Agreement signed on 17 January 2018 (Article 3 and Attachment 1.1), and in compliance with the European Commission provisions on State Aid (Decision C(2017) 4501 final and Attachment B to the sale contract of 26 June 2017), which prohibit Intesa Sanpaolo from taking responsibility for any claims made by the shareholders and subordinated bondholders of the former Venetian Banks;
  - even if there were to be a ruling against Intesa Sanpaolo (and in any event for the charges incurred by Intesa Sanpaolo for any reason in relation to its involvement in any Excluded Disputes), it would have the right to be fully reimbursed by the Banks in compulsory administrative liquidation;
  - it should be noted that the Banks in compulsory administrative liquidation have contractually acknowledged their capacity to be sued with respect to the Excluded Disputes, such that, with effect from 26 June 2017, they have entered appearances in various proceedings initiated (or re-initiated) by various shareholders and subordinate bondholders against Intesa Sanpaolo (or in any case included in the category of Excluded Disputes), asking for the declaration of their exclusive capacity to be sued and the consequent exclusion of Intesa Sanpaolo from those proceedings;
- d) pursuant to the agreements between the two Banks in compulsory administrative liquidation and Intesa Sanpaolo, the disputes regarding the marketing of shares/convertible and/or subordinated bonds initiated against Banca Nuova (subsequently merged by incorporation into Intesa Sanpaolo) and Banca Apulia are also included in the Excluded Disputes (and therefore have the same treatment as described above, as a result of the abovementioned provisions and based on the criteria set out in the retransfer agreements signed on 10 July 2017, as subsequently supplemented). In this regard, however, it should be noted that as at 31 December 2018, the Securities and Financial Ombudsman (Arbitro per le Controversie Finanziarie) upheld 88 complaints filed by customers of Banca Nuova regarding shares of Banca Popolare di Vicenza and 108 complaints filed by customers of Banca Apulia regarding shares of Veneto Banca. Banca Nuova (now Intesa Sanpaolo) and Banca Apulia did not implement the Decisions because – for the reasons set out above and in accordance with the provisions of the European Commission Decision C(2017) 4501 final on State aid – any liability relating to the marketing of the shares of the former Venetian banks must be considered as being borne exclusively by the two Banks in compulsory administrative liquidation.

In January 2018, as part of a criminal proceeding before the Court of Rome for the alleged market rigging and obstructing the Supervisory Authorities in the performance of their functions with respect to officers and executives of Veneto Banca, the preliminary hearing judge decided that Intesa Sanpaolo could be charged with civil liability.

As a result of this decision, more than 3,800 civil plaintiffs joined the proceedings as shareholders or subordinated bondholders of Veneto Banca. Intesa Sanpaolo entered an appearance requesting its

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<sup>8</sup> Published in the Official Gazette no. 146 of 25 June 2017 and converted by Law 121 of 31 July 2017.

exclusion from the proceedings, in application of the provisions of Decree Law 99/2017, of the rules established for the compulsory administrative liquidation of banks and, before that, of the principles and rules contained in the bankruptcy law, in addition to the constitutional principles and decisions made at EU level. Veneto Banca in compulsory administrative liquidation intervened voluntarily affirming its exclusive, substantial and procedural capacity to be sued.

In March 2018, the preliminary hearing judge declared his lack of territorial jurisdiction, transferring the files to the Public Prosecutor's Office of Treviso. The charge of civil liability and the joinders of the civil parties were therefore removed. On the other hand, in a criminal proceeding before the Court of Vicenza against the officers and executives of Banca Popolare di Vicenza, the preliminary hearing judge rejected the request for authorisation to charge Intesa Sanpaolo with civil liability, on the basis of the sale contract of 26 June 2017 and the special provisions contained in Decree Law 99/2017.

### ***Dargent lawsuit***

The claim was filed before a French Court in 2001 by the trustee in bankruptcy for the bankruptcy of the real estate entrepreneur Philippe Dargent, which made a request to the Bank for compensation of €55.6 million for the alleged “improper financial support” provided to the entrepreneur.

The claim of the trustee in bankruptcy has consistently been rejected by the courts of different instance which dealt with the case over the last 17 years, until the Court of Colmar, on 23 May 2018, ordered the Bank to pay compensation of around €23 million (equal to the insolvency liabilities, minus the bank's credit claim and the proceeds from the sale of several assets). An appeal against the Court of Colmar ruling has been lodged with the French Court of Cassation. The amount of the payment ordered has been temporarily deposited with the the appropriate “Caisse des Reglemetns Pecuniaires des Avocats”. Following the exchange of defence briefs in early 2019 and based on the recently completed in-depth analysis carried out also together with the lawyers assisting the Bank, the risk of a partial payment is considered as probable.

The Juge Rapporteur filed its report in the third quarter, stating that the appealed decision seems appropriately justified when criticizing the bank's misconduct because of undue granting of credit and unlawful support to the company, which later went bankrupt. However, the report does not introduce any decisive elements to quantify the damages. After the hearing before the Court of Cassation in November 2019, the ruling is expected in the first part of 2020.

### ***Private banker (Sanpaolo Invest)***

An inspection conducted by the audit function of Sanpaolo Invest showed serious irregularities by a private banker of Sanpaolo Invest, whose portfolio comprises more than 800 customers.

Sanpaolo Invest notified the competent authorities of the situation and terminated the agency relationship. The surveillance body of the company which keeps the single register of financial advisors ordered the preventive suspension of the former private banker from the register for 180 days pending the completion of the preliminary investigation, while the judicial authorities ordered seizures at banks.

With regard to the accurate definition of the total amount of the misappropriations committed and the untrue account statements sent to customers, precise investigations are under way, and meetings were begun on 1 July 2019 with all customers. Suitable provisions have been allocated, also taking account of the existing insurance coverage.

### ***Labour litigation***

There were no significant cases of labour litigation from either a qualitative or quantitative standpoint as at 30 June 2019. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

## **Tax litigation**

The Intesa Sanpaolo Group's tax litigation risks are covered by adequate provisions to allowances for risks and charges.

As at 30 June 2019, Intesa Sanpaolo had pending litigation proceedings (for tax, fines and interest) for a total amount of €81 million (€222 million as at 31 December 2018), considering both administrative and judicial proceedings at various instances.

In relation to these proceedings, the actual risks were quantified at €33 million (€51 million as at 31 December 2018).

The figure for Intesa Sanpaolo also includes the effects of the mergers, during the half year, of Cassa di Risparmio di Firenze S.p.A., Cassa di Risparmio in Bologna S.p.A. and Banca Apulia S.p.A., which led to an increase of approximately €12 million in disputed tax claims and €5 million in the allowance for tax litigation.

The reduction in the total claim amount was due to the settlement of numerous disputes through the so-called “tax amnesty”, with a cost already allocated as at 31 December 2018 of less than €15 million (representing around 10% of the claim amount).

With regard to new cases, no significant claims arose during the first six months of the year, except for the assessment notices for IRES and IRAP for the tax years 2014 and 2015 served by the Lombardy Regional Revenue Office – Large Taxpayers Office on Intesa Sanpaolo Private Banking and on the Issuer, as the consolidating entity, which are discussed below.

With regard to the Issuer, please note that the Provincial Revenue Office of Florence is also conducting an audit, for the years 2014 and 2015, on an IT services company sold to third parties at the end of 2017, which in those years operated in the form of a consortium company with a shareholding structure composed of companies of the Intesa Sanpaolo Group. The requests for clarification are focusing on the VAT exemption for services provided to the consortium companies in accordance with Article 10, paragraph 2, of Presidential Decree no. 633 of 1972. For the year 2014, the company – in agreement and in coordination with Intesa Sanpaolo – has prepared a reply to the questionnaire received and has started discussions with the Italian Revenue Agency, which has not yet made any claims.

With regard to the Intesa Sanpaolo branches located abroad, a VAT tax audit is underway on the London branch for the years 2016, 2017 and 2018, as well as an audit on federal direct taxes at the New York branch for the tax period 2016. At the moment, no claims have been made.

At the Group's other Italian companies, tax disputes totalled €73 million as at 30 June 2019 (€139 million as at 31 December 2018), covered by specific provisions of €16 million (€47 million in the 2018 financial statements). The decrease in both claims and provisions was partly due to the merger of the above-mentioned banks into Intesa Sanpaolo and mostly due to the use of the so-called “tax amnesty” by Banca IMI, Mediocredito Italiano, Intesa Sanpaolo Vita and Fideuram.

Fideuram settled its dispute concerning Euro-Trésorerie for the years 2014 to 2017 arising from the tax audit report served on 11 October 2018 by the Tax Police (Guardia di Finanza), following similar claims previously made for the years 2012 and 2013. With respect to an overall assessment claim of €205 million, which included €75 million for taxes and penalties, Fideuram had allocated €25 million in 2018, partly for the 2013 settlement and partly to cover the estimated liability for claims in subsequent years, all settled in 2019 with a total payment of €21.5 million.

On 26 June 2019, a favourable ruling for Intesa Sanpaolo Private Banking was issued by the Lombardy Regional Tax Commission, which rejected the main appeal by the Italian Revenue Agency against the ruling by the Milan Provincial Tax Commission, which had in turn upheld the (combined) appeals against the 2011 IRES and IRAP assessment notices (total claim amount of €7.3 million, of

which €3.8 million for taxes and €3.5 million for penalties). In the above-mentioned assessment notices the Italian Revenue Agency had alleged an unlawful deduction of the amortisation charge of €11.6 million of the goodwill deriving from the transfer of the private banking businesses of Intesa Sanpaolo and Cassa dei Risparmi di Forlì e della Romagna, in the years 2009 and 2010, as realigned by Intesa Sanpaolo Private Banking in accordance with Article 15, paragraph 10, of Law Decree no. 185 of 29 November 2008. The disputes for the years 2011, 2012 and 2013, pending before the tax commissions, have all so far had favourable outcomes for the company. In relation to this dispute, on 8 and 10 April 2019 the Lombardy Regional Revenue Office - Large Taxpayers Office served assessment notices on Intesa Sanpaolo Private Banking and the Issuer, as the consolidating entity, for IRES and IRAP for the tax years 2014 and 2015 (value of the disputes: €3.9 million and €4 million for tax, plus penalties and interest). In view of the continued favourable course of this dispute, as well as other factors, the risk of incurring liabilities is considered to be remote. For Banca IMI, as at 31 December 2018, the remaining tax dispute related to proceedings pending before the Court of Cassation against assessment and adjustment notices for the years 2003, 2004 and 2005 (total remedy sought of almost €20 million for tax, penalties and interest). Following the unfavourable decisions in the proceedings on the merits before the Tax Commissions, payments of around €16 million, charged in full to the tax allowance, had already been made on a provisional basis for this dispute. As a result of these outcomes, an in-depth examination was conducted with a view to settling the disputes through the so-called “tax amnesty”, and the bank decided to exercise this option, also because this would mean that it would no longer have any pending tax disputes.

For Mediocredito Italiano, the Milan Tax Police (Guardia di Finanza) initiated a general audit of direct taxes for the tax years 2015 and 2017 and of VAT for the years 2014 and 2015. The requests from the Inspectors are currently focusing on the 2014 VAT and in particular on the tax exemption, pursuant to Article 8-bis of Presidential Decree no. 633/72, applied by the company to the nautical leases. With the notification on 31 July 2019 of the tax audit report, the Milan Tax Police concluded the audit of VAT for 2014, as part of the general audit of direct taxes for the tax years 2015 and 2017 and of VAT for the years 2014 and 2015. For the years 2015 and 2017, the audit, which is currently suspended, will resume in 2020. In brief, two breaches of VAT regulations were found: the first, referring to the early surrender by two customers who are natural persons of a leased vessel, under the extraterritorial VAT regime pursuant to Art. 7-bis of Presidential Decree no. 633/72 (higher VAT of 0.65 million euro assessed); the second, relating to the application of the VAT exemption regime pursuant to Art. 8-bis of Presidential Decree no. 633/72 to boat lease contracts for ocean-going vessels to be used for commercial activities (higher VAT of 1.7 million euro assessed).

Mediocredito also settled two disputes of the former Leasint, through the so-called “tax amnesty”: the first for a minor amount relating to VAT in 2001 and the second relating to VAT and IRAP for 2005. For the latter, with respect to a claim amount of €6.8 million, the cost of the settlement was only €0.1 million.

Intesa Sanpaolo Vita also made use of the “tax amnesty”, through which it settled disputes regarding VAT on the services provided via contracts between insurance companies classed as co-insurance contracts (remedy sought of around €8 million for tax, plus penalties and interest), with a total payment of €5.8 million. The company had not made any provisions for the pending disputes, but in agreement with the independent auditors and based on a resolution of the Board of Directors of 7 May 2019, a receivable of around €5 million was recognised, in relation to that cost, for the right of recourse against the following counterparties: Poste Vita, Reale Mutua Assicurazioni, Unipol Assicurazioni and Cardif Assicurazioni. A single VAT dispute for 2013 with a total value of €0.24 million is still pending. With the notification on 31 July 2019 of the tax audit report, the Milan Tax Police concluded the audit of VAT for 2014, as part of the general audit of direct taxes for the tax years 2015 and 2017 and of VAT for the years 2014 and 2015. For the years 2015 and 2017, the audit, which is currently suspended, will resume in 2020. In brief, two breaches of VAT regulations were found: the first, referring to the early surrender by two customers who are natural persons of a leased vessel, under the extraterritorial VAT regime pursuant to Art. 7-bis of Presidential Decree no. 633/72 (higher VAT of 0.65 million euro assessed); the second, relating to the application of the VAT exemption regime pursuant to Art. 8-bis of Presidential Decree no. 633/72 to boat lease contracts for

ocean-going vessels to be used for commercial activities (higher VAT of 1.7 million euro assessed).

The amount of tax disputes involving foreign subsidiaries was limited and almost entirely provisioned. These consisted of claims for a total value of €5 million (in line with the end of December 2018) covered by provisions of €4 million (same amount at the end of 2018).

The tax audit on IMI SEC is currently underway for the years 2015 and 2016, for which the US tax authorities are contesting the composition of the company's revenues, which have a high level of income originating from outside the State of New York and subject to lower tax. In 2019 the audit was also extended to 2017. No claims have been made for the time being.

The general tax audit (excluding VAT) on CIB Bank Ltd. in relation to the tax years 2015 and 2016 was completed without any particular findings. A VAT tax audit was initiated in May 2019. No claims have been made for the time being.

Moreover, with regard to relations between the international subsidiary banks and Italian customers, the Italian tax authorities are investigating the taxation in Italy of interest arising from the disbursement of loans to individuals resident in Italy and received by banks resident abroad without a permanent establishment in Italy, which would be required to tax the income generated in Italy at the ordinary IRES rate or at the conventional rate, if more favourable.

The Group's subsidiary banks resident in Switzerland (Intesa Sanpaolo Private Bank (Suisse) Morval) and Luxembourg (Intesa Sanpaolo Bank Luxembourg) received questionnaires from the Italian tax authorities, to which they have responded. No claims have been made for the time being.

With regard to the situation of the sold company Infogroup Informatica e Servizi Telematici S.p.A. for 2014 and 2015, refer to the half-yearly report for a summary thereof. During the period, the discussions with the tax authorities continued in relation to the application of the VAT exemption for services provided to the consortium companies in accordance with Article 10, paragraph 2, of Presidential Decree no. 633 of 1972. To date, the company has not been served any assessments.

With regard to the Intesa Sanpaolo branches located abroad, a VAT tax audit is underway on the London branch for the years 2016, 2017 and 2018, as well as an audit on federal direct taxes at the New York branch for the tax period 2016. No claims have been made for the time being.

With regard to IMI Fondi Chiusi SGR, in June a notice of settlement was served, resulting from the disavowal of the IRES credit shown in the withholding agent tax return for 2015, deriving from the loss on operations accrued as at 30 June 2011 by the mutual investment funds administered (value of the dispute: 3.9 million euro, of which 2.7 million euro for taxes, 0.9 million euro for penalties and 0.3 million euro for interest). The disavowal derives from the failure to indicate that the credit was carried forward in the withholding agent tax returns for the years 2011 to 2014.

With regard to the former Banca Nuova, the tax audit by the Sicily Regional Office of the Italian Revenue Agency – Large Taxpayers Office on IRES, IRAP and VAT for the tax year 2015 began on 12 June 2019. The auditors were provided with extensive assistance during all the phases of the investigation and, according to the information provided, the audit is expected to be concluded shortly without claims of significant amounts.

### **Declaration of the officer responsible for preparing the Issuer's financial reports**

The officer responsible for preparing the Issuer's financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154-bis of the Financial Law, that the accounting information contained in this Base Prospectus corresponds to the Issuer's documentary results, books and accounting records.

## FINANCIAL INFORMATION OF THE ISSUER – AN OVERVIEW

### Audited Consolidated Annual Financial Statements

The annual financial information below as at and for the years ended 31 December 2018 and 31 December 2017 has been derived respectively from the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2018 (the **2018 Audited Financial Statements**) and from the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2017 (the **2017 Audited Financial Statements**).

### Half-Yearly Financial Statements

The half yearly financial information below as at and for the six months ended on 30 June 2019 has been derived from the unaudited condensed consolidated half yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended on 30 June 2019 (the **2019 Half-Yearly Unaudited Financial Statements**) that include comparative balance sheet figures as at 31 December 2018 and income statement figures for the six months ended on 30 June 2018.

### Incorporation by Reference

Both the audited consolidated annual and the unaudited consolidated half-yearly financial statements referred to above are incorporated by reference in this Base Prospectus (see "*Documents 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 audited consolidated annual and unaudited consolidated half-yearly financial statements, together with the accompanying notes and auditors' reports.

### Accounting Principles

The audited consolidated annual and unaudited consolidated half-yearly financial statements referred to above 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 unaudited consolidated half-yearly financial statements referred to above have been prepared in compliance with International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

### Transition to IFRS 16

#### *The regulations*

The new accounting standard IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission through Regulation no. 1986/2017, replaced IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases – Incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease", with effect from 1 January 2019, and established the requirements for accounting for lease contracts.

On 1 January 2019, the IFRS 16 accounting principle entered into force; this is a new accounting standard that, by substituting IAS 17, impacts on the accounting method of leasing contracts in the lessees/user balance sheet as well as on the lease, rental and loan agreements, by introducing a new definition based on the assignment of the "right of use" of the leased asset. The new principle envisages, *de facto*, that all leasing agreements shall be registered by the tenant in the balance sheet as

assets and liabilities. It also introduces a different method for cost determination: whilst for IAS 17 the lease instalments were reported in the income statement item concerning the administrative expenses, according to IFRS 16 the burden is represented both by means of amortisation of the activity related to the "right of use" and as interests. The adjustment of the opening balance sheet after the application of IFRS 16 by using the amended retrospective approach, determined an increase of the activities following the registration of the new rights of use at Group level of 1,599 million of Euro and the financial liabilities (debt towards the tenant) of the same amount. The application of the new IFRS 16 accounting principle has caused an impact on the CET 1 equal to -8 base points.

In accordance with the new standard, entities are required to decide whether a contract is (or contains) a lease, based on the concept of control of the use of an identified asset for a set period of time. As a result, rental, hire or free loan agreements come under the scope of the new rules.

In view of the above, significant changes have been made to the accounting for lease transactions in the financial statements of the lessee/user, with the introduction of a single accounting model for lease contracts for the lessee, based on the right-of-use model. Specifically, the main change consists of the elimination of the distinction between operating and finance leases, established by IAS 17: all lease contracts must therefore be accounted for in the same way with the recognition of an asset and a liability. Unlike the standards in force until 31 December 2018, the accounting model envisages the recognition of the right of use of the leased asset under the Balance Sheet Assets and the liabilities for lease payments not yet paid to the lessor under the Balance Sheet Liabilities. The method of recognition of the profit or loss components has also changed: in IAS 17 lease payments were shown under the caption Administrative Expenses, whereas under IFRS 16 the charges relating to the amortisation of the "right of use" and the interest expense on the payable are recognised.

In terms of disclosure, the minimum information required from the lessees includes:

- the sub-division of the leased assets among different "classes";
- an analysis by due date of the liabilities related to the leases;
- the information that is potentially helpful for a better understanding of the entity's activities with regard to the lease contracts (for example, prepayment or extension options).

However, there are no substantial changes, other than some additional disclosure requirements, for the accounting for leases by the lessors, where the current distinction is maintained between operating leases and finance leases.

In addition, in accordance with the requirements of IFRS 16 and the IFRIC clarifications ("Cloud Computing Arrangements" document of September 2018), software has been excluded from the scope of IFRS 16 and is therefore accounted for in accordance with IAS 38 and its requirements.

From 1 January 2019, the effects on the financial statements resulting from the adoption of IFRS 16 can be identified for the lessee – with the same income and final cash flows – as an increase in the assets recorded in the financial statements (leased assets), an increase in the liabilities (the payable for the leased assets), a reduction in administrative expenses (lease payments) and an accompanying increase in financial costs (the remuneration of the payable recognised) and depreciation (relating to the right of use). With regard to the income statement, when the entire term of the contracts is considered, the economic impact does not change over the period of the lease, both when the former IAS 17 or the new IFRS 16 are applied, but its distribution over time is different.

In 2018, the Intesa Sanpaolo Group initiated a specific project for the implementation of IFRS 16 – Leases, aimed at examining and determining the qualitative and quantitative impacts, and identifying and implementing the practical and organisational measures required for consistent, systematic and effective adoption within the Group as a whole and for each of its individual subsidiaries. From a procedural perspective, a specific application has been implemented at Group level (except for some companies located abroad, which have adopted a solution specific to their circumstances) for the determination of values according to IFRS 16.

## **The choices made by the Intesa Sanpaolo Group**

It is worth noting some “general” choices made by the Intesa Sanpaolo Group regarding the methods of presentation of the effects of first-time adoption of the standard, as well as some rules to be applied upon full adoption for the accounting for lease contracts.

The Group has chosen to carry out the first-time adoption (FTA) of IFRS 16 through the modified retrospective approach, which provides the option, established by the standard, of recognising the cumulative effect of the adoption of the standard at the date of first-time adoption and not restating the comparative information of the financial statements of first-time adoption of IFRS 16. As a result, the financial statement figures for 2019 will not be comparable with regard to the valuation of the rights of use and the corresponding lease liability. However, in the Report on Operations, the income statement and balance sheet figures affected by the standard have been restated – as at 1 January 2019 – to enable like-for-like comparison.

Upon first-time adoption, the Group has adopted some of the practical expedients provided for in the standard in paragraph C10 and following. In particular, contracts with a remaining lease term of 12 months or less (“short term”) have not been included. The Group has not made any provisions for onerous leases measured pursuant to IAS 37 and recognised in the Financial Statements as at 31 December 2018.

Also on a recurring basis after the first time adoption, the Group has also decided not to apply the new standard to contracts with a total lease term of 12 months or less and to contracts with a value of the underlying asset, when new, of 5,000 euro or less (“low value”). In this case, the lease payments for these leases are recognised as an expense – in the same way as in the past – on a straight-line basis for the lease term or on another systematic basis if that basis is more representative of the pattern of the lessee’s benefit.

With regard to the sale and leaseback agreements outstanding as at the date of first-time adoption, the Intesa Sanpaolo Group has applied to the leases resulting from these transactions, and previously classified as operating leases according to IAS 17 requirements, the same transition model for the other lease contracts as required by the IFRS 16.

A summary is provided below of some of the choices made by the Group regarding the treatment of leases on the lessee side, such as, for example, the contractual term, discount rate, and lease and non-lease components.

### *Contractual term*

The lease term is determined by the non-cancellable period for which the Group has the right to use the underlying asset, also considering: (i) the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise that option; and (ii) the periods covered by the option to terminate the lease, if the lessee is reasonably certain not to exercise that option.

At the transition date and at the commencement date of each contract entered into after 1 January 2019, each Group Company has established the term of the lease, based on the facts and circumstances



that exist at that date and that have an impact on the reasonable certainty of exercising the options included in the lease arrangements.

With regard to the real estate leases, the Group has decided to consider only the first renewal period for all new contracts (and as at the FTA date) as reasonably certain, unless there are particular contractual clauses, facts or circumstances that suggest that additional renewals should be considered or that determine the end of the lease.

On the basis of the characteristics of the Italian lease contracts and the provisions of Law 392/1978, in the event of the signing of a new lease contract with a contractual term of six years and the option to automatically renew the contract after six years for another six years, the total term of the lease will be at least twelve years. This general rule is superseded if there are new elements or specific situations within the contract.

For the international companies, each Legal Entity will apply the general rule of considering a renewal in the first period, unless local regulations and business decisions lead to different choices. In the latter case, the company must assess the reasonable certainty of exercising the option, taking into account both the requirements of the Standard and the strategy regarding the Real Estate contracts, the general business plan and the local laws and customs.

In line with the choice made for the real estate contracts, for the other types of leases, in which the contract includes a renewal clause, the Group has decided – for all the new contracts (and also at the FTA date) – to assess the reasonable certainty of exercising the option, taking into account both the requirements of the Standard and the strategy regarding the individual contracts.

#### *Discount rate*

With regard to the discount rate, based on the requirements of IFRS 16, the Group uses the implicit interest rate for each lease contract, when it is available. For leases from the lessee's point of view, in some cases, for example for rental agreements, the implicit interest rate cannot always be readily determined without using estimates and assumptions (the lessee does not have enough information about the unguaranteed residual value of the leased asset). In these cases, the Group has developed a methodology for setting the incremental interest rate as an alternative to the implicit interest rate and has decided to adopt the Funds Transfer Pricing (FTP) method. This is based on an unsecured and amortising rate curve, which envisages lease payments for the lease contract that are typically constant over the lease term, rather than a single payment upon maturity. The FTP method takes into account the creditworthiness of the lessee, the term of the lease, the Nature and quality of the collateral provided and the economic environment in which the transaction takes place and is therefore in line with the requirements of the standard.

#### *Lease and non-lease components*

The Group has also decided not to separate the service components from the lease components and to consequently recognise the entire contract as a lease, because the service components are not significant.

**INTESA SANPAOLO**  
**CONSOLIDATED ANNUAL BALANCE SHEET**  
**AS AT 31.12.2018**

The annual financial information below includes comparative figures as at and for the year ended 31 December 2017.

As regards the adoption of IFRS 9, the Group has decided to exercise the option, provided by IFRS 9, of not restating the comparative information for the IFRS 9 first-time adoption financial statements. In order to assign the 2017 comparative information to the accounting captions established in the new Circular 262 official financial statement layouts, the necessary reconciliations have been made, without changing the values.

	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Assets</b>	<b>Audited</b>	<b>Audited<sup>9</sup></b>
	<i>(in millions of €)</i>	
Cash and cash equivalents	10,350	9,353
Financial assets measured at fair value through profit or loss	42,115	39,582
<i>a) financial assets held for trading</i>	38,806	39,028
<i>b) financial assets designated at fair value</i>	208	554
<i>c) other financial assets mandatorily measured at fair value</i>	3,101	-
Financial assets measured at fair value through other comprehensive income	60,469	64,968
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	149,546	152,582
Financial assets measured at amortised cost	476,503	483,959
<i>a) due from banks</i>	69,307	72,057
<i>b) loans to customers</i>	407,196	411,902
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	952	423
Hedging derivatives	2,993	4,213
Fair value change of financial assets in hedged portfolios (+/-)	124	-204
Investments in associates and companies subject to joint control	943	678
Technical insurance reserves reassured with third parties	20	16
Property and equipment	7,372	6,678
Intangible assets	9,077	7,741
<i>of which:</i>		
- <i>goodwill</i>	4,163	4,056
Tax assets	17,253	16,887
<i>a) current</i>	3,320	3,688
<i>b) deferred</i>	13,933	13,199
Non-current assets held for sale and discontinued operations	1,297	627
Other assets	8,707	9,358
<b>Total Assets.....</b>	<b>787,721</b>	<b>796,861</b>

<sup>9</sup> This financial information has been reclassified in accordance with the 5th update of circular 262 issued by the Bank of Italy.

**INTESA SANPAOLO**  
**CONSOLIDATED ANNUAL BALANCE SHEET**  
**AS AT 31/12/2018**

The annual financial information below includes comparative figures as at and for the year ended 31 December 2017.

As regards the adoption of IFRS 9, the Group has decided to exercise the option, provided by IFRS 9, of not restating the comparative information for the IFRS 9 first-time adoption financial statements. In order to assign the 2017 comparative information to the accounting captions established in the new Circular 262 official financial statement layouts, the necessary reconciliations have been made, without changing the values.

<b>Liabilities and Shareholders' Equity</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>Audited</b>	<b>Audited<sup>10</sup></b>
	<i>(in millions of €)</i>	
Financial liabilities measured at amortised cost	513,775	516,360
<i>a) due to banks</i>	107,815	99,989
<i>b) due to customers</i>	323,900	323,386
<i>c) securities issued</i>	82,060	92,985
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	810	1,312
Financial liabilities held for trading	41,895	41,218
Financial liabilities designated at fair value	4	3
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	67,800	68,233
Hedging derivatives	7,221	7,489
Fair value change of financial liabilities in hedged portfolios (+/-)	398	478
Tax liabilities	2,433	2,509
<i>a) current</i>	163	364
<i>b) deferred</i>	2,270	2,145
Liabilities associated with non-current assets held for sale and discontinued operations	258	264
Other liabilities	11,645	12,247
Employee termination indemnities	1,190	1,410
Allowances for risks and charges	5,064	5,808
<i>a) commitments and guarantees given</i>	510	327
<i>b) post-employment benefits</i>	261	1,104
<i>c) other allowances for risks and charges</i>	4,293	4,377
Technical reserves	80,797	82,926
Valuation reserves	-913	-1,206
Valuation reserves pertaining to insurance companies	9	417
Redeemable shares	-	-
Equity instruments	4,103	4,103
Reserves	13,006	10,921
Share premium reserve	24,768	26,006
Share capital	9,085	8,732
Treasury shares (-)	-84	-84
Minority interests (+/-)	407	399
Net income (loss) (+/-)	4,050	7,316
<b>Total Liabilities and Shareholders' Equity</b>	<b>787,721</b>	<b>796,861</b>

<sup>10</sup> This financial information has been reclassified in accordance with the 5th update of circular 262 issued by the Bank of Italy

**INTESA SANPAOLO**  
**CONSOLIDATED ANNUAL STATEMENTS OF INCOME**  
**FOR THE YEAR ENDED 31.12.2018**

The annual financial information below includes comparative figures as at and for the year ended 31 December 2017.

As regards the adoption of IFRS 9, the Group has decided to exercise the option, provided by IFRS 9, of not restating the comparative information for the IFRS 9 first-time adoption financial statements. In order to assign the 2017 comparative information to the accounting captions established in the new Circular 262 official financial statement layouts, the necessary reconciliations have been made, without changing the values.

	31.12.2018	31.12.2017
	Audited	Audited <sup>11</sup>
	(in millions of€)	
Interest and similar income	10,486	10,506
<i>of which: interest income calculated using the effective interest rate method</i>	<i>10,814</i>	<i>9,870</i>
Interest and similar expense	-3,144	-3,802
<b>Interest margin</b>	<b>7,342</b>	<b>6,704</b>
Fee and commission income	9,911	9,544
Fee and commission expense	-2,308	-2,116
<b>Net fee and commission income</b>	<b>7,603</b>	<b>7,428</b>
Dividend and similar income	94	117
Profits (Losses) on trading	442	651
Fair value adjustments in hedge accounting	-111	-15
Profits (Losses) on disposal or repurchase of:	549	502
<i>a) financial assets measured at amortised cost</i>	<i>-19</i>	<i>-7</i>
<i>b) financial assets measured at fair value through other comprehensive income</i>	<i>508</i>	<i>544</i>
<i>c) financial liabilities</i>	<i>60</i>	<i>-35</i>
Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	298	-1
<i>a) financial assets and liabilities designated at fair value</i>	<i>28</i>	<i>-1</i>
<i>b) other financial assets mandatorily measured at fair value</i>	<i>270</i>	<i>-</i>
Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	3,240	3,485
<b>Net interest and other banking income</b>	<b>19,457</b>	<b>18,871</b>
Net losses/recoveries for credit risks associated with:	-2,509	-3,154
<i>a) financial assets measured at amortised cost</i>	<i>-2,507</i>	<i>-2,653</i>
<i>b) financial assets measured at fair value through other comprehensive income</i>	<i>-2</i>	<i>-501</i>
Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-26	-8
Profits (Losses) on changes in contracts without derecognition	-11	-
<b>Net income from banking activities</b>	<b>16,911</b>	<b>15,709</b>
Net insurance premiums	8,180	6,817
Other net insurance income (expense)	-9,968	-9,012
<b>Net income from banking and insurance activities</b>	<b>15,123</b>	<b>13,514</b>
Administrative expenses:	-10,002	-11,052
<i>a) personnel expenses</i>	<i>-5,932</i>	<i>-7,177</i>
<i>b) other administrative expenses</i>	<i>-4,070</i>	<i>-3,875</i>
Net provisions for risks and charges	-35	-893
<i>a) commitments and guarantees given</i>	<i>88</i>	<i>-</i>

<sup>11</sup> This financial information has been reclassified in accordance with the 5th update of circular 262 issued by the Bank of Italy

	31.12.2018	31.12.2017
	Audited	Audited <sup>11</sup>
	<i>(in millions of €)</i>	
<i>b) other net provisions</i>	-123	-893
Net adjustments to / recoveries on property and equipment	-383	-347
Net adjustments to / recoveries on intangible assets	-597	-532
Other operating expenses (income)	732	5,902
<b>Operating expenses</b>	<b>-10,285</b>	<b>-6,922</b>
Profits (Losses) on investments in associates and companies subject to joint control	177	1,150
Valuation differences on property, equipment and intangible assets measured at fair value	-9	-30
Goodwill impairment	-	-
Profits (Losses) on disposal of investments	452	106
<b>Income (Loss) before tax from continuing operations</b>	<b>5,458</b>	<b>7,818</b>
Taxes on income from continuing operations	-1,386	-464
<b>Income (Loss) after tax from continuing operations</b>	<b>4,072</b>	<b>7,354</b>
Income (Loss) after tax from discontinued operations	-	-
<b>Net income (loss)</b>	<b>4,072</b>	<b>7,354</b>
Minority interests	-22	-38
<b>Parent Company's net income (loss)</b>	<b>4,050</b>	<b>7,316</b>
<b>Basic EPS - Euro</b>	<b>0.24</b>	<b>0.44</b>
<b>Diluted EPS - Euro</b>	<b>0.24</b>	<b>0.44</b>

**INTESA SANPAOLO**  
**CONSOLIDATED HALF-YEARLY BALANCE SHEET**  
**AS AT 30.06.2019**

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>Unaudited</b>	<b>Audited<sup>12</sup></b>
	<i>(in millions of €)</i>	
<b>Assets</b>		
Cash and cash equivalents .....	6,538	10,350
Financial assets measured at fair value through profit and loss ...	53,359	42,115
<i>a) financial assets held for trading</i> .....	49,773	38,806
<i>b) financial assets designated at fair value</i> .....	195	208
<i>c) other financial assets mandatorily measured at fair value</i> .....	3,391	3,101
Financial assets measured at fair value through other comprehensive income .....	66,345	60,469
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39.....	159,171	149,546
Financial assets measured at amortised cost.....	491,435	476,503
<i>a) due from banks</i> .....	78,253	69,307
<i>b) loans to customers</i> .....	413,182	407,196
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 .....	568	952
Hedging derivatives.....	3,384	2,993
Fair value change of financial assets in hedged portfolios (+/-)...	1,892	124
Investments in associates and companies subject to joint control	1,071	943
Technical insurance reserves reassured with third parties .....	24	20
Property and equipment .....	8,822	7,372
Intangible assets.....	9,028	9,077
of which .....		
- goodwill .....	4,163	4,163
Tax assets .....	16,120	17,253
<i>a) current</i> .....	2,374	3,320
<i>b) deferred</i> .....	13,746	13,933
Non-current assets held for sale and discontinued operations .....	803	1,297
Other assets.....	9,805	8,707
<b>Total Assets</b> .....	<b>828,365</b>	<b>787,721</b>

<sup>12</sup> This data has been restated in accordance with the 5<sup>th</sup> update of circular 262 issued by the Bank of Italy.

**INTESA SANPAOLO**  
**CONSOLIDATED HALF-YEARLY BALANCE SHEET**  
**AS AT 30/06/2019**

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>Unaudited</b>	<b>Audited<sup>13</sup></b>
	<i>(in millions of €)</i>	
<b>Liabilities and Shareholders' Equity</b>		
Financial liabilities measured at amortised cost.....	533,203	513,775
<i>a) due to banks</i> .....	120,084	107,815
<i>b) due to customers</i> .....	330,025	323,900
<i>c) securities issued</i> .....	83,094	82,060
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39.....	856	810
Financial liabilities held for trading.....	51,187	41,895
Financial liabilities designated at fair value.....	4	4
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39.....	72,027	67,800
Hedging derivatives.....	10,731	7,221
Fair value change of financial liabilities in hedged portfolios (+/-).....	633	398
Tax liabilities.....	2,056	2,433
<i>a) current</i> .....	312	163
<i>b) deferred</i> .....	1,744	2,270
Liabilities associated with non-current assets held for sale and discontinued operations.....	254	258
Other liabilities.....	13,572	11,645
Employee termination indemnities.....	1,203	1,190
Allowances for risks and charges.....	4,057	5,064
<i>a) commitments and guarantees given</i> .....	450	510
<i>b) post employment benefits</i> .....	258	261
<i>c) other allowances</i> .....	3,349	4,293
Technical reserves.....	84,710	80,797
Valuation reserves.....	-474	-913
Valuation reserves pertaining to insurance companies.....	322	9
Redeemable shares.....	-	-
Equity instruments.....	4,103	4,103
Reserves.....	13,230	13,006
Share premium reserve.....	25,074	24,768
Share capital.....	9,086	9,085
Treasury shares (-).....	-72	-84
Minority interests (+/-).....	337	407
Net income (loss) (+/-).....	2,266	4,050
<b>Total Liabilities and Shareholders' Equity .....</b>	<b>828,365</b>	<b>787,721</b>

<sup>13</sup> This data has been restated in accordance with the 5<sup>th</sup> update of circular 262 issued by the Bank of Italy.

**INTESA SANPAOLO**  
**CONSOLIDATED HALF-YEARLY STATEMENT OF INCOME**  
**FOR THE SIX MONTHS ENDED 30.06.2019**

The half-yearly financial information below includes comparative figures as at and for the six months ended 30 June 2019.

	<b>First six months of 2019 Unaudited</b>	<b>First six months of 2018 Unaudited</b>
	<i>(in millions of €)</i>	
Interest and similar income.....	5,141	5,244
<i>of which: interest income calculated using the effective interest rate method .....</i>	<i>5,309</i>	<i>5,177</i>
Interest and similar expense.....	-1,661	-1,516
<b>Interest margin .....</b>	<b>3,480</b>	<b>3,728</b>
Fee and commission income.....	4,803	4,978
Fee and commission expense.....	-1,164	-1,152
<b>Net fee and commission income .....</b>	<b>3,639</b>	<b>3,826</b>
Dividend and similar income .....	81	67
Profits (Losses) on trading.....	317	290
Fair value adjustments in hedge accounting.....	-39	-18
Profits (Losses) on disposal or repurchase of .....	814	417
<i>a) financial assets measured at amortised cost.....</i>	<i>90</i>	<i>-28</i>
<i>b) financial assets measured at fair value through other comprehensive income.....</i>	<i>628</i>	<i>416</i>
<i>c) financial liabilities.....</i>	<i>96</i>	<i>29</i>
Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss.....	15	264
<i>a) financial assets and liabilities designated at fair value .....</i>	<i>-70</i>	<i>2</i>
<i>b) other financial assets mandatorily measured at fair value....</i>	<i>85</i>	<i>262</i>
Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39.....	2,009	1,791
<b>Net interest and other banking income.....</b>	<b>10,316</b>	<b>10,365</b>
Net losses / recoveries on impairment.....	-1,005	-1,236
<i>a) financial assets measured at amortised cost.....</i>	<i>-990</i>	<i>-1,233</i>
<i>b) financial assets measured at fair value through other comprehensive income.....</i>	<i>-15</i>	<i>-3</i>
Net losses/recoveries pertaining to insurance companies pursuant to IAS39 .....	-4	-8
Profits (Losses) on changes in contracts without derecognition	-2	-5
<b>Net income from banking activities .....</b>	<b>9,305</b>	<b>9,116</b>
Net insurance premiums.....	4,763	3,406
Other net insurance income (expense) .....	-6,086	-4,419
<b>Net income from banking and insurance activities .....</b>	<b>7,982</b>	<b>8,103</b>
Administrative expenses .....	-4,747	-4,917
<i>a) personnel expenses.....</i>	<i>-2,830</i>	<i>-2,918</i>
<i>b) other administrative expenses.....</i>	<i>-1,917</i>	<i>-1,999</i>
Net provisions for risks and charges.....	-2	-30
<i>a) commitments and guarantees given.....</i>	<i>39</i>	<i>68</i>
<i>b) other net provisions</i>	<i>-41</i>	<i>-98</i>



	<b>First six months of 2019 Unaudited</b>	<b>First six months of 2018 Unaudited</b>
	<i>(in millions of €)</i>	
Net adjustments to / recoveries on property and equipment.....	-259	-181
Net adjustments to / recoveries on intangible assets .....	-325	-274
Other operating expenses (income) .....	420	391
<b>Operating expenses</b> .....	<b>-4,913</b>	<b>-5,011</b>
Profits (Losses) on investments in associates and companies subject to joint control.....	27	20
Valuation differences on property, equipment and intangible assets measured at fair value .....	-	-
Goodwill impairment.....	-	-
Profits (Losses) on disposal of investments .....	1	-
<b>Income (Loss) before tax from continuing operations</b> .....	<b>3,097</b>	<b>3,112</b>
Taxes on income from continuing operations.....	-832	-916
<b>Income (Loss) after tax from continuing operations</b> .....	<b>2,265</b>	<b>2,196</b>
Income (Loss) after tax from discontinued operations .....	-	-
<b>Net income (loss)</b> .....	<b>2,265</b>	<b>2,196</b>
Minority interests.....	1	-17
<b>Parent Company's net income (loss)</b> .....	<b>2,266</b>	<b>2,179</b>
<b>Basic EPS – Euro</b> .....	<b>0.13</b>	<b>0.13</b>
<b>Diluted EPS – Euro</b> .....	<b>0.13</b>	<b>0.13</b>

## REGULATORY SECTION

### *Changes in regulatory framework*

The Intesa Sanpaolo Group is subject to extensive regulation and supervision by the Bank of Italy, the Italian Securities and Exchange Commission (**CONSOB**), the European Central Bank (the **ECB**) and the European System of Central Banks and is also subject to the authority of the Single Resolution Board (**SRB**). Certain entities within the Intesa Sanpaolo Group are also subject to supervision by the Italian Institute for the Supervision of Insurance and the Issuer is also subject to rules applicable to it as an issuer of shares listed on the Milan Stock Exchange. The banking laws to which the Intesa Sanpaolo Group is subject govern the activities in which banks may engage and are designed to maintain the safety and soundness of such institutions and limit their exposure to risk. In addition, the Intesa Sanpaolo Group must comply with financial services laws that govern its marketing and selling practices. New acts of legislation are being introduced in Italy and the European Union that may affect the Intesa Sanpaolo Group, including proposed regulatory initiatives that could significantly alter the Intesa Sanpaolo Group's capital requirements.

The rules applicable to banks and other entities in banking groups include implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the **Basel Committee**).

In accordance with the regulatory frameworks described above and consistent with the regulatory framework being implemented at the European Union level, the Intesa Sanpaolo Group has in place specific procedures and internal policies to monitor, among other things, liquidity levels and capital adequacy, the prevention and detection of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. Despite the existence of these procedures and policies, there can be no assurance that violations of regulations will not occur, which could adversely affect the Intesa Sanpaolo Group's results of operations, business and financial condition. In addition, as at the date of this Base Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

### *The CRD IV Package*

The Basel III framework began to be implemented in the EU from 1 January 2014 through Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the **CRD IV**) and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the **CRR** and together with the CRD IV, the **CRD IV Package**).

In Italy the CRD IV has been implemented by Legislative Decree no. 72 of 12 May 2015 which impacts, *inter alia*, on:

- (a) proposed acquirers of credit institutions' holdings, shareholders and members of the management body requirements (Articles 22, 23 and 91 CRD IV);
- (b) competent authorities' powers to intervene in cases of crisis management (Articles 102 and 104 CRD IV);
- (c) reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 CRD IV); and
- (d) administrative penalties and measures (Articles 64 and 65 CRD IV).

Moreover, the Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 (the **Circular No. 285**)) which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules concerning matters not harmonised at EU level. Circular No. 285 has been constantly updated after its first issue, the last update being the 30<sup>th</sup> update published on 4 December 2019. The CRD IV Package has also been supplemented in Italy by technical standard and guidelines relating to the CRD IV and the CRR finalized by the European Supervisory Authorities (ESAs), mainly the EBA and ESMA delegated regulations of the European Commission.

Italian banks are required at all times to satisfy the following own funds requirements: (i) a Common Equity Tier 1 (**CET1**) capital ratio of 4.5%; (ii) a Tier 1 Capital ratio of 6%; and (iii) a Total Capital Ratio of 8%. These minimum ratios are complemented by the following capital buffers to be met with CET1 capital, reported below as applicable with reference to 1 November 2019:

- *Capital conservation buffer*: set at 2.5 per cent from 1 January 2019 (pursuant to Article 129 of the CRD IV and Part I, Title II, Chapter I, Section II of Circular No. 285, as amended in October 2016);
- *Counter-cyclical capital buffer (CCyB)*: set by the relevant competent authority between 0% - 2.5% of credit risk exposures towards counterparties each of the home Member State, other Member States and third countries (but may be set higher than 2.5 % where the competent authority considers that the conditions in the Member State justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV and Part I, Title II, Chapter I, Section III of Circular No. 285). The Bank of Italy has set, and decided to maintain, the CCyB (relating to exposures towards Italian counterparties) at 0% for the fourth quarter of 2019;
- *Capital buffers for globally systemically important banks (G-SIBs)*: set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitutes for the services provided, global cross border activity and complexity); to be phased in from 1 January 2016 (pursuant to Article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285) becoming fully effective on 1 January 2019. Based on the most recently updated list of globally systemically important institutions (**G-SIIs**) published by the Financial Stability Board (**FSB**) on 22 November 2019, neither the Issuer (nor any member of the Intesa Sanpaolo Group) is a G-SIB and therefore they do not need to comply with a G-SIB capital buffer requirement (or leverage ratio buffer); and
- *Capital buffers for other systemically important banks at a domestic level (O-SIIs)*: (the category to which Intesa Sanpaolo currently belongs): up to 2.0% as set by the relevant competent authority (reviewed at least annually), to compensate for the higher risk that such banks represent to the financial system (pursuant to Article 131 of the CRD IV and Title II, Chapter 1, Section IV of Circular No. 285. Recently, the Bank of Italy identified Intesa Sanpaolo Group as an O-SII authorised to operate in Italy in 2020 and has imposed on the Intesa Sanpaolo Group a capital buffer for O-SII of 0.75%, to be achieved according to a transitional period, as follows: at 0.38% from 1 January 2019, 0.56% from 1 January 2020, 0.75% from 1 January 2021 and at 0.75% from 1 January 2022.

In addition to the above listed capital buffers, under Article 133 of the CRD IV each Member State may introduce a systemic risk buffer in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks not covered by the CRD IV Package. The Italian authorities have not introduced such a measure to date.

Failure by an institution to comply with the buffer requirements described above (the **Combined Buffer Requirement**) may trigger restrictions on distributions by reference to the so-called Maximum

Distributable Amounts (**MDA**) and the need for the bank to adopt a capital conservation plan and/or take remedial action (Articles 141 and 142 of the CRD IV).

As part of the CRD IV Package transitional arrangements, as implemented by Circular No. 285, regulatory capital recognition of outstanding instruments which qualified as Tier 1 and Tier 2 capital instruments under the framework which the CRD IV Package has replaced that no longer meet the minimum criteria under the CRD IV Package are gradually being phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 80% in 2014, with this cap decreasing by 10% in each subsequent year (see, in particular, Part Two, Chapter 14, Section 2 of Circular No. 285).

The CRD IV Package also introduced a Liquidity Coverage Ratio (the **LCR**). This is a stress liquidity measure based on modelled 30-day outflows. The LCR was implemented in 1 October 2015, although it was phased-in and became fully applicable from 1 January 2018. Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing the CRR with regard to liquidity coverage requirement for credit institutions (the **LCR Delegated Act**) was adopted in October 2014 and published in the Official Journal of the European Union in January 2015. On 10 October 2018, amendments to the LCR Delegated Act were published in the Official Journal (Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018) and will apply as of April 2020. Most of these amendments are related to the entry into force of the new securitisation framework on 1 January 2019. The Net Stable Funding Ratio (**NSFR**) is part of the Basel III framework and aims to promote resilience over a longer time horizon (one year) by creating incentives for banks to fund their activities with more stable sources of funding on an on-going basis.

### ***Revisions to the CRD IV Package***

On 23 November 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks and investment firms (the **EU Banking Reform Package**). The EU Banking Reform Package amends many existing provisions set out in the CRD IV Package, the BRRD and the SRM Regulation (as such terms are defined below). These proposals were agreed by the European Parliament, the European Council and the European Commission and were published in the Official Journal of the EU on 7 June 2019, entering into force 20 days after, even though most of the provisions will apply as of 2 years from the entry into force, i.e. after the 28 June 2021, allowing for a smooth implementation of the new provisions.

The EU Banking Reform Package includes:

- (a) revisions to the standardised approach for counterparty credit risk;
- (b) changes to the market risk rules which include the introduction first of a reporting requirement, pending the implementation in the EU of the latest changes to the of the FRTB (as defined below) published in January 2019 by the BCBS, and then the application of own funds requirements as of 1 January 2023 ;
- (c) a binding leverage ratio (and related improved disclosure requirements) introduced as a backstop to risk-weighted capital requirements and set at 3% of an institution's Tier 1 capital;
- (d) a binding NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints). This means that the amount of available stable funding will be calculated by multiplying an institution's liabilities and regulatory capital by appropriate factors that reflect their degree of reliability over a year. The NSFR will be expressed as a percentage and set at a minimum level of 100%, indicating that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR will apply at a level of 100% at individual and a consolidated level, unless competent authorities waive the

application of the NSFR on an individual basis as of two years after the date of entry into force of the EU Banking Reform Package;

- (e) Changes to the the large exposures limits, now calculated as the 25% of Tier 1;
- (f) Improved own funds calculation adjustments for exposures to SMEs and infrastructure projects.

The elements of the package introduced by the Directive 2019/878 (which amends CRD IV) will also need to be implemented into national law. Member states are required to adopt and publish the measures necessary to comply with this Directive by 28 December 2020.

### ***Revisions to the Basel III framework***

In December 2017, the Basel Committee published its final set of amendments to its Basel III framework (known informally as **Basel IV**). Basel IV is expected to introduce a range of measures, including:

- (i) changes to the standardised approach for the calculation of credit risk;
- (ii) limitations to the use of IRB approaches, mainly banks will be allowed to use the F-IRB approach and the SA, only for specialised lending the A-IRB will be still used;
- (iii) a new framework for determining an institution's operational risk charge, which will be calculated only by using a new standardised approach;
- (iv) an amended set of rules in relation to credit valuation adjustment; and
- (v) an aggregate output capital floor that ensures that an institution's total risk weighted assets (**RWA**) generated by ISB models are no lower than 72.5% of those generated by the standardised approach.

According to the Basel Committee, Basel IV should be introduced as a global standard from January 2022, with the output capital floor being phased-in (starting at 50% from 1 January 2022 and reaching 72.5% as of 1 January 2025). In this occasion, the Basel Committee postponed the suggested Implementation date for the Fundamental Review of the Trading Book (**FRTB**) to January 2022 aligning the implementation date with the other Basel IV reforms.

### ***Additional reforms to the banking and financial services sector***

In addition to the substantial changes in capital and liquidity requirements introduced by Basel IV and the EU Banking Reform Package there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and have the potential to impact the Intesa Sanpaolo Group's business and operations. These initiatives include, amongst others, a revised EU securitisation framework (the **Securitisation Regulation**). Political agreement on the text of the Securitisation Regulation was agreed in May 2017 and it entered into force in January 2019, while a number underlying regulatory and implementing technical standards delivered by the EBA and European Securities and Markets Authority are being adopted. The Securitisation Regulation introduced changes to the existing securitisation framework in relation to the nature of the risk retention obligation and due diligence requirements, the introduction of an adverse selection test for certain assets and a new framework for so-called "simple transparent and standardised securitisations" which will receive preferential capital treatment subject to a number of conditions.

On 9 November 2015 the Financial Stability Board (**FSB**) published its final Total Loss-Absorbing Capacity (**TLAC**) Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to liabilities excluded from TLAC, such as guaranteed insured deposits, derivatives, etc. and which forms a new standard for G-SIBs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and

recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The TLAC Principles and Term Sheet require a minimum TLAC requirement for each G-SIB at the greater of (a) 16% of RWA (as of 1 January 2019) and 18% of RWA (as of 1 January 2022), and (b) 6% of the Basel III Tier 1 leverage ratio requirement (as of 1 January 2019), and 6.75 % (as of 1 January 2022). Liabilities that are eligible for TLAC include capital instruments and instruments that are contractually, statutorily or structurally subordinated to certain "excluded liabilities" (including insured deposits and liabilities that cannot be effectively written down or converted into equity by relevant authorities) in a manner that does not give rise to a material risk of compensation claims or successful legal challenges.

With a view to ensuring full implementation of the TLAC standard in the EU, the EU Banking Reform Package and the BRRD2 (as defined below) introduced minimum requirements for own funds and eligible liabilities (**MREL**) applicable to G-SIIs (global systematically important institutions) with the TLAC standard and to allow resolution authorities, on the basis of bank-specific assessments, to require that G-SIIs comply with a supplementary MREL requirement strictly linked to the resolvability analysis of a given G-SII. Neither the Issuer nor any member of the Intesa Sanpaolo Group has been identified as a G-SIB in the 2019 list of global systematically important banks published by the FSB on 22 November 2019.

BRRD introduces a minimum harmonised MREL requirement (also referred to as a Pillar 1 MREL requirement) applicable to G-SIIs only. The BRRD2 includes important changes as it introduces a new category of banks, so called top-tier banks, which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed EUR 100 billion. ISP is a top-tier bank for this purpose. At the same, the BRRD2 introduces a minimum harmonised MREL requirement (also referred to as a **Pillar 1 MREL requirement**) which applies to G-SIIs and also top-tier banks. In addition, resolution authorities will be able, on the basis of bank-specific assessments, to require that G-SIIs and top-tier banks comply with a supplementary MREL requirement (a **Pillar 2 MREL requirement**). A subordination requirement is also generally required for MREL eligible liabilities under BRRD2, but exceptions apply.

In order to ensure compliance with MREL requirements, and in line with the FSB standard on TLAC, the BRRD2 provides that in case a bank does not have sufficient eligible liabilities to comply with its MREL requirements, the resultant shortfall is automatically filled up with CET1 Capital that would otherwise be counted towards meeting the combined capital buffer requirement. However, under certain circumstances, BRRD2 envisages a nine-month grace period before restrictions to discretionary payments to the holders of regulatory capital instruments and senior management of the bank take effect due to a breach of the combined capital buffer requirement.

On 12 March 2018, the Commission published a proposal for a directive on covered bonds (the **CB Directive Proposal**) laying down the conditions that these bonds have to respect in order to be recognised under EU law and a proposal for amendments to art. 129 of the CRR, concerning the prudential treatment of covered bonds. The CB Directive Proposal together with amendments to art 129 of the CRR have been approved and the publication in the Official Journal is expected by end 2019. Member States have a 18 months period to implement the directive.

At national level, on 14 June 2018, the Bank of Italy issued for consultation a revision of the Circular No. 285 to anticipate, in part, the provisions of the CB Directive Proposal. On 1 October 2018, the amendment no. 23 of 25 September 2018 to the Circular no. 285 entered into force, which revises the rules regarding covered bonds in order to allow smaller banking institutions to issue them.

### ***ECB Single Supervisory Mechanism***

On 15 October 2013, the Council of the European Union adopted Council Regulation (EU) No. 1024/2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the **SSM Regulation**) for the establishment of a single supervisory mechanism (the **Single Supervisory Mechanism** or **SSM**). The SSM Regulation provides the ECB, in

conjunction with the national competent authorities of the Eurozone and participating Member States, with direct supervisory responsibility over "banks of significant importance" in those Member States. "Banks of significant importance" include any Eurozone bank that (i) has assets greater than €30 billion or – unless the total value of its assets is below €5 billion – greater than 20% of national gross domestic product of the relevant Member State; (ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism and/or (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities. Intesa Sanpaolo S.p.A. and the Intesa Sanpaolo Group have been classified, respectively, as a significant supervised entity and a significant supervised group pursuant to the SSM Regulation and Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 (the **SSM Framework Regulation**) and, as such, are subject to direct prudential supervision by the ECB.

The relevant national competent authorities continue to be responsible, in respect of Intesa Sanpaolo and its subsidiaries, for supervisory functions not conferred on the ECB, such as consumer protection, money laundering, payment services, and supervision over branches of third country banks. The ECB is exclusively responsible for the prudential supervision of Intesa Sanpaolo Group, which includes, *inter alia*, the power to: (i) authorise and withdraw authorisation; (ii) assess acquisition and disposal of holdings; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB may exercise options and discretions under the SSM and SSM Framework Regulation in relation to the Intesa Sanpaolo Group.

***The Intesa Sanpaolo Group is subject to the provisions of the EU Bank Recovery and Resolution Directive***

On 2 July 2014, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the **BRRD**) entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an institution that is failing or likely to fail so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only) and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims into shares or other instruments of ownership (i.e. other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the **general bail-in tool**). Such shares or other instruments of ownership could also be subject to any exercise of such powers by a resolution authority under the BRRD.

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down/convert into shares or other instruments of ownership at the point of non-viability and before any other resolution action is taken (**non-viability loss absorption**). Any shares or other instruments of ownership issued upon any such conversion into shares or other instruments of ownership may in turn be subject to the application of the General Bail-in Tool. The point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or its group will no longer be viable unless the relevant capital instruments are written-down/converted or extraordinary public support is to be provided.

Resolution authorities have the power to amend or alter the maturity of certain debt instruments issued by an institution under resolution, amend the amount of interest payable under such instruments, the date on which the interest becomes payable (including by suspending payment for a temporary period) and to restrict the termination rights of holders of such instruments. The BRRD also provides for a Member State, after having assessed and exhausted the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. Resolution authorities may provide public equity support to an institution and/or take the institution into public ownership. Such measures must be taken in accordance with the EU state aid framework and will require a contribution to loss absorption from shareholders and creditors via write-down, conversion or otherwise, in an amount equal to at least 8 % of total liabilities (including own funds).

As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of own funds in the form of precautionary recapitalisation. In the case of precautionary recapitalization EU state aid rules require that shareholders and junior bond holders contribute to the costs of restructuring.

The BRRD requires all EU Member States to create a national, prefunded resolution fund (reaching a level of at least 1 % of covered deposits by 2024). The national resolution fund for Italy was created by the Bank of Italy on 18 November 2015 in accordance with Article 78 of Legislative Decree No. 180/2015 implementing the BRRD (the **National Resolution Fund**) and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms, including the Issuer. In the Eurozone, the national resolution funds set up under the BRRD were replaced by the Single Resolution Fund in the relevant Member State (the **SRF** or the **Fund**), set up under the control of the SRB, as of 1 January 2016 and the national resolution funds are being pooled together gradually. The SRF is intended to ensure the availability of funding support while a bank is resolved and will contribute to resolution if, and only after, at least 8% of the total liabilities (including own funds) of the bank have been subject to bail-in. The SRF is expected to reach a target of around €60 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the Eurozone). Once this target level is reached, in principle, institutions will have to contribute only if the resources of the SRF are used up in order to deal with resolution action taken by the relevant authorities. The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 and 181/2015 (together, the **BRRD Decrees**), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on 16 November 2015, save that: (i) the bail-in tool applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's applied from 1 January 2019.

It is important to note that, pursuant to Article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the bail-in powers in relation to secured liabilities, including covered



bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured. The BRRD specifically contemplates that pari passu ranking liabilities may be treated unequally.

Certain categories of liability are subject to the mandatory exclusions from bail-in foreseen in Article 44(2)(g) of the BRRD. For instance, most forms of liability for taxes, social security contributions or to employees benefit from privilege under Italian law and as such are preferred to ordinary senior unsecured creditors in the context of liquidation proceedings. Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to the BRRD have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to resolution as well as compulsory liquidation procedures by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. On 25 October 2017 the European Parliament, the Council and the European Commission agreed on elements of the review of the BRRD. As part of this process Article 108 of the was amended by Directive (EU) 2017/2399. Member States were required to adopt and publish relevant laws, regulations and administrative provisions necessary to comply with the amendment to the creditor hierarchy by 29 December 2018. The recognition of the new class of so called "senior non-preferred debt" has been implemented in the EU through the Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy. In Italy, the Directive has been implemented with the law No. 205/2017, modifying article 12bis of the Consolidated Banking Act.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

The BRRD also established that institutions shall meet, at all times, their MREL requirement. Under Article 45 of the BRRD, MREL is to be calculated as the amount of own funds and eligible liabilities expressed as a percentage of total liabilities and own funds of the institution.

### *Revisions to the BRRD framework*

The EU Banking Reform Package includes Directive (EU) 2019/879, which provides for a number of significant revisions to the BRRD (known as **BRRD2**). BRRD2 provides that Member States are required to ensure implementation into local law by 28 December 2020 with certain requirements relating to the implementation of the TLAC standard applying from January 2022 while the transitional period for full compliance with MREL requirements is foreseen until 1 January 2024, with interim targets for a linear build-up of MREL set at 1 January 2022. The EU Banking Reform Package includes, amongst other things:

- (a) full implementation of the FSB's TLAC standard in the EU and revisions to the existing MREL regime. Additional changes to the MREL framework include changes to the calculation methodology for MREL, criteria for the eligible liabilities which can be considered as MREL, the introduction of internal MREL and additional reporting and disclosure requirements on institutions;

- (b) introduction of a new category of "top-tier" banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed EUR 100 billion;
- (c) the introduction of a new moratorium power for resolution authorities and requirements on the contractual stays in resolution; and
- (d) amendments to the article 55 regime in respect of the contractual recognition of bail-in.

Changes to the BRRD under BRRD2 will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

***Intesa Sanpaolo Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism***

On 19 August 2014, the Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the **SRM Regulation**) entered into force. The SRM Regulation became operational on 1 January 2016. There are, however, certain provisions including those concerning the preparation of resolution plans and provisions relating to the cooperation of the SRB with national resolution authorities, which entered into force on 1 January 2015. The SRM Regulation was subsequently updated with the EU Banking Reform Package in June 2019. The SRM Regulation, which complements the SSM (as defined above), applies to all banks supervised by the SSM. It will mainly consist of the SRB and the SRF.

The Single Resolution Mechanism framework ensures that, instead of national resolution authorities, there will be a single authority – i.e. the SRB – which takes all relevant decisions for the resolution of banks being supervised by the SSM and part of the Eurozone. In line with the changes to BRRD2 described above, revisions to the provisions of the SRM Regulation (in relation to MREL) are due to change in due course.

## DESCRIPTION OF THE COVERED BONDS GUARANTOR

### **ISP CB Pubblico S.r.l. has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds.**

ISP CB Pubblico S.r.l. was incorporated in the Republic of Italy as a limited liability company (*società a responsabilità limitata*) incorporated under Article 7-*bis* of Law 130, with Fiscal Code number and registration number with the Milan Register of Enterprises no. 05936150969 (in this respect please see the recent updates to Italian law described under the section “Selected Aspects of Italian Law”).

Intesa Sanpaolo S.p.A., with the 60 per cent. of the quota capital of ISP CB Pubblico S.r.l., controls ISP CB Pubblico S.r.l. which belongs to the Intesa Sanpaolo Group and is subject to the direction and coordination (*direzione e coordinamento*), pursuant to Article 2497-*bis* of the Italian Civil Code, of Intesa Sanpaolo S.p.A.

ISP CB Pubblico S.r.l. was incorporated on 14 November 2007 and its duration shall be until 31 December 2100.

ISP CB Pubblico S.r.l. has its registered office at Via Monte di Pietà 8, 20121 Milan, Italy and the telephone number of the registered office is +39.02.8796.2973 and the fax number is +39.02.8796.3382.

The authorised, issued and paid in quota capital of ISP CB Pubblico S.r.l. is Euro 120,000.00.

The legal entity identifier (LEI) of the Covered Bond Guarantor is 8156004F4D1A5845BC74.

### **Business Overview**

The exclusive purpose of ISP CB Pubblico S.r.l. is to purchase from banks, against payment, receivables and securities also issued in the context of a securitisation, in compliance with Article 7-*bis* of Law 130 and the relevant implementing provisions, by means of subordinated loans granted or guaranteed also by the selling banks, as well as to issue guarantees for the covered bonds issued by such banks or other entities.

ISP CB Pubblico S.r.l., indeed, has granted the Covered Bonds Guarantee to the benefit of the Covered Bondholders, of the counterparts of derivatives contracts entered into with the purpose to cover the risks inherent the purchased credits and securities and of the counterparts of other ancillary contracts, as well as to the benefit of the payment of the other costs of the transaction, with priority in respect of the reimbursement of the others loans, pursuant to paragraph 1 of Article 7-*bis* of Law 130.

Within the limits allowed by the provisions of Law 130, ISP CB Pubblico S.r.l. can carry out the ancillary transactions to be stipulated in view of the performance of the guarantee and the successful conclusion of the issue of covered bonds in which it participates or, however, auxiliary to the aim of its purpose, as well as the re-investment in other financial activities of the assets deriving from the management of the credits and the securities purchased, but not immediately invested for the satisfaction of the Covered Bondholders' rights.

Since the date of its incorporation, ISP CB Pubblico S.r.l. has not engaged in any business other than the purchase of the Portfolio and the entering into of the Transaction Documents and other ancillary documents.

So long as any of the Covered Bonds remain outstanding, ISP CB Pubblico S.r.l. shall not, without the consent of the Representative of the Covered Bondholders, incur any other indebtedness for borrowed moneys or engage in any business (other than acquiring and holding the assets backing the Covered Bonds Guarantee, assuming the Subordinated Loan, issuing the Covered Bonds Guarantee and entering into the Transaction Documents to which it is a party), pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person (otherwise than as contemplated

in the Conditions or the Intercreditor Agreement) or guarantee any additional quota.

ISP CB Pubblico S.r.l. will covenant to observe, *inter alia*, those restrictions which are detailed in the Intercreditor Agreement.

### **Administrative, Management and Supervisory Bodies**

The directors of the Covered Bond Guarantor are:

<u><i>Director</i></u>	<u><i>Position</i></u>	<u><i>Principal activities performed outside Intesa Sanpaolo Group</i></u>
Paola Fandella	Chairman	<ul style="list-style-type: none"> <li>•</li> <li>• Professor of banking, finance and securities markets; Università Cattolica del Sacro Cuore, Milan;</li> <li>• Director of the Master in management of museum and cultural activities; Università Cattolica del Sacro Cuore, Milan.</li> </ul>
Vanessa Gemmo	Director	Professor of Organization Science and Information Systems at IULM University, Department of Business, Law, Economics and Consumer Behaviour, Milan.

Roberta Crespi	Director	Associate Professor of economics and management company - Faculty of Economics - Università Cattolica del Sacro Cuore of Milan;  Director of EMLUX - Executive Master in Luxury Goods Management - Università Cattolica del Sacro Cuore, Milan;
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The statutory auditors of the Covered Bond Guarantor are:

<u>Statutory Auditor</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo Group</u>
Nicola Bruni	Chairman	<ul style="list-style-type: none"> <li>• Professor of Economics of Securities Market - Faculty of Economics-Università degli Studi of Bari Aldo Moro;</li> <li>• Chairman of the Statutory Auditors in UnipolRec S.p.A.;</li> <li>• Chairman of the Statutory Auditors in Compagnia Assicuratrice Linear S.p.A.;</li> <li>• Chairman of the Statutory Auditors in Alfaevolution Technology S.p.A.;</li> <li>• Chairman of the Statutory auditors in Unipol Reoco S.p.A.;</li> <li>• Statutory auditor (regular) in Incontra Assicurazioni S.p.A.;</li> <li>• Chairman of the Statutory auditors in Pronto Assistance S.p.A.;</li> <li>• Statutory auditor (regular) in Pronto Assistance Servizi S.c.r.l.;</li> <li>• Statutory auditor (regular) in Manucor S.p.A.</li> <li>• Chairman of the Statutory auditors in Car Server S.p.A.</li> <li>• Chairman of the Statutory auditors in Centri Medici Dyadea S.r.l.</li> </ul>
Giuseppe Dalla Costa	Statutory auditor (regular)	<ul style="list-style-type: none"> <li>• Chartered accountant and auditor;</li> <li>• Statutory auditor (regular) in Fidicommet;</li> <li>• Statutory auditor (regular) in Ebilforma,</li> <li>• Statutory auditor (regular) in Promo.Ter Unione – Ente per la Promozione E Sviluppo del Commercio,</li> </ul>

<u>Statutory Auditor</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo Group</u>
		<ul style="list-style-type: none"> <li>• Chairman of the Statutory auditors in Indaco SGR.</li> </ul>

<u>Statutory Auditor</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo Group</u>
Eugenio Mario Braja	Statutory auditor (regular)	<ul style="list-style-type: none"> <li>• Chartered accountant and auditor;</li> <li>• Professor of "Business Administration" and "Business combinations" at Università del Piemonte Orientale;</li> <li>• Chairman of the Statutory Auditors Iveco Orecchia S.p.A;</li> <li>• Chairman of the Statutory Auditors Ideami S.p.A;</li> <li>• Statutory auditor (regular) Equiter S.p.A.;</li> <li>• Statutory auditor (regular) Wabco automotive italia S.r.l.;</li> <li>• Statutory auditor (regular) Cerrato S.r.l.;</li> <li>• Statutory auditor (regular) Ledal S.p.A.;</li> <li>• Statutory auditor (regular) in Santander Private Banking S.p.A. in liquidazione</li> </ul>
Carlo Maria Bertola	Statutory auditor (alternate)	<ul style="list-style-type: none"> <li>• Chairman of Statutory auditors in ATAM S.p.A.;</li> <li>• Chairman of the Statutory auditors in Massimo Moratti S.a.p.A.;</li> <li>• Chairman of the Statutory auditors in Nibaspa S.r.l.;</li> <li>• Statutory auditor (regular) in AtlanetS.p.A.;</li> <li>• Statutory auditor (regular) in Mercurio S.p.A.;</li> <li>• Statutory auditor (regular) in Luisa Spagnoli S.p.A.;</li> <li>• Statutory auditor (regular) in Spa.Im S.r.l.;</li> <li>• Statutory auditor (regular) in Spa.Pi S.p.A.;</li> <li>• Chairman of the Board of Directors in Metodo S.r.l.</li> <li>• Sole Director in Dedra S.r.l.;</li> </ul> <p>Chairman of Supervisory Board in Associazione Cascina Verde Onlus.</p>

<u>Statutory Auditor</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo Group</u>
Renzo Mauri	Statutory auditor (alternate)	• Sole director and owner in MA Service S.r.l.

All the statutory auditors are registered with the Register of the Statutory Auditors (*Registro dei Revisori Legali*).

The business address of each member of the Board of Directors and the Board of Statutory Auditors is ISP CB Pubblico S.r.l., Via Monte di Pietà 8, 20121 Milan.

### **Conflicts of interest**

There are no potential conflicts of interest between the duties of the directors and their private interest or other duties.

### **Quotaholders**

The quotaholders of ISP CB Pubblico S.r.l. (hereafter together the “**Quotaholders**”) are as follows:

Intesa Sanpaolo 60 per cent. of the quota capital;

Stichting Viridis 2 40 per cent. of the quota capital.

Intesa Sanpaolo, with the 60 per cent. of the quota capital controls ISP CB Pubblico S.r.l., which belongs to the Intesa Sanpaolo Group. In order to avoid any abuse, certain mitigants have been inserted in the Quotaholders’ Agreement, as better described in the following Paragraph.

### **The Quotaholders’ Agreement**

The Quotaholders’ Agreement contains *inter alia* a call option in favour of Intesa Sanpaolo to purchase from Stichting Viridis 2 and a put option in favour of Stichting Viridis 2 to sell to Intesa Sanpaolo, the quota of ISP CB Pubblico S.r.l. held by Stichting Viridis 2 and provisions in relation to the management of the Covered Bonds Guarantor. Each option may only be exercised from the day on which all the Covered Bonds have been redeemed in full or cancelled.

In addition the Quotaholders’ Agreement provides that no Quotaholder of ISP CB Pubblico S.r.l. will approve the payments of any dividends or any repayment or return of capital by ISP CB Pubblico S.r.l. prior to the date on which all amounts of principal and interest on the Covered Bonds and any amount due to the Other Creditors have been paid in full.

### **Financial Information concerning the Covered Bonds Guarantor’s Assets and Liabilities, Financial Position, and Profits and Losses**

The statutory financial statements of ISP CB Pubblico S.r.l. as at and for the years ended on 31 December 2017 and 31 December 2018 and the statutory interim financial statements of the Covered Bonds Guarantor for the half-year period ended on 30 June 2019, has been prepared in accordance with IAS/IFRS Accounting Standards principles. Such financial statements, together with their respective auditors’ reports and the accompanying notes, are incorporated by reference into this Base Prospectus (see Section “*Documents incorporated by reference*” above).

#### *Capitalisation and Indebtedness Statement*

The capitalisation of ISP CB Pubblico S.r.l. as at the date of this Base Prospectus is as follows:

#### *Quota capital Issued and authorised*

Intesa Sanpaolo has a quota of Euro 72,000 and Stichting Viridis 2 has a quota of Euro 48,000, each fully paid up.

#### *Total capitalisation and indebtedness*



Save for the foregoing and for the Covered Bonds Guarantee and the Subordinated Loan, in accordance with the Subordinated Loan Agreement, at the date of this document, ISP CB Pubblico S.r.l. has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

***Auditors***

On 28 November 2011, the shareholders meeting appointed KPMG S.p.A. to perform the audit of the financial statements of the Covered Bonds Guarantor as at and for years 2012 to 2020, pursuant to articles 155 and following of the Financial Law. Copies of the financial statements of the Covered Bonds Guarantor for each financial year could be inspected and obtained free of charge during usual business hours at the specified offices of the Administrative Services Provider and the Luxembourg Listing Agent. KPMG S.p.A., is a member of Assirevi, the Italian professional association of auditors and KPMG S.p.A. is included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at no. 70623. KPMG S.p.A. address is: Via Vittor Pisani, 25, 20124 Milan.

### DESCRIPTION OF THE ASSET MONITOR

The BoI OBG Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Covered Bonds Guarantee and, following the latest amendments to the BoI OBG Regulations introduced by way of inclusion of the new Part III, Chapter 3 (*Obbligazioni Bancarie Garantite*) in Bank of Italy's Circular No. 285 of 17 December 2013, the information to be provided to investors.

Pursuant to the BoI OBG Regulations, the asset monitor must be an independent auditor, enrolled with the Register of Certified Auditors held by the Ministry for Economy and Finance pursuant to Legislative Decree no. 39 of 27 January 2010 and the Ministerial decree no. 145 of 20 June 2012 and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer and the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed to the Statutory Auditors Board and the Board of Directors of the Issuer.

Pursuant to an engagement letter entered into, on or about the Initial Issue Date, with the Issuer and the Seller, the Issuer has appointed BDO Italia S.p.A., *a società per azioni* incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi 94, 20131, Milan, Italy, fiscal code and enrolment with the companies register of Milan No. 07722780967, and included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at No. 167911, as asset monitor (the **Asset Monitor**) in order to perform, subject to receipt of the relevant information from the Issuer, specific monitoring activities concerning, *inter alia*, (i) the compliance with the issuing criteria set out in BoI OBG Regulations in respect of the issuance of covered bonds, (ii) the fulfilment with the eligibility criteria set out under MEF Decree with respect to the Public Assets and Integration Assets included in the Portfolio; (iii) the compliance with the limits on the transfer of Public Assets and Integration Assets set out under BoI OBG Regulations; (iv) the effectiveness and adequacy of the risk protection provided by any swap agreement entered into in the context of the Programme; (v) the arithmetical accuracy of the calculations performed by the Calculation Agent in respect of the Mandatory Tests and the compliance with the limits set out in MEF Decree with respect to covered bonds issued and the Integration Assets included in the Portfolio as determined in the Mandatory Tests; and (vi) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013.

The engagement letter is in line with the provisions of the BoI OBG Regulations in relation to the monitoring activity and reports to be prepared on an annual basis and submitted by the Asset Monitor also to the Statutory Auditors Board and the Board of Directors of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

Furthermore, on or about the Initial Issue Date, the Issuer, the Calculation Agent, the Asset Monitor, the Covered Bonds Guarantor and the Representative of the Covered Bondholders entered into the Asset Monitor Agreement, as more fully described under "*Description of the Transaction Documents — Asset Monitor Agreement*".

## DESCRIPTION OF THE PORTFOLIO

### Introduction

The Initial Portfolio and each New Portfolio acquired by the Covered Bonds Guarantor, consists of receivables originated by the Seller (or which have been transferred to the Seller by way, for example, of the transfer of going concern to the Seller, or in case of Securities or Public Securities, purchased by the Seller) and the Additional Seller, if any, sold to the Covered Bonds Guarantor in accordance with the terms of the Master Transfer Agreement, as more fully described under Section “*Description of the Transaction Documents – Master Transfer Agreement*”.

In particular, the Portfolio may consist of some or all of the following assets: (i) Loans; and (ii) Public Securities. Assets under (i) and (ii) are jointly defined as the **Public Assets** and, within certain limits, Integration Assets (as defined below). The monetary claims arising out of Public Assets and Integration Assets (as defined below) are jointly defined as the **Receivables**.

Further to the above, the Portfolio may be integrated through the inclusion of Integration Assets in limit of the Integration Assets Limit. Integration Assignments (whether through Integration Assets or through originally eligible Public Assets) shall be allowed for the purpose of complying with the Tests.

In accordance with Article 2 paragraph 3, points 2 and 3 of the MEF Decree and the BoI OBG Regulations, Integration Assets shall include:

- (i) deposits with banks residing in Eligible States;
- (ii) securities issued by banks residing in Eligible States with residual maturity not longer than one year;

provided that the assets listed under (i) and (ii) above shall meet the Integration Assets Rating Requirements.

### Criteria applicable to the Receivables

Each of the Receivables forming part of the Portfolio shall comply with all of the following General Criteria set out under the Master Transfer Agreement:

- (i) Receivables whose debtors or guarantors (pursuant to a “guarantee valid for the purpose of credit risk mitigation” (*garanzie valide ai fini della mitigazione del rischio di credito*), as defined by Article 1, paragraph 1, lett. h) of the MEF Decree) are (a) public administrations of Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement; (b) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the “Standardised Approach” to credit risk measurement, (c) municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement;
- (ii) Receivables arising out of Loan Agreements which have been fully disbursed or, only in respect of the Multi-tranche Agreements, the Receivables arising out from each credit line or tranche which have been fully disbursed;
- (iii) Receivables in respect of which as of the Cut-off Date (a) there are no amounts due and payable to the Seller by the relevant debtors, both as repayment of any instalments and as interest, which have not been paid and (b) neither the termination of the Loan Agreement nor the acceleration (*decadenza dal beneficio del termine*) of the payment obligations have been

- requested or declared nor the withdrawal (*recesso*) has occurred;
- (iv) Receivables arising out of fixed rate loans or floating rate loans;
  - (v) Receivables in respect of which the relevant amortisation plan for principal and interest provides that the payments have to occur at or within previously fixed payment dates.

The term “Loan Agreement” used in these General Criteria is referred to each of the following agreements:

- (a) loan and financing agreements, including loan agreements for a relevant purpose;
- (b) loan and financing agreements “multi-tranche” which provide for disbursement of singles credit lines or tranches which differ from each other in the interest rate, the amortisation plan or the final reimbursement date (hereinafter, the “Multi-tranche Agreements”);
- (c) acknowledgement and consolidation acts or agreements, related to loans disbursed on the basis of a credit opened agreement (*contratto di apertura di credito*) pursuant to article 205-bis of the Legislative Decree no. 267 of 18 August 2000 (also denominated master credit opened agreement), by means of which are ruled, inter alia, interest rate, amortisation plan and the final reimbursement date;
- (d) disbursement and receipt acts or agreements (however denominated) – related to loans disbursed on the basis of a credit opened agreement (*contratto di apertura di credito*) (however denominated) – by means of which, inter alia, the interest rate, the amortisation plan, the disbursement date and the final reimbursement date are ruled;
- (e) loan and financing agreements (which provide for, inter alia, an indication of loan amount, interest rate, amortisation plan, guarantees, disbursement date and final reimbursement date) on the basis of a plafond made available by means of an adjudication of a competitive bid and/or the relevant agreement, or by means of a specific loan agreement (*convenzione speciale di finanziamento*) or a treasury agreement (*convenzione di tesoreria*) (which provide for the disbursement of singles loans up to a predetermined maximum amount (*id est* a plafond);
- (f) receivables purchase agreements with predetermined principal and interest reimbursement dates or receivables purchase agreements in which the receivables have been settled by means of fixing of principal and interest reimbursement dates.

The term “Receivables” used under points from (i) to (v) of these General Criteria is referred to any receivable arising from a Loan Agreement, also, if the case, renegotiated jointly or separately with other Loan Agreements or, exclusively with reference to Multi-tranche Agreements, the receivables arising from each credit line or tranche which differ from each other in the interest rate, the amortisation plan, the disbursement date or the final reimbursement date.

The Receivables shall also comply with the Specific Criteria.

### **Features of the Securities**

Pursuant to the BoI OBG Regulations, the Portfolio can include all such securities that meet the following features:

- (a) if securities issued or guaranteed by public administrations of the Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement; or
- (b) if securities issued or guaranteed by public administrations of States other than Admitted States, attract a risk weighting factor equal to 0 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement; or
- (c) if securities issued or guaranteed by municipalities and national or local public bodies not

carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States, attract a risk weight factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement; or

- (d) asset backed securities issued in the context of securitisation transactions, meeting the following requirements:
  - (i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., receivables and securities with the features set forth Article 2, paragraph 1, lett. a), b) and c) of the MEF Decree; and
  - (ii) attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement; or
- (e) if securities issued by banks, if such banks have their legal office in an Admitted State, or in other states, attract a risk weighting factor equal to 0 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement, and such securities have a residual maturity no longer than one year.

The securities set out under paragraphs b) and c) above, added to the receivables in respect of the same entities listed in such paragraphs, can be included in the Portfolio within the limit of the 10 per cent. of the nominal value of the assets included in the Portfolio.

The securities set out under paragraph e) above can be included in the Portfolio within the Integration Assets Limit.

The above mentioned characteristics might be subsequently amended on the basis of the amendments or integration of the BoI OBG Regulations.

## **COLLECTION AND RECOVERY PROCEDURES**

### **1. Collection procedures**

Through its own collection procedure, ISP carries out all the transactions aimed at the collection of the amounts due in respect of the loans granted.

The following collection and invoicing procedures are applied by ISP.

For loans, liquidity line agreements (short / medium-long term) and revolving, at any payment date, a payment notice is sent to the borrower (or to the different entity responsible for the payment) with respect to the relevant instalment, and, in the case of pool lending, a notice to the other lenders providing for the indication of the relevant quota. For floating rate transactions, prior to the aforesaid payment notice a communication of the applicable interest rate is sent.

Two different procedures for the arrangement and delivery of the payment notice shall be applied, depending on the entity in charge of the payment:

- (i) **Public Administration:** the payment notice is arranged and sent manually (by means of registered letter) because of the particular nature of the underlying loan transaction. The payment notice shall contain a detailed description of the instalment calculation and the administrative unit exclusively responsible for the relevant payment. For loans for which a pre-defined public budget for the repayment of the instalment is provided, the payment notice shall contain an indication of the debt still outstanding and of the residual budget.

The delivery of the payment notice is carried out between 90 and 60 days prior to the relevant payment date, in accordance with contractual provisions or the preferences of the entities responsible for the payment.

- (ii) **Other entities:** the payment notice is automatically sent through the electronic mail transmission service (Systema), about 60 to 45 days prior to the payment date. Contracts which provide for specific provisions regarding the timing for the delivery of the payment notice, similar to those applied to the Public Administration, are not subject to the procedure described above.

Failure in delivery or receipt of the payment notice will not relieve the borrower of the payment obligation vis-à-vis ISP.

The collections shall pass through the TARGET 2 system and, if the case may be, on transitory accounts to be designated by the Issuer whether the information necessary for the identification of the relevant loan/client are expressed in the payment documents, the reconciliation is automatic (fully automatic if the amount to be collected is referred to the instalment due in connection with only one transaction; partially automatic, if the amount to be collected relates to different instalments due in the context of several transactions), except for payment of a considerable amount, to be paid by Ministries through the Bank of Italy, or in cases of breach of the instructions provided for the payment to the client, in which case the reconciliation is manual.

At the end of the process, any delay in payment is to be pointed out and, where necessary, the relevant recovery procedures will commence.

### **2. Collections and Transfer Procedures in respect of instalments referred to Loans transferred to the Covered Bonds Guarantor**

The instalments relating to Loans transferred to the Covered Bonds Guarantor are collected by ISP which, in accordance with the Servicing Agreement, credits the collected sums on the Collection Accounts (one for principal amounts and one for interest amounts), in the name of the Covered Bonds Guarantor. ISP, in accordance with the Servicing Agreement, will provide segregation (even accounting) of the Collections and of any other sums received in respect of the Receivables from any

other amounts collected.

In particular, at the end of each business day, for all Collections verified through GRMA procedure, related to the Receivables transferred to the Covered Bonds Guarantor:

- an accounting record in respect of ISP and the Covered Bonds Guarantor shall automatically be prepared;
- the Collections be transferred from ISP to the Covered Bonds Guarantor through the “cash pooling” procedure, which would on a daily basis liquidate the cash flows on these accounts and replicate them on the Investment Account opened in the name of the Covered Bonds Guarantor with Intesa Sanpaolo.

In addition, there are other non standard but frequent types of collections:

- instalment collection with multiple descriptions (contabile multipla);
- collection exceeding the amount of the relevant instalment.

The former relates to the simultaneous collection of a number of instalments related to several relations which ISP may have with the respective transferor. In such cases, ISP shall adopt the ordinary management accounting criteria and the first accounting notes will be the same as above mentioned.

For the latter it will be necessary to evaluate, even on the basis of the provisions set forth under the Master Transfer Agreement and the Servicing Agreement, whether to credit the exceeding amount to the Covered Bonds Guarantor or to hold such amount in favour of ISP that will record a debt towards the client.

In addition, in case of delay by ISP in crediting the Collections, the Covered Bonds Guarantor would record penalty interests towards ISP, within the limits and the modalities provided for by the Master Transfer Agreement.

### **3. Loans Renegotiations**

The process of renegotiation of loans towards the Public Administration is applicable to transactions arising out of the restructuring pursuant to article 41 of Law no. 448 of 2001, by way of:

- renegotiating the terms of the respective loan; or
- redeeming such loan in advance simultaneously with the granting of a new loan or the issuance of certain bonds.

### **4. Management of loans in arrears or likely to become in arrears**

Constant monitoring of the quality of the loan portfolio is pursued through specific operating activities for all the phases of loan management, using both IT procedures and activities aimed at the systematic analysis of loans, in order to promptly detect any symptoms of anomaly and promote corrective actions aimed at preventing situations of possible deterioration of credit risk.

Symptoms of the possible deterioration of loans are captured through several indicators (level of risk of any debtor and level of risk of the economic group, rating of the relevant borrower, overdrafts, ratio of instalments in arrears, etc.).

On the basis of the monitoring activity mentioned above, the Bank identifies within its portfolio loans which, while not yet showing features falling within the definition of “non-performing loans”, require special management approaches. These loans still considered as “performing” fall in the categories of “Proactive Management/Credito proattivo” and “In risanamento”.

Since July 2014, the Proactive Management Unit has been established for the management of those

customers showing potential problems, with the aim of addressing the anomalies in a correct and timely manner from the very first signs of deterioration, with the involvement of the commercial unit as from the very first phases of the process. Proactive Management process is carried out through specialised structures both at a central (Chief Lending Officer Area) and at a peripheral level (Regional Directions for loans pertaining to Banche dei Territori Division).

High risk positions are taken care by the Proactive Management Unit and the relationship manager must prepare an action plan within 30 days.

The Proactive Management Unit supports the loan manager in order to analyse the loan, validates the action plans and monitors that such plans are followed.

When risks are perceived as particularly high, the loan may be classified as Non performing (Deteriorato).

The status, "In Risanamento", used to be apply to positions with overall exposure higher than € 1 million (at group level) and with at least one of the following conditions:

- prospect of an interbank table for any restructuring plan;
- request for a moratorium/standstill in sight/presence of an inter-bank table for any restructuring plan/reorganization or restructuring / reorganization under the Bankruptcy Law (art. 67 letter. d, art. 182 / bis);
- possible restructuring / reorganization under the Bankruptcy Law (art. 67 letter. d, art. 182 / bis or of similar models of foreign law).

Such status is currently being dismissed: since July 2016 no loan positions are classified as In Risanamento and therefore the status applies to the existing stock only.

Loans classified as "Credito proattivo" are still considered as "performing".

### **Non performing loans (Credito Deteriorato)**

In 2014 the European Banking Authority (EBA) published the final version of the "Draft Implementing Technical On Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013". Consequently on January 2015 the Bank of Italy issued an updated regulations providing for the amendment of the subdivision of non-performing financial assets into risk-categories, thus harmonizing its regulations to the new European Union law.

According to new Bank of Italy's regulations, "Non performing loans" consist in:

- Past due exposures ("Sconfino");
- Unlikely to pay ("Inadempienze probabili");
- Doubtful ("Sofferenze").

All such exposures are subject to specific valuations for accounting purposes.

Furthermore, it has also been identified a new array of exposures covering all loans being renegotiated because of financial difficulties (existing or likely to exist) of the counterparty. Such range of loans can be classified as follows:

- Forbearance Non Performing: non performing exposures with forbearance measures
- Forbearance Performing: performing exposures with forbearance measures.

### **Past due exposures (Sconfino)**

Exposures other than those classified as Doubtful or Unlikely to Pay that, as at reporting date, are past due for over 90 days on a continuous basis and exceeding a materiality threshold.



## **Unlikely to pay (Inadempienze Probabili)**

Some specific and minimum criteria are taken into consideration for the classification of an exposure as Unlikely to pay. It's the result of the assessment as to the improbability that the borrower will thoroughly fulfil its credit obligations (by way of repayment of principal and/or interest) without recourse to actions such as the enforcement of guarantees/ collateral. Such assessment should be carried out irrespectively of any past due and/or unpaid amounts (or instalments).

## **5. Management of the Defaulted Assets classified as “in sofferenza”**

The Servicer shall manage the recovery activities of the Defaulted Loan classified as “in sofferenza” through delegated structure which once the Defaulted Assets has been classified as “in sofferenza” - shall immediately implement through its specialized units (Strutture di recupero crediti) the most suitable recovery actions.

When resolving upon the course of action for the recovery of the claims, both legal proceedings and out-of-court settlements shall carefully be considered, in terms of costs-benefits, in view of, among other things, the financial implication of estimated recovery times.

A judicial action will be carried out as follows:

- directly by the Servicer to the extent possible, for actions to be taken by the parties (atti di parte) (e.g. submission of the proof of claim) or with the assistance of in-house counsels; and
- by appointing external counsels for judicial initiatives (e.g. injunction decree (decreto ingiuntivo), and real estate enforcement proceedings, etc), whose activity will be closely supervised.

As for the recovery activity of positions having a significant value, an initial assessment will be carried out and all the urgent and necessary actions will be implemented to maximise the chance of recovery of the claim.

The best operating strategy will then be planned in order to maximise the recovery within the shortest possible timeframe and, in particular, it may be resolved:

- (a) carrying out the direct recovery of single claims (whether in the framework of a judicial action or by an out-of-court procedure);
- (b) entrusting the recovery to external companies (almost exclusively in the case of positions of negligible amount); or
- (c) carrying out transfers of single claims without recourse (pro soluto) to third parties.

## **6 Securities Management**

### **6.1 Collections and further payments**

On the basis of the payment instructions originally given to the Debtors, all principal redemption amounts, interest payments and any other amounts due for any reason in relation to the Securities will be credited by Monte Titoli or Clearstream (as the case may be) to the custodian bank in favour of the securities account opened and maintained in the name of the Covered Bonds Guarantor, through the specific segregated liquidator account, properly opened with Monte Titoli or Clearstream. The custodian bank automatically and promptly pays the amounts collected as follows:

- any principal amount to the Principal Securities Collection Account; and
- any interest amount to the Interest Securities Collection Account

(jointly, the **Securities Collection Account**)

in accordance with the Cash, Management and Agency Agreement.

In the case in which, for any reason, the Servicer – also through appointed entities - receives any collections, the Servicer shall carry out the reconciliation of the amounts received within 20 (twenty) days from the receipt of such amount by the Debtors and credit to the relevant Collection Account, in respect of principal and interest, such sums received and reconciled within 3 (three) Business Days following the reconciliation of such amounts and with value on account corresponding to the collection date by the Servicer.

## **6.2 Collection payment verification and report of the Securities Collection Account flows**

Further to any payment date of each Security, as set forth under the relevant Security documents, the Servicer - also through appointed entities -will verify that the amounts due as principal, interest or for any other reason due in relation to each Security have been credited on the relevant Security Collection Account, in respect of principal and interest, with value on account corresponding to the relevant payment date of each Securities, as set forth under the relevant Security documents.

The Servicer undertakes to promptly – also through appointed entities- deliver upon request to the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, the Account Bank Report complete, exact and precise of all flows with reference to the Securities Collection Accounts and the Interest Securities Collection Account as of the immediately preceding calendar month and, broadly, the documents concerning the collections, as well as to give evidence of the transfer of such amount on the relevant Collection Account, in accordance with the procedures previously agreed with the Covered Bonds Guarantor.

The Servicer shall monitor on a continuing basis the financial performance of the Securities and the fulfillments of the Debtors' obligations in respect of the Securities, and shall apply to the Securities the same procedures, where applicable, set forth for the receivables.

## CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer guaranteed by the Covered Bonds Guarantor. The Covered Bonds Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bonds Guarantee until the occurrence of an Article 74 Event or an Issuer Event of Default, service by the Representative of the Covered Bondholders on the Covered Bonds Guarantor of either an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay or, if earlier, following the occurrence of a Covered Bonds Guarantor Events of Default and service by the Representative of the Covered Bondholders of a Covered Bonds Guarantor Acceleration Notice on the Covered Bonds Guarantor. The Issuer will not be relying on payments by the Covered Bonds Guarantor in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders:

- (i) the Covered Bonds Guarantee provides credit support to the Issuer;
- (ii) the Tests are intended to ensure that the Portfolio is sufficient to repay the Covered Bonds at all times;
- (iii) among the Tests: (i) the Asset Coverage Test, in particular, is intended to maintain the sufficiency of the Covered Bonds Guarantor's assets in respect of the Covered Bonds and (ii) the Amortisation Test is intended to test the sufficiency of the Covered Bonds Guarantor's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the Covered Bonds Guarantor;
- (iv) the Pre-Maturity Liquidity Test is intended to trigger the provision of liquidity for Hard Bullet Covered Bonds when the Issuer's credit ratings fall below a certain level;
- (v) extendable maturity provisions are applicable to all Series of Covered Bonds other than the Hard Bullet Covered Bonds as specified in the relevant Final Terms.

Certain of these factors are considered more fully in the remainder of this section.

### **Covered Bonds Guarantee**

The Covered Bonds Guarantee provided by the Covered Bonds Guarantor guarantees payment of the Guaranteed Amounts on the Due for Payment Date in respect of all Covered Bonds issued under the Programme. The Covered Bonds Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment following the occurrence of an Issuer Event of Default or an Article 74 Event. In this circumstance (and until a Covered Bonds Guarantor Event of Default occurs and a Covered Bonds Guarantor Acceleration Notice is served), the Covered Bonds Guarantor's obligations will only be to pay the Guaranteed Amounts on the Due for Payment Date.

See further "*Description of the Transaction Documents — Covered Bonds Guarantee*", as regards the terms of the Covered Bonds Guarantee.

Under the terms of the Portfolio Administration Agreement, the Issuer and the Seller must ensure on a continuing basis and on each Calculation Date or on any other date on which the verification of the Tests is required pursuant to the Transaction Documents that the Portfolio is in compliance with the Tests described below.

If on any Calculation Date the Portfolio is not in compliance with the Tests, then the Seller (and should the Seller fail to do so, the Issuer) shall sell Public Assets or Integration Assets to the Covered Bonds Guarantor in an amount sufficient to allow the Tests to be met as soon as possible, in accordance with the relevant Master Transfer Agreement. To this extent the Seller shall grant additional amounts under the Subordinated Loan for the purposes of funding the purchase of Public Assets or Integration Assets. If the breach of Tests is not remedied and for so long as such breach is

continuing, no further Series of Covered Bonds will be issued and no payments under the Subordinated Loan will be effected.

## Tests

In accordance with the provisions of the MEF Decree, and the Transaction Documents, for so long as the Covered Bonds remain outstanding, the Issuer and the Seller shall procure on a continuing basis and on each Calculation Date, or any other date pursuant to the Transaction Documents, that:

- (a) prior to the occurrence of an Issuer Event of Default, the OC Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of all Series of Covered Bonds (the **Asset Coverage Test**) or, following the occurrence of an Issuer Event of Default, and service of the Notice to Pay by the Representative of the Covered Bondholders, the Amortisation Test Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the **Amortisation Test**)
- (b) the Net Present Value of the Eligible Portfolio shall be equal to, or greater than, the Net Present Value of the outstanding Covered Bonds (the **NPV Test**);
- (c) the Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Interest Payments and the Annual Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Annual Interest Payments (the **Interest Coverage Test**);

(the tests above are jointly defined as the **Tests**).

The MEF Decree requires the nominal amount of the Portfolio is to be equal to, or greater than, the outstanding nominal amount of the outstanding Covered Bonds. The Tests are fulfilled in accordance with the Portfolio Administration Agreement. In particular, with reference to the Asset Coverage Test and the Amortisation Test, such tests will be run depending on whether or not an Issuer Event of Default has occurred, provided that both tests are structured to ensure that the outstanding nominal amount of the Portfolio is equal to, or greater than, the nominal amount of the outstanding Covered Bonds.

Compliance with the Tests will be verified by the Calculation Agent and internal risk management functions of the Intesa Sanpaolo Group (under the supervision of the management body of the Issuer) on each Calculation Date and on any other date on which the verification of the Tests is required pursuant to the Transaction Documents, and subsequently checked by the Asset Monitor on a semi-annual basis.

In addition to the above, following the occurrence of a breach of the Tests, based on the information provided by the Servicer with reference to the end of the previous month and with reference to the last day of each calendar month (starting from the date on which such breach has been notified, and until 6 (six) months after the date on which such breach has been cured the Calculation Agent shall verify compliance with the Tests not later than the fifth Business Day of the following calendar month.

For the purposes of this section:

**6-Month Euribor Equivalent Margin** means the negative or positive margin, calculated by the Servicer, applied to the 6-Month Euribor used under the TBG Swaps that the Covered Bonds Guarantor would receive by entering into one or more interest rate swaps with a maturity equal to the average number of days to maturity of the outstanding Covered Bonds, semi-annual payments and with respect to which it would pay the interest maturing on (i) each relevant class of Eligible Investments and Authorised Investments and (ii) the Investment Account, in accordance with the composition of investments at the time of calculation.

**Accrued Interest** means in relation to any loan, bond or other asset at any date (the **determination date**), the amount of (or the Euro Equivalent amount of) the interest on such loan, bond or other asset (not being interest which is currently paid on the determination date) which has accrued from and including the relevant Bond Payment Date or Loan Payment Date, as the case may be, immediately prior to the determination date up to and including the determination date.

**Amortisation Test Adjusted Eligible Portfolio** means an amount equal to:

EP – Z

where:

EP means the Outstanding Principal Balance of the Eligible Portfolio

Z = (the weighted average number of days to maturity of the outstanding Series of Covered Bonds/365) multiplied by the Euro Equivalent of the outstanding Covered Bonds multiplied by N

where

N = Negative Carry Factor.

**Annual Interest Payments** means, as of a Calculation Date or any other relevant date and with reference to each of the three following Guarantor Interest Periods an amount equal to the aggregate of (a) expected interest payments (or the Euro Equivalent of the expected interest payments) in respect of the outstanding Series of Covered Bonds (other than floating rate Covered Bonds) and (b) Expected Floating Payments in respect of interest on floating rate Covered Bonds.

**Annual Net Interest Collections from the Eligible Portfolio** means, as of a Calculation Date or any other relevant date and with reference to each of (x) the three following Guarantor Payment Dates or (y) the three following Guarantor Interest Periods and (z) the relevant Collection Periods (as the case may be) an amount equal to the difference between (i) the sum of (a) interest payments (or the Euro Equivalent of the interest payments) from the Fixed Component of the Eligible Portfolio, payments and Expected Floating Payments in respect of interest from the Floating Component of the Eligible Portfolio received or expected to be received, (b) any amount expected to be received by the Covered Bonds Guarantor as payments under the TBG Swaps (which are not Excluded Swaps), (c) with reference to Covered Bonds with semi-annual CB Payment Dates, any amount (or the Euro Equivalent of any amount) expected to be received by the Covered Bonds Guarantor as payments under the CB Swaps (which are not Excluded Swaps), (d) with reference to Covered Bonds with annual CB Payment Dates, the amount (or the Euro Equivalent of the amount) to be received annually by the Covered Bonds Guarantor as payment under the CB Swaps (which are not Excluded Swaps); (e) any amount credited on the Investment Account as Reserve Fund Required Amount; and (ii) the payments (or the Euro Equivalent of the payments) to be effected in accordance with the relevant Priority of Payments, by the Covered Bonds Guarantor in priority to, and including, payments under the Swap Agreements (which are not Excluded Swaps). For the avoidance of doubt, items under (i)(a) above shall include interest expected to be received from the investment, into Eligible Investments and Authorised Investments, of principal collections arising from the expected amortisation of the Eligible Portfolio.

**Asset Percentage** means 93% or such other lower percentage as the Issuer on behalf of the Covered Bonds Guarantor shall determine in accordance with the Rating Agency's methodologies (after procuring the required overcollateralization also to take into account the provisions of Clause 15 (Undertakings of the Parties in respect of Certain Risks) of the Portfolio Administration Agreement, and notify, using the pro forma notice attached under Schedule 1 (Notice of the Asset Percentage) of the Portfolio Administration Agreement, to the Representative of the Covered Bondholders, the Servicer, the Calculation Agent, the Asset Monitor and the Rating Agency. Any adjustment of the Asset Percentage, as previously notified, will appear from the relevant Investor Report as the new Asset Percentage as determined in accordance with the Portfolio Administration Agreement.

**Current Balance** means in relation to a Public Asset, Integration Asset, Eligible Investment or Authorised Investment at any given date, the aggregate (without double counting) of the Outstanding Principal Balance, Accrued Interest and Interest Arrears relating to that Public Assets, Integration Asset, Eligible Investment or Authorised Investment as at that date.

**Defaulted Asset** means Receivables which have been classified by the Servicer on behalf of the Covered Bonds Guarantor as Credit in Default and/or the Securities which have been classified by the Servicer on behalf of the Covered Bonds Guarantor as Defaulted Securities.

**Defaulted Securities** means (i) any Securities classified as "in sofferenza" in compliance with the Collection Policies, as interpreted and applied in compliance with the BoI Regulations and in

accordance with principles governing the prudential administration of the Receivables and with the maximum standard of diligenza professionale and (ii) the Securities that may be considered as “in default” in accordance with the provisions of the respective Relevant Securities Documents and (iii) the Delinquent Securities for more than 30 Business Days starting from the maturity date provided for under the respective Relevant Securities Documents (for the avoidance of doubts, in this latter case both Securities in respect of which the respective Relevant Securities Documents provide for the classification as in “default” for non payment for more than 30 Business Days and Securities in respect of which no particular term is provided for under the respective Relevant Securities Documents could be classified as Defaulted Securities).

**Discount Factor** means the discount rate, implied in the relevant Swap Curve, calculated by the Servicer.

**Earliest Maturing Covered Bonds** means at any time the Series of the Covered Bonds that have the earliest Maturity Date (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or the earliest Extended Maturity Date (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date).

**Eligible Portfolio** means the aggregate of Public Assets and Integration Assets, without any double counting (including any sum standing to the credit of the Accounts (other than the Expenses Account, the Corporate Account and the Quota Capital Account), and the Eligible Investments and Authorised Investments), *excluding* (a) any Defaulted Assets and those Public Assets and Integration Assets for which a breach of the representations and warranties granted under Clause 2 (*Dichiarazioni e Garanzie del Cedente*) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the aggregate of Integration Assets in excess of the Integration Assets Limit, (c) the aggregate of Integration Assets which do not meet the Integration Assets Rating Requirements.

**Euro Equivalent** means at any date, in relation to any amount or payment referred to a loan, a bond, an agreement or any other asset the amount or payment referred to such loan, bond, agreement or asset at such date denominated in Euro where the exchange rate corresponds to (i) the current exchange rate fixed by the Servicer in accordance with its usual practice at that time for calculating that equivalent should any currency hedging agreement be not in place or (ii) the exchange rate indicated in the relevant currency hedging agreement in place.

**Expected Floating Payments** means the amount (or the Euro Equivalent amount), determined on the basis of the Swap Curve, of expected principal and interest payments from the Floating Component of the Eligible Portfolio, the expected Swap Agreements floating leg payments, or the expected interest payments on outstanding Series of floating rate Covered Bonds, as the case may be.

**Fixed Component of the Eligible Portfolio** means the Public Assets or Integration Assets being part of the Eligible Portfolio remunerated on the basis of a fixed rate of interest.

**Floating Component of the Eligible Portfolio** means the Public Assets or Integration Assets being part of the Eligible Portfolio remunerated on the basis of a floating rate of interest.

**Integration Assets Rating Requirements** means (a) in respect of Integration Assets consisting of bank securities having a remaining maturity date of 364 days or less, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity equal to or higher than “P-3” by Moody's and (b) in respect of Integration Assets consisting of deposits with bank, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the entity with which the demand or time deposits are made equal to or higher than “P-3” by Moody's.

**Interest Arrears** means in relation to any loan, bond or other asset at any date, the amount of (or the Euro Equivalent amount of) interest and expenses which are due and payable and are unpaid as of such date.

**Interest Payments** means, as of a Calculation Date or any other relevant date, with reference to all following Guarantor Interest Periods up to the last Maturity Date, or Extended Maturity Date, as the case may be, an amount equal to the aggregate of (a) expected interest payments (or the Euro

Equivalent of the expected interest payments) in respect of the outstanding Series of Covered Bonds (other than floating rate Covered Bonds) and (b) Expected Floating Payments in respect of interest on floating rate Covered Bonds.

**Negative Carry Factor** means 0.50 per cent. as long as the Issuer's rating is equal to or higher than Baa3. If the Issuer is downgraded below Baa3, it shall be equal to the algebraic difference, if positive, between (i) (a) the WA Swap Margin paid by the Covered Bonds Guarantor to the CB Hedging Counterparty under the CB Swaps or, absent such CB Swaps, (b) the WA CB Margin or (c) a combination of (a) and (b), and (ii) the 6-Month Euribor Equivalent Margin.

**Net Interest Collections from the Eligible Portfolio** means, as of a Calculation Date or any other relevant date with reference to all (x) following Guarantor Payment Dates, (y) relevant Collection Periods, and (z) relevant Guarantor Interest Periods (as the case may be), up to the last Maturity Date or Extended Maturity Date, as the case may be, an amount equal to the difference between (i) the sum of (a) interest payments (or the Euro Equivalent of the interest payments) from the Fixed Component of the Eligible Portfolio, payments and Expected Floating Payments in respect of interest from the Floating Component of the Eligible Portfolio received or expected to be received, (b) any amount expected to be received by the Covered Bonds Guarantor as payments under the TBG Swaps (which are not Excluded Swaps), (c) any amount (or the Euro Equivalent of any amount) expected to be received by the Covered Bonds Guarantor as payments under the CB Swaps (which are not Excluded Swaps); (d) any amount credited on the Investment Account as Reserve Fund Required Amount; and (ii) the payments (or the Euro Equivalent of the payments) to be effected in accordance with the relevant Priority of Payments, by the Covered Bonds Guarantor in priority to, and including, payments under the Swap Agreements (which are not Excluded Swaps). For the avoidance of doubt, items under (i) (a) above shall include interest expected to be received from the investment, into Eligible Investments and Authorised Investments, of principal collections arising from the expected amortisation of the Eligible Portfolio.

**Net Present Value** means, as of any date, an amount equal to the algebraic sum of the product of each relevant Discount Factor and expected payments (or the Euro Equivalent of the expected payments) to be received or to be effected.

**Net Present Value of the Eligible Portfolio** means at any date an amount equal to the algebraic sum of (i) the product of (a) each relevant Discount Factor and (b) expected principal and interest payments (or the Euro Equivalent of expected principal and interest payments) from the Fixed Component of the Eligible Portfolio and Expected Floating Payments in respect of principal and interest from the Floating Component of the Eligible Portfolio, (ii) the product of (c) each relevant Discount Factor and (d) expected payments to be received or to be effected by the Covered Bonds Guarantor under or in connection with the TBG Swaps and the CB Swaps (which are not Excluded Swaps), (iii) the product of (e) each relevant Discount Factor and (f) any amount (or the Euro Equivalent of any amount) expected to be paid by the Covered Bonds Guarantor in priority to the TBG Swaps and the CB Swaps payments, in accordance with the relevant Priorities of Payments and (iv) any sum standing to the credit of the Accounts (other than the Expenses Account, the Corporate Account and the Quota Capital Account), for the avoidance of doubts, without any double counting with the Integration Assets, Eligible Investments and Authorised Investments included in point (i) above.

**Net Present Value of the Outstanding Covered Bonds** means at any date an amount equal to the sum of (i) the product of (a) each relevant Discount Factor and (b) expected principal and interest payments (or the Euro Equivalent of expected principal and interest payments) in respect of the outstanding Series of Covered Bonds (other than floating rate Covered Bonds) and (ii) the product of (c) each relevant Discount Factor and (d) Expected Floating Payments in respect of principal and interest on floating rate Covered Bonds.

**OC Adjusted Eligible Portfolio** means an amount equal to:

$$A + B + C + D + E - Z$$

where:

$$- \quad A = PA * P$$

where

PA = the Outstanding Principal Balance of Public Assets excluding (a) any Defaulted Assets and those Public Assets for which a breach of the representations and warranties granted under Clause 2 (Dichiarazioni e Garanzie del Cedente) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the Authorised Investments which are Public Assets and (c) Eligible Investments which are Public Assets;

P = Asset Percentage;

- **B** = Integration Assets excluding (a) any Defaulted Assets and those Integration Assets for which a breach of the representations and warranties granted under Clause 2 (Dichiarazioni e Garanzie del Cedente) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the Outstanding Principal Balance of Integration Assets in excess of the Integration Assets Limit, (c) the Integration Assets which do not meet the Integration Assets Rating Requirements.
- **C** = the Outstanding Principal Balance of Eligible Investments which are Public Assets;
- **D** = the Outstanding Principal Balance of Authorised Investments which are Public Assets;
- **E** = any sum standing to the credit of the Accounts (other than the Expense Account, the Corporate Account and the Quota Capital Account), for the avoidance of doubts, without any double counting with B and excluding any sum in excess of the Integration Assets Limit;
- **Z** = (the weighted average number of days to maturity of the outstanding Covered Bonds/365) multiplied by the outstanding Covered Bonds multiplied by N.

where

N = Negative Carry Factor.

**Outstanding Principal Balance** means, at any date, in relation to a loan, a bond, a Series of Covered Bonds or any other asset the aggregate nominal principal amount outstanding (or the Euro Equivalent of the aggregate nominal principal amount outstanding) of such loan, bond, Series of Covered Bonds or asset at such date.

**Outstanding Principal Balance of the Covered Bonds** means the Outstanding Principal Balance of the outstanding Series of Covered Bonds.

**Random Basis** means any process which selects Public Assets on a basis that is not designed to favour the selection of any identifiable class or type or quality of assets from all the Public Assets forming part of the Portfolio.

**Required Redemption Amount** means in respect of any relevant Series of Covered Bonds, the amount calculated as follows: the Outstanding Principal Balance of the relevant Series of Covered Bonds *multiplied* (1 + (N x (days to maturity of the relevant Series of Covered Bonds/365))). Where "N" is the Negative Carry Factor.

**Relevant Securities Documents** means the relevant prospectuses (or, for Securities in respect of which duty to publish a prospectus is not provided for, the issue notice published in accordance with the relevant applicable law) and/or the terms and conditions of the Securities (or similar documents in accordance with the relevant applicable law) and the documents by means of which Guarantees are given.

**Swap Curve** means the term structure of interest rates used by the Servicer in accordance with the best market practice and calculated based on market instruments.

**Swap Margin** means the positive or negative margin applied to the 6-Month Euribor paid by the Covered Bonds Guarantor with respect to the relevant CB Swap.

**WA CB Margin** the weighted average positive or negative margin applied to the 6-Month Euribor paid by the Issuer with respect to the Covered Bonds.



**WA Swap Margin** the weighted average positive or negative margin applied to the 6-Month Euribor that the Covered Bonds Guarantor will pay under the CB Swaps.

### **Pre-Maturity Liquidity Test**

The Pre-Maturity Liquidity Test (as defined below) is intended to provide liquidity for Hard Bullet Covered Bonds when the Issuer's long-term credit ratings fall below the Pre-Maturity Liquidity Required Ratings.

On any Business Day (each the **Pre-Maturity Liquidity Test Date**) falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default, the Calculation Agent will determine if the Pre-Maturity Liquidity Test has been breached, and if so, it shall immediately notify the Issuer, the Seller, the Hedging Counterparties and the Representative of the Covered Bondholders.

For the purpose of this paragraph the **Pre-Maturity Liquidity Test** is complied with if on any Pre-Maturity Liquidity Test Date if, during the Pre-Maturity Rating Period, all of the Issuer's credit ratings are equal to, or greater than, the Pre-Maturity Liquidity Required Ratings.

**Pre-Maturity Rating Period** means the period of 12 months preceding the Maturity Date of any Hard Bullet Series of the Covered Bonds.

Following a breach of a Pre-Maturity Liquidity Test in respect of a Series of Hard Bullet Covered Bonds:

- (i) the Issuer shall:
  - (a) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or
  - (b) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-Maturity Liquidity Guarantor Ratings; and/or
  - (c) take action in the form of a combination of the foregoing which in aggregate adding up to an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;and/or
- (ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

If the Pre-Maturity Liquidity Test in respect of any Series of Covered Bonds is breached and the Issuer or the Covered Bonds Guarantor have not taken the required actions (as described above) following the breach by the earlier to occur of:

- (a) 20 Business days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test, and
- (b) the Maturity Date of that Series of Covered Bonds,

an Issuer Event of Default shall occur and the Representative of the Covered Bondholders will serve a Notice to Pay to the Covered Bonds Guarantor.

For the purposes of this section:

**Adjusted Required Redemption Amount** which is an amount equal to the Required Redemption Amount of the Earliest Maturing Covered Bonds *plus* or *minus* any swap termination amounts payable respectively by or to the Covered Bonds Guarantor *less* amounts standing to the credit of the Accounts (excluding the Expense Account, the Corporate Account and the Quota Capital Account and all the amounts required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds and all the amounts to be applied on the following Guarantor Payment Date to repay higher ranking amounts in the relevant Priorities of Payments) *less* the Outstanding Principal Balance of any Eligible Investments and Authorised Investments.

#### **Set-Off Risk and Claw-Back Risk**

Pursuant to the Portfolio Administration Agreement, the Servicer has undertaken, upon occurrence of an Issuer Downgrading Event or a Servicer Downgrading Event, to notify on a quarterly basis the Rating Agency of each of the Potential Set-Off Amount and the Potential Claw-Back Amount. As long as the Issuer Downgrading Event and the Servicer Downgrading Event is continuing, the Asset Percentage shall be reduced by an amount equal to the Potential Set-Off Amount and the Potential Claw-Back Amount.

**Issuer Downgrading Event** means the Issuer being downgraded to “P-3”, or below, by Moody’s.

**Potential Claw-Back Amount** means an amount, calculated by the Servicer as a percentage of the Portfolio that the Seller determines as potentially subject to claw-back.

**Potential Set-Off Amount** means an amount, calculated by the Servicer as a percentage of the Portfolio that the Seller determines as potentially subject to set-off by the Debtors.

**Servicer Downgrading Event** means the Servicer being downgraded to “Ba1”, or below, by Moody’s.

#### **Commingling Risk for loans granted in pool**

Pursuant to the Portfolio Administration Agreement, the Servicer has undertaken, upon occurrence of an ATI Agent Trigger Event, to notify the Rating Agency, the Representative of the Covered Bondholders and the Hedging Counterparties of such events and shall identify the ATI Commingling Affected Portfolio. Further to such event, and for so long as the event is continuing, if no other ATI Agent Remedy Actions has been implemented, the determination of the Asset Percentage shall be modified so as to consider the amounts which may be subject to commingling risk in case of bankruptcy of the relevant ATI Agent Bank.

For the purpose of this section:

**ATI** means an *Associazione Temporanea di Imprese* or a *Raggruppamento Temporaneo* as ruled under Legislative Decree no. 163 of 12 April 2006 as amended and supplemented from time to time, and the relevant implementing regulations.

**ATI Agent Bank** means, in respect of a Loan disbursed by lenders in pool as ATI or Convenzioni in Pool, the bank (other than the Issuer and the Servicer) acting as agent bank for the pool on the basis of an irrevocable mandate (an *in rem propriam* mandate) granted to it.

**ATI Agent Remedy Actions** means that (a) the Asset Percentage has been modified in accordance with the Portfolio Administration Agreement in order to cure an ATI Agent Trigger Event and the Tests are satisfied taking into account such amendment to the Asset Percentage, (b) a guarantee in respect of the relevant ATI Agent Bank’s obligations has been granted by an eligible entity in accordance with the provisions of the Servicing Agreement, (c) the ATI Commingling Reserve Amount has been credited to the Investment Account on the immediately preceding Guarantor Payment Date or (d) the amounts standing to the credit of the Accounts are sufficient, taking into account the amounts to be paid under points (i) to (v) of the Pre-Issuer Default Interest Priority of Payments, to constitute the ATI Commingling Reserve Amount on the next Guarantor Payment Date.

**ATI Agent Trigger Event** means any of the following event: (a) the unsecured, unguaranteed and unsubordinated debt obligations of an ATI Agent Bank are rated below “Baa3” by Moody’s or (b) any amount due to be paid by an ATI Agent Bank to the Servicer or the Covered Bonds Guarantor in

accordance with the relevant Loan Agreements or ancillary documents is not duly and timely paid by the relevant ATI Agent Bank.

**ATI Commingling Affected Portfolio** means the aggregate amount of the Loans in relation to which the relevant ATI Agent Bank has been affected by an ATI Agent Trigger Event.

**ATI Commingling Reserve Amount** means, on any date, an amount equal to (a) the peak of the Collections expected to be received during one of the following Collection Periods in respect of the ATI Commingling Affected Portfolio minus (b) the amount of the Reserve Fund Required Amount already credited (or to be credited on the relevant Guarantor Payment Date) on the Investment Account, provided that if the difference between (a) and (b) above is a negative number the ATI Commingling Reserve Amount shall be equal to zero.

**Convenzioni in Pool** means temporary pools composed by two or more banks other than an ATI.

## ACCOUNTS AND CASH FLOWS

### ACCOUNTS

The following Accounts are established and shall be maintained with the Account Bank and the Receivables Collection Account Bank as separate accounts in the name of the Covered Bonds Guarantor.

The Receivables Collection Accounts shall be held with the Receivables Collection Account Bank for as long as the Receivables Account Bank maintains the Minimum Required Receivables Collection Account Bank Rating.

The Securities Collection Accounts, the Investment Account, the Securities Account, the Eligible Investments Account, the Quota Capital Account, the Expenses Account and the Corporate Account shall be held with the Account Bank for as long as the Account Bank maintains the Minimum Required Account Bank Rating.

#### **The Principal Receivables Collection Account**

Deposits. An Euro denominated current account established and maintained with Receivables Collection Account Bank into which:

- (i) by the end of the second Business Day immediately following the relevant reconciliation, any principal payment and any Interest Component of the Purchase Price received by the Servicer in relation to the Receivables will be deposited with value date as of the relevant date of receipt;
- (ii) promptly upon receipt, all principal components and the Interest Component of the Purchase Price of the proceeds arising out of the liquidation of Receivables will be transferred with value date as of the relevant date of receipt.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Principal Receivables Collection Account will be transferred to the Investment Account by the Receivables Collection Account Bank.

(the **Principal Receivables Collection Account**).

#### **The Interest Receivables Collection Account**

Deposits. An Euro denominated current account established and maintained with Receivables Collection Account Bank into which:

- (i) by the end of the second Business Day immediately following the relevant reconciliation, any interest payment (other than the Interest Component of the Purchase Price) received by the Servicer in relation to the Receivables will be deposited with value date as of the relevant date of receipt;
- (ii) promptly upon receipt, all proceeds (net of any principal component thereof) arising out of the liquidation of Receivables will be transferred with value date as of the relevant date of receipt.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Interest Receivables Collection Account will be transferred to the Investment Account by the Receivables Collection Account Bank.

(the **Interest Receivables Collection Account** and together with the Principal Receivables Collection Account, the **Receivables Collection Accounts**).

#### **The Principal Securities Collection Account**

Deposits. An Euro denominated current account established and maintained with the Account Bank into which:

- (i) on a daily basis, any principal payment and any Interest Component of the Purchase Price received in relation to the Securities will be deposited.

- (ii) promptly upon receipt, all principal components of the proceeds arising out of the liquidation of Securities (other than the Eligible Investments and the Authorised Investments) will be transferred.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Principal Securities Collection Account will be transferred to the Investment Account by the Account Bank.

(the **Principal Securities Collection Account**).

### **The Interest Securities Collection Account**

Deposits. An Euro denominated current account established and maintained with the Account Bank into which:

- (i) on a daily basis, any interest payment (other than the Interest Component of the Purchase Price) in relation to the Securities will be deposited.
- (ii) promptly upon receipt, all proceeds (net of any principal component thereof) arising out of the liquidation of Securities (other than the Eligible Investments and the Authorised Investments) will be transferred.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Interest Securities Collection Account will be transferred to the Investment Account by the Account Bank.

(the **Interest Securities Collection Account** and together with the Principal Securities Collection Account, the **Securities Collection Accounts**).

### **The Investment Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

- (i) the Receivables Collection Account Bank shall transfer by the end of the relevant day of receipt any amount standing to the credit of the Receivables Collection Accounts and the Account Bank shall transfer in the Investment Account by the end of the relevant day of receipt any amount standing to the credit of the Securities Collection Accounts;
- (ii) by the end of the relevant day of receipt the Account Bank shall transfer (a) the funds resulting from the reimbursement or liquidation of all Eligible Investments and Authorised Investments; (b) any amount to be credited to the Investment Account in accordance with the relevant Priority of Payments (including any CB Swaps Accumulation Amount, the Reserve Fund Required Amount, the ATI Commingling Reserve Amount, the Interest Accumulation Amount and any Purchase Price Accumulation Amount); and (c) any amount (if any) standing to the credit of the Transaction Account, after distribution in accordance with the applicable Priorities of Payments of payments due on the relevant CB Payment Dates or payments of the purchase price to be paid in accordance with the Master Transfer Agreement.

Withdrawals:

- (i) within 2 Business Days prior to each Guarantor Payment Date, any amount standing to the credit of the Investment Account (other than the CB Swaps Accumulation Amount and the Interest Accumulation Amount) shall be transferred to the Transaction Account.
- (ii) 2 Business Days prior to each CB Payment Date, any amount to be paid under the CB Swaps on such CB Payment Date shall be transferred to the Transaction Account.
- (iii) 2 Business Days prior to each CB Payment Date, the Interest Accumulation Amount shall be transferred to the Transaction Account.
- (iv) 2 Business Days prior to each date on which a purchase price has to be paid under the Master Transfer Agreement, the Purchase Price Accumulation Amount shall be transferred to the Transaction Account upon instruction of the Servicer.

(v) 2 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, any amount to be paid under the Covered Bonds on such CB Payment Date shall be transferred to the Transaction Account.

(vi) 10 Business Days after the Initial Issue Date an amount equal to Euro 150,000.00 shall be transferred to the Corporate Account and an amount equal to Euro 120,000.00 shall be transferred to the Expenses Account.

(the **Investment Account**).

### **The Securities Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which the Account Bank, pursuant to any order of the Cash Manager or the Covered Bonds Guarantor, will deposit and keep the Public Assets and Integration Assets consisting of securities (other than the Eligible Investments and the Authorised Investments).

Withdrawals. All the Public Assets and Integration Assets consisting of securities (other than the Eligible Investments and the Authorised Investments) will be (a) liquidated in accordance with the provisions of the Portfolio Administration Agreement or (b) sold to the relevant Seller in accordance with the Master Transfer Agreement upon instruction of the Servicer, and proceeds credited to the Investment Account by the Cash Manager.

(the **Securities Account**).

### **The Eligible Investments Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which the Account Bank, pursuant to any order of the Cash Manager, will deposit all securities constituting Eligible Investments and Authorised Investments purchased by the Cash Manager on behalf of the Covered Bonds Guarantor with the amounts standing to the credit of the Investment Account.

Withdrawals. Within 3 Business Days prior to each CB Payment Date falling prior to the occurrence of an Issuer Event of Default or an Article 74 Event, the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated for an amount equal to the CB Swap Accumulation Amount or Interest Accumulation Amount, as the case may be, and proceeds credited to the Investment Account by the Account Bank unless there are sufficient funds already deposited in the Investment Account to cover the CB Swap Accumulation Amount or the Interest Accumulation Amount, as the case may be.

Within 3 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, all the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated and proceeds credited to the Investments Account by the Account Bank.

Within 3 Business Days prior to each Guarantor Payment Date, the Authorised Investments and the Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated and proceeds credited to the Investment Account.

Within 3 Business Days prior to each date on which a purchase price in respect of any Revolving Assignment has to be paid under the Master Transfer Agreement, the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated for an amount equal to the Purchase Price Accumulation Amount and proceeds credited to the Investment Account by the Account Bank unless there are sufficient funds already deposited in the Investment Account to cover the Purchase Price Accumulation Amount.

(the **Eligible Investments Account**).

### **The Quota Capital Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which all the sums contributed by the quotaholders of the Covered Bonds Guarantor as quota capital have been credited and all interest accrued thereon will be credited.

(the **Quota Capital Account**).

### **The Expenses Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

- (i) 10 Business Days after the Initial Issue Date an amount equal to Euro 120,000.00 will be credited;
- (ii) on each Guarantor Payment Date, an amount equal to the Covered Bonds Guarantor Disbursement Amount will be credited.

Withdrawals. The general expenses (other than the Expenses) due and payable at any time within each Guarantor Interest Period will be paid with the monies standing to the credit of the Expenses Account.

(the **Expenses Account**)

### **The Corporate Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

- (i) 10 Business Days after the Initial Issue Date an amount equal to Euro 150,000.00 will be credited;
- (ii) on each Guarantor Payment Date, an amount equal to the Covered Bonds Guarantor Retention Amount will be credited.

Withdrawals. The Expenses due and payable at any time within each Guarantor Interest Period will be paid with the monies standing to the credit of the Corporate Account.

(the **Corporate Account**)

### **The Transaction Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

- (i) 2 Business Days prior to each Guarantor Payment Date, (a) any amount standing to the credit of the Investment Account (other than the CB Swaps Accumulation Amount, the Interest Accumulation Amount and the Purchase Price Accumulation Amount) shall be transferred and (b) any amounts to be paid by the Hedging Counterparty under the TBG Swaps will be credited.
- (ii) 2 Business Days prior to each CB Payment Date (a) any amount to be paid under the CB Swaps on such CB Payment Date and deposited on the Investment Account shall be transferred and (b) the amounts to be paid by the CB Hedging Counterparty under the CB Swaps will be credited.
- (iii) 2 Business Days prior to each CB Payment Date any Interest Accumulation Amount deposited on the Investment Account shall be transferred.
- (iv) 2 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, any amount to be paid under the Covered Bonds on such CB

Payment Date shall be transferred from the Investment Account.

- (v) 2 Business Days prior to each date on which a purchase price has to be paid under the Master Transfer Agreement, the Purchase Price Accumulation Amount shall be transferred from the Investment Account to the Transaction Account upon instruction of the Servicer.
- (vi) Any drawdown under the Subordinated Loan Agreement will be credited.

Withdrawals:

- (i) on each Guarantor Payment Date, the Cash Manager will execute payments or credit the relevant amounts in accordance with the relevant Priorities of Payments (including the purchase price of Public Assets and Integration Assets funded through Available Funds).
  - (ii) on each CB Payment Date the Cash Manager will execute payments under the CB Swaps.
  - (iii) 1 Business Day prior to each CB Payment Date falling after an Issuer Event of Default or an Article 74 Event or a Covered Bonds Guarantor Event of Default, the Cash Manager will transfer to the Paying Agent the amounts necessary to execute payments of interests and principal due in relation to the outstanding Covered Bonds in accordance with the Post-Issuer Defaults Priority of Payments.
  - (iv) 2 Business Days following the relevant CB Payment Date, any amount in excess, after payments of the amounts mentioned above, will be transferred to the Investment Account by the Cash Manager.
  - (v) On the date on which the Definitive Purchase Price of the New Portfolio or the Rectified Purchase Price of the New Portfolio has to be paid in accordance with the Master Transfer Agreement, an amount equal to the lower of (a) the Purchase Price Accumulation Amount and (b) the Definitive Purchase Price of the New Portfolio or the Rectified Purchase Price of the New Portfolio, as the case may be, will be transferred to the Seller by the Cash Manager.
  - (vi) 2 Business Days following the payment under the preceding paragraph, any amount equal to the positive difference, if any, between the Purchase Price Accumulation Amount and the Definitive Purchase Price of the New Portfolio or Rectified Purchase Price of the New Portfolio, as the case may be, actually paid to the Seller will be transferred to the Investment Account by the Cash Manager.
  - (vii) The Cash Manager will execute payments for the purchase of any Public Assets and Integration Assets funded through the Subordinated Loan in accordance with the provisions of the Master Transfer Agreement.
- (the **Transaction Account**).”



## CASH FLOWS

This section summarises the cash flows of the Covered Bonds Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Accounts and their order of priority (all such orders of priority, the **Priority of Payments**) (a) prior to an Issuer Event of Default and a Covered Bonds Guarantor Event of Default, (b) following an Issuer Event of Default but prior to a Covered Bonds Guarantor Event of Default and (c) following a Covered Bonds Guarantor Event of Default.

### Pre-Issuer Default Interest Priority of Payments

On each Guarantor Payment Date, prior to the service of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), the Covered Bonds Guarantor will use Interest Available Funds (as defined below) to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any and all taxes due and payable by the Covered Bonds Guarantor;
- (ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Expenses, to the extent that such costs and expenses are not met by utilising any amounts standing to the credit of the Expenses Account and/or the Corporate Account on the Guarantor Payment Date falling in March and September of each year and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date; and (c) to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;
- (v) *fifth*, to credit to the Investment Account an amount equal to the Reserve Fund Required Amount;
- (vi) *sixt*, if an ATI Agent Trigger Event occurs and is continuing and no other ATI Agent Remedy Actions has been implemented, to credit to the Investment Account an amount equal to the ATI Commingling Reserve Amount;
- (vii) *seventh*, to credit to the Principal Receivables Collection Account an amount equal to the amounts paid under item (i) of the Pre-Issuer Default Principal Priority of Payment on any preceding Guarantor Payment Date and not yet repaid under this item (vii);
- (viii) *eighth*, if a Servicer Termination Event has occurred, to credit all remaining Interest Available

Funds to the Investment Account until such Servicer Termination Event is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

- (ix) *ninth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Interest Available Funds to the Investment Account until the following Guarantor Payment Date;
- (x) *tenth*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (iv) above;
- (xi) *eleventh*, to pay *pari passu* and *pro rata*, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (xii) *twelfth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable as Minimum Interest Amount under the Subordinated Loan;
- (xiii) *thirteenth*, to pay any Premium Interest Amount under the Subordinated Loan.

#### **Pre-Issuer Default Principal Priority of Payments**

On each Guarantor Payment Date, prior to the service of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), the Covered Bonds Guarantor will use Principal Available Funds to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay any amount due and payable under items (i) to (vi) of the Pre-Issuer Default Interest Priority of Payment, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;
- (ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the TBG Swaps and (b) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payment under the CB Swaps after the relevant Guarantor Payment Date;
- (iii) *third*, if the Pre-Maturity Liquidity Test is satisfied, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay the purchase price of the Public Assets and/or Integration Assets offered for sale by the Seller, the Additional Sellers (if any) or the Issuer in the context of Revolving Assignment in accordance with the provisions of the Master Transfer Agreement or any amount due to the Seller as purchase price in the context of Revolving Assignment pursuant to the Master Transfer Agreement that was not paid on the previous Guarantor Payment Date, (b) to credit to the Investment Account the Purchase Price Accumulation Amount;
- (iv) *fourth*, to deposit on the Investment Account any residual Principal Available Funds in an amount sufficient to ensure that taking into account the other resources available to the Covered Bonds Guarantor, the Tests are met;
- (v) *fifth*, if a Servicer Termination Event has occurred, all residual Principal Available Funds to be credited to the Investment Account until such event of default of the Servicer is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

- (vi) *sixth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Principal Available Funds to the Investment Account until the following Guarantor Payment Date;
- (vii) *seventh*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (ii) above;
- (viii) *eighth*, to pay *pari passu* and *pro rata* any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement) not already provided for under item (xi) of the Pre-Issuer Default Interest Priority of Payment;
- (ix) *ninth*, to pay the amount (if any) due to the Seller as principal redemption under the Subordinated Loan (including as a consequence of “*richiesta di rimborso anticipato*” as indicated therein) provided that the Tests and the Pre-Maturity Liquidity Test are still satisfied after such payment.

#### **Post-Issuer Default Priority of Payments**

On each Guarantor Payment Date, following the service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, but prior to the occurrence of any Covered Bonds Guarantor Events of Default, the Covered Bonds Guarantor will use the Available Funds, to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;
- (ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any amount due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Administrative Services Provider, the Calculation Agent, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date and (c) to pay any interest due and payable on such Guarantor Payment Date or to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof,
  - (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps;

- (b) to pay any amount in respect of principal due and payable on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date or to credit to the Investment Account any amount in respect of principal to be paid on each CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date; and
- (c) to pay any Hedging Senior Payment, in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payments under the CB Swaps during the Guarantor Interest Period starting from such Guarantor Payment Date;
- (v) *fifth*, to deposit on the Investment Account any residual amount until all Covered Bonds are fully repaid or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated;
- (vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreement not provided for under items (iii) and (iv) above;
- (vii) *seventh*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (viii) *eighth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;
- (ix) *ninth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as principal under the Subordinated Loan;
- (x) *tenth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan.

### **Post-Guarantor Default Priority of Payments**

On each Guarantor Payment Date, following the service of a Covered Bonds Guarantor Acceleration Notice, the Covered Bonds Guarantor will use the Available Funds, to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes;
- (ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amounts due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the

Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer and to credit an amount up to the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;

- (iii) *third, pari passu and pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, and (b) to pay any amount, other than in respect of principal, due and payable on each Series of Covered Bonds and (c) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps;
- (iv) *fourth, pari passu and pro rata* according to the respective amounts thereof, (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any amount in respect of principal due and payable under each Series of Covered Bonds on such Guarantor Payment Date and (c) to pay any Hedging Senior Payments in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps;
- (v) *fifth*, to pay, *pari passu and pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreements not provided for under items (iii) and (iv) above;
- (vi) *sixth*, to pay, *pari passu and pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (vii) *seventh*, to pay, *pari passu and pro rata* according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;
- (viii) *eighth*, to pay, *pari passu and pro rata* according to the respective amounts thereof, any amounts due as principal under the Subordinated Loan;
- (ix) *ninth*, to pay, *pari passu and pro rata* according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan.

## **USE OF PROCEEDS**

The net proceeds to the Issuer from the issue of each Series of Covered Bonds will be used by Intesa Sanpaolo Group for general funding purposes.

## DESCRIPTION OF THE TRANSACTION DOCUMENTS

### Master Transfer Agreement

Pursuant to a master transfer agreement entered into on 20 May 2009 and subsequently amended (the **Master Transfer Agreement**), the Seller assigned and transferred the Initial Portfolio to the Covered Bonds Guarantor, without recourse (pro soluto), in accordance with Law 130. Furthermore, the Seller and the Covered Bonds Guarantor agreed that the Seller may assign and transfer Public Assets and/or Integration Assets to the Covered Bonds Guarantor from time to time, on a revolving basis, in the cases and subject to the limits for the transfer of further Public Assets and/or Integration Assets.

#### *Further Assignments*

For the assignment of each New Portfolio, the Covered Bonds Guarantor shall pay the Seller an amount equal to the sum of the individual price of each Receivable and Security of all the Receivables or Securities in such New Portfolio, to be calculated in accordance with the provisions set forth under the Master Transfer Agreement.

The Receivables comprised in each New Portfolio shall comply with the General Criteria (if applicable in relation to the relevant issuance, the Specific Criteria) on the relevant Cut-off Date. Each Portfolio may be composed by Integration Assets provided that the total amount of such Integration Assets does not exceed the Integration Assets Limit.

The Further Assignments shall be aimed at:

- (a) issuing further Covered Bonds funded by means of amounts drawn under the Subordinated Loan, (the **Issuance Collateralisation Assignment**); or
- (b) investing principal Collections by means of purchasing further Public Assets using the principal collections received by the Covered Bonds Guarantor in relation to the Public Assets and Integration Assets which are part of the Portfolio and in accordance with the relevant Priorities of Payments (the **Revolving Assignment**); or
- (c) complying with the Tests, and preventing the breach of the Tests, in accordance with the Portfolio Administration Agreement (the **Integration Assignment**), subject to the Integration Assets Limits.

The obligation of the Covered Bonds Guarantor to purchase any New Portfolio shall be conditional upon, inter alia, (a) the existence of Principal Available Funds with reference to the Pre-Issuer Default Principal Priority of Payments for the carrying out of the Revolving Assignments, and (b) the funding of the requested amounts under the relevant Subordinated Loan for the carrying out of Issuance Collateralisation Assignments or Integration Assignments;

The obligation of the Covered Bonds Guarantor to purchase any New Portfolio shall be also subject to certain conditions subsequent set out in the Master Transfer Agreement.

#### *Criteria*

Each of the Receivables forming part of the Portfolio shall comply with all the General Criteria and to the applicable Specific Criteria.

#### *Price Adjustments*

The Master Transfer Agreement provides a price adjustment mechanism pursuant to which:

- (i) if, following the relevant Cut-off Date, any Receivable which is part of the Portfolio does not meet the Criteria, then such Receivable will be deemed not to have been assigned and transferred to the Covered Bonds Guarantor pursuant to the Master Transfer Agreement;
- (ii) if, following the relevant Cut-off Date, any Receivable which meets the Criteria but it is not part of the Portfolio, then such Receivable shall be deemed to have been assigned and

transferred to the Covered Bonds Guarantor with effects as of the Effective Date of the relevant Portfolio, pursuant to the Master Transfer Agreement.

#### *Repurchase of Receivables and Pre-emption right*

The Seller is granted an option right, pursuant to Article 1331 of Italian Civil Code, to repurchase Receivables or Securities individually or in block, also in different tranches. In order to exercise the option right, the Seller is required to pay the Covered Bonds Guarantor an amount to be calculated in accordance with the provisions set forth under the Master Transfer Agreement. The exercise of the option right shall be conditional upon, inter alia, (a) the verification by the Calculation Agent, and the confirmation of the Seller, that the exercise of such right shall not cause the breach of the Tests and (b) the absence of the Issuer Events of Default set forth under Condition 11(c) (*Issuer Event of Default*) point (iii) (*Insolvency*).

The Seller is granted a pre-emption right to repurchase Receivables or Securities to be sold by the Covered Bonds Guarantor to third parties, at the same terms and conditions provided for such third parties. Such pre-emption rights shall cease should the Seller be submitted to any of the procedures set forth in Title V of the Banking Law.

#### *Termination of the Covered Bonds Guarantor's obligation to purchase and termination of the agreement*

Pursuant to the Master Transfer Agreement, the obligation of the Covered Bonds Guarantor to purchase New Portfolios shall terminate upon the occurrence of any of the following: (i) a breach of the undertakings and duties assumed by the Seller pursuant to the Transaction Documents, in the event such breach is not cured within the period specified in the Master Transfer Agreement, or it is otherwise not curable; (ii) a breach of the Seller's representations and warranties given in any of the Transaction Documents; (iii) a Seller's material adverse change; (iv) an event which is negatively affecting the corporate and financial situation of the Seller (inter alia, enforcement against the Sellers' assets, winding-up of the Seller, opening of a bankruptcy or insolvency proceeding); (v) a change of control of the Seller and consequent exit from the Intesa Sanpaolo Group; (vi) a change in law and regulations following to which the issue of Covered Bonds is impossible or less convenient, both from an economic and commercial point of view, for the parties; (vii) the Seller being notified of the commencement of a judicial proceeding which may reasonably cause the occurrence of a material adverse change of the Seller; (viii) the occurrence of an Issuer Event of Default notified by the Representative of the Covered Bondholders both to the Issuer and the Covered Bonds Guarantor. Further to the occurrence of an event described above, the Covered Bonds Guarantor shall no longer be obliged to purchase New Portfolios.

#### *Undertakings*

The Master Transfer Agreement also contains a number of undertakings by the Seller in respect of its activities in relation to the Receivables or Securities. The Seller has undertaken, inter alia, to refrain from carrying out activities with respect to the Receivables or Securities which may prejudice the validity or recoverability of any Receivable or Security and in particular not to assign or transfer the Receivables or Securities to any third party or to create any security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables or Securities. The Seller has also undertaken to refrain from any action which could cause any of the Receivable or Security to become invalid or to cause a reduction in the amount of any of the Receivable or Security or the Guarantee. The Master Transfer Agreement also provides that the Seller shall waive any set off rights in respect of the Receivables or Securities, and cooperate actively with the Covered Bonds Guarantor in any activity concerning the Receivables or Securities.

#### *Governing Law*

The Master Transfer Agreement is governed by Italian law.

### **Warranty and Indemnity Agreement**



On 20 May 2009, the Seller and the Covered Bonds Guarantor entered into a warranty and indemnity agreement, subsequently amended, (the **Warranty and Indemnity Agreement**), pursuant to which the Seller made certain representations and warranties to the Covered Bonds Guarantor.

Specifically, as of the date of execution of the Transfer Agreement and as of each Issue Date, the Seller has given and will give to the Covered Bonds Guarantor, *inter alia*, representations and warranties about: (i) its status and powers, (ii) the information and the documents provided to the Covered Bonds Guarantor, (iii) its legal title on the Receivables or Securities, (iv) the status of the Receivables or Securities, (v) the terms and conditions of the Receivables or Securities.

Pursuant to the Warranty and Indemnity Agreement, the Seller has undertaken to fully and promptly indemnify and hold harmless the Covered Bonds Guarantor and its officers, directors and agents (each, an **Indemnified Person**), from and against any and all damages, losses, claims, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and disbursements and any value added tax and other tax thereon as well as any claim for damages by third parties) awarded against, or incurred by, any of them, arising from any representations and/or warranties made by the Seller under the Warranty and Indemnity Agreement, and certain representations and/or warranties made by the Seller under the Master Transfer Agreement, being materially false, incomplete or incorrect and/or failure by the Seller to perform any of the obligations and undertakings assumed by the Seller.

Without prejudice of the foregoing, the Seller has further undertaken that, if any Receivable does not exist, in whole or in part, (including where such non existence is based only on a judicial pronouncement that is not definitive), the Seller shall immediately pay the Covered Bonds Guarantor any damage, costs, expenses incurred by the Covered Bonds Guarantor. In the event that, thereafter, any definitive judicial pronouncement recognises that such Receivable exists, the Covered Bonds Guarantor shall repay the amounts mentioned above received by the Seller on the immediately subsequent Guarantor Payment Date, in accordance with the relevant Priorities of Payments.

#### *Governing Law*

The Warranty and Indemnity Agreement is governed by Italian law.

#### **Subordinated Loan Agreement**

On 20 May 2009, the Seller and the Covered Bonds Guarantor entered into a subordinated loan agreement, as subsequently amended, (the **Subordinated Loan Agreement**), pursuant to which the Seller granted the Covered Bonds Guarantor a subordinated loan (the **Subordinated Loan**) with a maximum amount equal to the Maximum Amount, as amended from time to time. Under the provisions of such agreement, upon the relevant disbursement notice being filed by the Covered Bonds Guarantor, the Seller shall make advances to the Covered Bonds Guarantor in amounts equal to the relevant price of the New Portfolios transferred from time to time to the Covered Bonds Guarantor in order to carrying out (a) Issuance Collateralisation Assignment or (b) Integration Assignment.

The Covered Bonds Guarantor shall pay any amounts due under the Subordinated Loan in accordance with the relevant Priorities of Payments. The Subordinated Loan shall be remunerated by way of the Subordinated Loan Interest Amount.

#### *Governing Law*

The Subordinated Loan Agreement is governed by Italian law.

#### **Covered Bonds Guarantee**

On or about the Initial Issue Date the Covered Bonds Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds (the **Covered Bonds Guarantee**), in accordance with the provisions of Law 130 and of the MEF Decree.

Under the terms of the Covered Bonds Guarantee, if the Issuer defaults in the payment on the due date (subject to any applicable grace periods) of any moneys due and payable under or pursuant to the Covered Bonds, or if any other Issuer Event of Default or an Article 74 Event occurs, the Covered Bonds Guarantor has agreed (subject as described below) to pay, or procure to be paid, following service by the Representative of the Covered Bondholders of the Notice to Pay or an

Article 74 Notice to Pay (which has not been withdrawn), unconditionally and irrevocably to or to the order of the Representative of the Covered Bondholders (for the benefit of the Covered Bondholders), any amounts due under the Covered Bonds as and when the same were originally due for payment by the Issuer, as of any Maturity Date or, if applicable, Extended Maturity Date by the Issuer.

Pursuant to Article 7-bis, paragraph 1, of Law 130 and Article 4 of the MEF Decree, the guarantee provided under the Covered Bonds Guarantee is a first demand (*a prima richiesta*), unconditional, irrevocable (*irrevocabile*) and independent guarantee (*garanzia autonoma*) and therefore provides for direct and independent obligations of the Covered Bonds Guarantor *vis-à-vis* the Covered Bondholders and with limited recourse to the Available Funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer. The provisions of the Italian Civil Code relating to *fideiussione* set forth in articles 1939 (*Validità della fideiussione*), 1941, paragraph 1 (*Limiti della fideiussione*), 1944, paragraph 2 (*Escussione preventiva*), 1945 (*Eccezioni opponibili dal fideiussore*), 1955 (*Liberazione del fideiussore per fatto del creditore*), 1956 (*Liberazione del fideiussore per obbligazione futura*) and 1957 (*Scadenza dell'obbligazione principale*) shall not apply to the Covered Bonds Guarantee.

Following the occurrence of an Article 74 Event or an Issuer Event of Default and the service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, the Covered Bonds Guarantor shall pay or procure to be paid on the relevant Scheduled Due for Payment Date to the Covered Bondholders an amount equal to those Guaranteed Amounts which shall become due for payment in accordance with the relevant Conditions, but which have not been paid by the Issuer to the relevant Covered Bondholder on the relevant Scheduled Payment Date.

Following the occurrence of a Covered Bonds Guarantor Event of Default and the service by the Representative of the Covered Bondholders, of a Covered Bonds Guarantor Acceleration Notice in respect of all Covered Bonds, which shall become immediately due and repayable, the Covered Bonds Guarantor shall pay or procure to be paid on the Due for Payment Date to the Covered Bondholders, the Guaranteed Amounts for all outstanding Covered Bonds.

Following service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of a Covered Bonds Guarantor Event of Default, payment by the Covered Bonds Guarantor of the Guaranteed Amounts pursuant to this Covered Bonds Guarantee will be made, subject to and in accordance with the Post-Issuer Default Priority of Payments, on the relevant Scheduled Due for Payment Date, provided that, if an Extended Maturity Date is envisaged under the relevant Final Terms and actually applied, any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Covered Bonds Guarantor on any Scheduled Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. In addition, to the extent that the Covered Bonds Guarantor has insufficient moneys available after payment of higher ranking amounts and taking into account amounts ranking *pari passu* therewith in the relevant Priorities of Payments, the Covered Bonds Guarantor shall make partial payments of the Guaranteed Amounts in accordance with the Post-Issuer Default Priority of Payment.

Following service of a Covered Bonds Guarantor Acceleration Notice all Covered Bonds will accelerate, in accordance with the Conditions, against the Covered Bonds Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves and the Available Funds shall be applied in accordance with the Post-Guarantor Default Priority of Payment.

All payments of Guaranteed Amounts by or on behalf of the Covered Bonds Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Covered Bonds Guarantor will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Covered Bonds Guarantor will not be obliged to pay any amount to any Covered Bondholder in respect of the amount

of such withholding or deduction.

#### *Exercise of rights*

Following the occurrence of an Article 74 Event and service of an Article 74 Notice to Pay (which has not been withdrawn) on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Events of Default, the Covered Bonds Guarantor in accordance with the provisions of Article 4, paragraph 4, of the MEF Decree shall temporarily substitute for the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

Following the occurrence of an Issuer Event of Default (other than the event referred under Condition 12(c) (iii)) and service of a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Event of Default, the Covered Bonds Guarantor, in accordance with the provisions set forth under the Covered Bonds Guarantee (as well as in accordance with the provisions of Article 4, paragraph 3, of the MEF Decree), shall substitute the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

Following the occurrence of an Issuer Event of Default referred under Condition 11(c) (iii) and service of a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Events of Default, as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Covered Bonds Guarantor in accordance with the provisions of Article 4, paragraph 3, of the MEF Decree shall substitute the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

As a consequence and as expressly indicated in the Conditions, the Covered Bondholders have irrevocably delegated to the Covered Bonds Guarantor (also in the interest and for the benefit of the Covered Bonds Guarantor) the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 10(a) (*Gross up by Issuer*).

#### *Governing Law*

The Covered Bonds Guarantee is governed by Italian law.

#### **Servicing Agreement**

On 20 May 2009 the Servicer has agreed, pursuant to the terms of a servicing agreement, subsequently amended, (the **Servicing Agreement**), to administer and service the Receivables or Securities, on behalf of the Covered Bonds Guarantor. The appointment to the Servicer is not a mandate *in rem propriam* and, therefore, the Covered Bonds Guarantor is entitled to revoke or terminate the same in accordance with the provisions set forth in the Servicing Agreement.

As consideration for the activity performed and reimbursement of expenses, the Servicing Agreement provides that the Servicer will receive certain fees payable by the Covered Bonds Guarantor on each Guarantor Payment Date in accordance with the applicable Priorities of Payments.

#### *Servicer's activities*

In the context of the appointment, the Servicer has undertaken to perform, with its best diligence and highest ethical standards, *inter alia*, the activities specified below:

- (i) administration, management and collection of the Receivables or Securities in accordance with the Servicing Agreement, the Collection Policies and the OBG Regulations; management and administration of enforcement proceedings and insolvency proceedings;
- (ii) to perform certain activities with reference to the data processing pursuant to the Privacy Law;
- (iii) to keep and maintain updated and safe the documents relating to the Receivables or Securities transferred from the Seller to the Covered Bonds Guarantor; to consent to the Covered Bonds Guarantor and the Representative of the Covered Bondholders to examine and inspect the documents and to draw copies;
- (iv) upon the occurrence of a Covered Bonds Guarantor Events of Default, the Servicer shall follow only the instructions given by the Representative of the Covered Bondholders and disregard those instructions given by the Covered Bonds Guarantor.

The Servicer is entitled to delegate the performance of certain activities to third parties, except for the supervisory activities in accordance with the regulation of the Governor of the Bank of Italy of 3 November 2003. Notwithstanding the above, the Servicer shall remain fully liable for the activities performed by a party so appointed by the Servicer, and shall maintain the Covered Bonds Guarantor fully indemnified for any losses, costs and damages incurred for the activity performed by a party so appointed by the Servicer.

Under the Servicing Agreement, the Servicer has also agreed to be responsible for verifying that the transaction complies with the law and this Base Prospectus, in accordance with the requirements of Law 130.

#### *Servicer Reports*

The Servicer has undertaken to prepare and submit, prior to the occurrence of a breach of the Tests, quarterly reports to the Covered Bonds Guarantor, the Administrative Services Provider, the Asset Monitor, the Rating Agency, the Representative of the Covered Bondholders, the Hedging Counterparties and the Calculation Agent, in the form set out in the Servicing Agreement, containing information about the Collections made in respect of the Portfolio during the preceding Collection Period. The reports will provide the main information relating to the Servicer's activity during the period, including without limitation: a description of the Portfolio (outstanding amount, principal and interest), information relating to delinquencies, defaults and collections during the Collection Period.

Further to the occurrence of a breach of the Tests, and until the sixth month following the cure of such Tests, the Servicer has undertaken to prepare and submit a monthly report, substantially equal to the

quarterly report above mentioned, to the Covered Bonds Guarantor, the Administrative Services Provider, the Asset Monitor, the Rating Agency, the Representative of the Covered Bondholders, the Hedging Counterparties and the Calculation Agent. The reports will provide the main information relating to the Servicer's activity during the month prior to the relevant issue date of the report.

#### *Successor Servicer*

According to the Servicing Agreement, upon the occurrence of a termination or withdrawal event, the Covered Bonds Guarantor shall have the right, but not the obligation, to withdraw the appointment of the Servicer and, subject to the approval in writing of the Representative of the Covered Bondholders and prior written notice to the Rating Agency, to appoint a Successor Servicer. The Successor Servicer shall undertake to carry out the activity of administration, management and collection of the Receivables or Securities, as well as all other activities provided for in the Servicing Agreement by entering into a servicing agreement having substantially the same form and contents as the Servicing Agreement and accepting the terms and conditions of the Intercreditor Agreement.

The Covered Bonds Guarantor may terminate the Servicer's appointment and appoint a Successor Servicer following the occurrence of any of the termination event (each a **Servicer Termination Event**). The Servicer Termination Events include:

- (i) an insolvency, liquidation or winding up event occurred with respect to the Servicer;
- (ii) loss of the minimum required rating provided for the Servicer under the Servicing Agreement;
- (iii) failure to observe or perform duties under the Transaction Documents and the continuation of such failure for a period of 15 Business Days following receipt of written notice from the Covered Bonds Guarantor where such breach prejudiced the reliance of the Covered Bonds Guarantor on the Servicer;
- (iv) amendments of the functions and services involved in the management of the claims and in the recovery and collection procedures, if such amendments may individually or jointly, prevent the Servicer from fulfilling the obligations assumed under the Servicing Agreement;
- (v) inability of the Servicer to meet the legal requirements and the Bank of Italy's regulations for entities acting as servicer.

#### *Governing Law*

The Servicing Agreement is governed by Italian law.

#### **Administrative Services Agreement**

Pursuant to an administrative services agreement entered into on 20 May 2009 (the **Administrative Services Agreement**), the Administrative Services Provider has agreed to provide the Covered Bonds Guarantor with a number of administrative services, including the keeping of the corporate books and of the accounting and tax registers.

#### *Governing Law*

The Administrative Services Agreement is governed by Italian law.

#### **Intercreditor Agreement**

Under the terms of an intercreditor agreement entered into on or about the Initial Issue Date, subsequently amended, (the **Intercreditor Agreement**) among the Covered Bonds Guarantor and the Secured Creditors, the parties agreed that all the Available Funds of the Covered Bonds Guarantor will be applied in or towards satisfaction of the Covered Bonds Guarantor's payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the relevant Priorities of Payments provided in the Intercreditor Agreement.

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to a Covered Bonds Guarantor Events of Default having occurred, ensure that all the Available Funds are applied in or towards satisfaction of the Covered Bonds Guarantee's payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the Post-

Guarantor Default Priority of Payments provided in the Intercreditor Agreement.

The obligations owed by the Covered Bonds Guarantor to each of the Covered Bondholders and each of the Secured Creditors will be limited recourse obligations of the Covered Bonds Guarantor. The Covered Bondholders and the Secured Creditors will have a claim against the Covered Bonds Guarantor only to the extent of the Available Funds, in each case subject to and as provided for in the Intercreditor Agreement and the other Transaction Documents.

The Covered Bonds Guarantor has granted a general irrevocable mandate to the Representative of the Covered Bondholders, in the interest, and for the benefit of the Covered Bondholders and the other Secured Creditors, to act in the name and on behalf of the Covered Bonds Guarantor on the terms and conditions specified in the Intercreditor Agreement, in exercising the rights of the Covered Bonds Guarantor under the Transaction Documents to which it is a party, other than the rights related to the collection and recovery of the Receivables or Securities and to cash and payment services (save, in this respect, as provided otherwise therein).

#### *Governing Law*

The Intercreditor Agreement is governed by Italian law.

#### **Cash Management and Agency Agreement**

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer, the Cash Manager, the Account Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Seller, the Servicer, the Subordinated Loan Provider, the Administrative Services Provider, the Calculation Agent and the Representative of the Covered Bondholders entered into a cash allocation, management and payments agreement, subsequently amended, (the **Cash Management and Agency Agreement**), pursuant to which the Account Bank, the Receivables Collection Account Bank, the Cash Manager, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider and the Calculation Agent will provide the Covered Bonds Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts.

Pursuant to the Cash Management and Agency Agreement:

- (i) the Receivables Account Bank will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with account handling services in relation to moneys from time to time standing to the credit of the Receivables Collection Accounts;
- (ii) the Account Bank will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with account handling services in relation to moneys from time to time standing to the credit of the Other Accounts (as defined below);
- (iii) the Cash Manager will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with certain cash management services in relation to moneys standing to the credit of the Accounts;
- (iv) the Calculation Agent will provide, *inter alia*, the Covered Bonds Guarantor: (i) with the Payments Report which will set out the Available Funds and the payments to be made on the following Guarantor Payment Date and (ii) with the Investors Report which will set out certain information with respect to the Portfolio and the Covered Bonds;
- (v) the Paying Agent will provide the Issuer and the Covered Bonds Guarantor with certain payment services.

#### *Receivables Collection Account Bank*

The Receivables Collection Accounts will be opened in the name of the Covered Bonds Guarantor and shall be operated by the Receivables Collection Account Bank, and the amounts to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

On behalf of the Covered Bonds Guarantor, the Receivables Collection Account Bank shall maintain or ensure that records in respect of each of the Receivables Collection Accounts are maintained and such records will, on or prior to each Servicer Report Date, show separately: (i) the balance of each of Receivables Collection Accounts as of the immediately preceding Collection Date; (ii) the total interest accrued and paid on the Receivables Collection Accounts as of the immediately preceding Collection Period; and (iii) details of all amounts credited to, and transfers made from, each of the Receivables Collection Accounts in the course of the immediately preceding Collection Date. The Receivables Collection Account Bank will provide information to the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Administrative Services Provider and/or the Calculation Agent upon their request, about the balance of those of the Receivables Collection Accounts which are held with it.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Receivables Collection Account Bank shall always maintain the Minimum Required Receivables Collection Account Bank Rating provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

The Receivables Collection Account Bank may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Receivables Collection Account Bank pursuant to the terms of the Cash Management and Agency Agreement. The Receivables Collection Account Bank shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

#### *Account Bank*

The Other Accounts will be opened in the name of the Covered Bonds Guarantor and shall be operated by the Account Bank, and the amounts standing to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

On behalf of the Covered Bonds Guarantor, the Account Bank shall maintain or ensure that records in respect of each of the Accounts are maintained and such records will, on or prior to each Servicer Report Date, show separately: (i) the balance of each of the Other Accounts as of the immediately preceding Collection Date; (ii) the total interest accrued and paid on the Other Accounts as of the immediately preceding Collection Date; and (iii) details of all amounts or securities credited to, and transfers made from, each of the Other Accounts in the course of the immediately preceding Collection Period. The Account Bank will provide information to the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Administrative Services Provider and/or the Calculation Agent, upon their request, about the balance of those of the Accounts which are held with it.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Account Bank shall always maintain the Minimum Required Account Bank Ratings, provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

The Account Bank may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Account Bank pursuant to the terms of the Cash Management and Agency Agreement. The Account Bank shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

#### *Cash Manager*

On each Guarantor Payment Date, the Cash Manager shall, subject to receiving the Payments Report from the Calculation Agent, execute the payment instructions stated by the Calculation Agent and shall allocate the amounts standing on the Transaction Account according to the relevant Priorities of Payments, except for the payments to be carried out by the Paying Agent under the outstanding Covered Bonds.

During each Collection Period, the Cash Manager may instruct the Account Bank to invest funds standing to the credit of the Investment Account in Eligible Investments or Authorised Investments on behalf of the Covered Bonds Guarantor.

Subject to compliance with the definitions of Eligible Investments and Authorised Investments and the other restrictions set out in the Cash Management and Agency Agreement, the Cash Manager shall have absolute discretion as to the types and amounts of Eligible Investments and Authorised Investments which it may acquire and as to the terms on which, through whom and on which markets, any purchase of Eligible Investments or Authorised Investments may be effected. As long as the Account Bank meets the requirements under the Cash Management and Agency Agreement, with particular regard to the Minimum Required Account Bank Ratings, the Collection Accounts and the Investment Account constitute Eligible Investments, the Cash Manager will be under no obligation or duty whatsoever to instruct or consider instructing the Account Bank to invest funds standing to the credit of the Investment Account in any other Eligible Investment.

On or prior to each Servicer Report Date, the Cash Manager shall deliver a copy of its report, *inter alia*, to the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, which shall include information on the Eligible Investments and Authorised Investments.

The Cash Manager may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Cash Manager pursuant to the terms of the Cash Management and Agency Agreement. The Cash Manager shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into a the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

#### *Calculation Agent*

The Calculation Agent will prepare a Payments Report no later than the fifth Business Day prior to each Guarantor Payment Date, subject to receipt by it of reports from the Servicer, the Cash Manager, the Receivables Collection Account Bank, the Account Bank and the Administrative Services Provider, which will set out the Available Funds and payments to be made on the immediately succeeding Guarantor Payment Date in accordance with the applicable Priorities of Payments. Such Payments Report will be available for inspection during normal business hours at the registered office of the Luxembourg Listing Agent.

On or prior to the Investors Report Date the Calculation Agent shall prepare and deliver, *inter alios*, to the Seller, the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Servicer, the Administrative Services Provider, the Luxembourg Listing Agent, the Cash Manager, the Rating Agency, the Investors Report setting out certain information with respect to the Portfolio and the Covered Bonds and promptly publish the Investors Report on the website of the Calculation Agent.

#### *Paying Agent*

The Paying Agent shall, prior to the delivery of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), make payments of principal and interest in respect of the Covered Bonds on behalf of the Issuer in accordance with the Conditions, the relevant Final Terms and the Cash Management and Agency Agreement.

Following the occurrence of an Article 74 Event or an Issuer Event of Default and following delivery of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay or of a Covered



Bonds Guarantor Event of Default (in order to provide for the payment of the amounts due by the Covered Bonds Guarantor to the Covered Bondholders under the Covered Bonds Guarantee), the Account Bank, upon instruction of the Cash Manager, shall pay, in accordance with the terms and conditions set forth under the Cash Management and Agency Agreement, to the Paying Agent, an amount equal to the amount necessary to execute payments of interest and principal due in relation to in respect of outstanding Covered Bonds on the relevant CB Payment Date.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Paying Agent shall always maintain the Minimum Required Paying Agent Ratings, provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

#### *Luxembourg Listing Agent*

The Luxembourg Listing Agent will, upon and in accordance with the signed, written instructions of the Issuer or, after the occurrence of an Issuer Event of Default, the Covered Bonds Guarantor or, following the occurrence of a Covered Bonds Guarantor Event of Default, the Representative of the Covered Bondholders, arrange for publication of any notice which is to be given to the Covered Bondholders by publication in a newspaper having general circulation in Luxembourg, or any other means from time to time accepted by the Luxembourg Stock Exchange, and will maintain one copy thereof at its address and will supply a copy thereof to the Issuer, the Paying Agent, Monte Titoli and the Luxembourg Stock Exchange.

The Luxembourg Listing Agent will: (a) promptly forward to the Issuer, the Paying Agent, the Administrative Services Provider, the Representative of the Covered Bondholders and the Covered Bonds Guarantor a copy of any notice or communication addressed to the Covered Bonds Guarantor or to the Issuer by any Covered Bondholders and which is received by the Luxembourg Listing Agent; (b) make available to the Issuer, the Covered Bonds Guarantor and the Paying Agent such information in its possession as is reasonably required for the maintenance of the records in respect of all the Accounts; (c) comply with the listing rules of the Luxembourg Stock Exchange in connection with the Programme; and (d) promptly inform the Covered Bonds Guarantor of any fact which may affect its duties in connection with the Programme.

#### *Termination*

Upon the occurrence of certain events, including the Account Bank, the Receivables Collection Account Bank or the Paying Agent ceasing to maintain the respective Minimum Required Ratings, either the Issuer (only prior to the occurrence of an Issuer Event of Default and with respect to certain agents only), the Representative of the Covered Bondholders or the Covered Bonds Guarantor, provided that (in the case of the Covered Bonds Guarantor) the Representative of the Covered Bondholders consents in writing to such termination, may terminate the appointment of the Account Bank, the Receivables Collection Account Bank, the Cash Manager, the Paying Agent, the Luxembourg Listing Agent and the Calculation Agent, as the case may be, under the terms of the Cash Management and Agency Agreement.

#### *Governing Law*

The Cash Management and Agency Agreement will be governed by Italian law.

#### **Portfolio Administration Agreement**

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer, the Seller, the Servicer, the Subordinated Loan Provider, the Cash Manager, the Asset Monitor, the Representative of the Covered Bondholders and the Calculation Agent have entered into the Portfolio Administration Agreement, subsequently amended. Pursuant to such agreement the Seller, the Issuer and the Covered Bonds Guarantor have undertaken certain obligations for the replenishment of the Portfolio in order to cure a breach of the Tests.

Pursuant to the terms and conditions of the Portfolio Administration Agreement, the Calculation Agent has agreed to verify the compliance of the Tests and, in the event of a breach, to immediately notify in writing the Representative of the Covered Bondholders, the Issuer, the Seller, the Asset Monitor, the

Paying Agent, the Hedging Counterparties and the Rating Agency of such breach. On each Calculation Date, moreover, the Calculation Agent shall deliver an asset cover report including the relevant calculations in respect of the Tests to the Issuer, the Covered Bonds Guarantor, the Seller, the Representative of the Covered Bondholders, the Asset Monitor and the Hedging Counterparties.

Following the delivery of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay (and prior to the occurrence of any Covered Bonds Guarantor Events of Default), if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Portfolio Manager, the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the Portfolio Administration Agreement, subject to any pre-emption right of the Seller or the Issuer pursuant to the Master Transfer Agreement or any other Transaction Documents. The proceeds of any such sale shall be credited to the Investment Account. Following the delivery of a Notice to Pay and appointment of the Portfolio Manager, the Portfolio Manager shall deliver the reports required by the Portfolio Administration Agreement.

Following the delivery of a Covered Bonds Guarantor Acceleration Notice, the Representative of the Covered Bondholders shall, in the name and on behalf of the Covered Bonds Guarantor, direct the Servicer to sell Selected Assets in accordance with the Portfolio Administration Agreement, subject to any pre-emption right of the Seller pursuant to the Master Transfer Agreement or any other Transaction Documents. The proceeds of any such sale shall be applied in accordance with the relevant Priority of Payments.

#### *Governing Law*

The Portfolio Administration Agreement will be governed by Italian law.

#### **Asset Monitor Agreement**

On or about the Initial Issue Date, the Asset Monitor, the Covered Bonds Guarantor, the Calculation Agent, the Cash Manager, the Issuer, the Seller and the Representative of the Covered Bondholders entered into an asset monitor agreement (the **Asset Monitor Agreement**), pursuant to which the Asset Monitor has agreed to perform certain tests and procedures and carry out certain monitoring and reporting services with respect to the Issuer and the Covered Bonds Guarantor.

Pursuant to the Asset Monitor Agreement, the Asset Monitor has agreed with the Issuer and, upon the delivery of a Notice to Pay, with the Covered Bonds Guarantor, subject to due receipt of the information to be provided by the Calculation Agent, to conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable with a view of verifying the compliance by the Covered Bonds Guarantor with such tests.

The Asset Monitor will be required to conduct such tests no later than the relevant Asset Monitor Report Date (as defined under the Asset Monitor Agreement). On each Asset Monitor Report Date, the Asset Monitor shall deliver to the Covered Bonds Guarantor, the Calculation Agent, the Representative of the Covered Bondholders, the Servicer and the Issuer the Asset Monitor Report.

Other than in relation to the verification of the Tests, the Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it under the Asset Monitor Agreement is true and correct and is complete and not misleading. The results of the tests conducted by the Asset Monitor will be delivered to the Calculation Agent, the Covered Bonds Guarantor, the Issuer and the Representative of the Covered Bondholders.

In the Asset Monitor Agreement, the Asset Monitor has acknowledged to perform its services also for the benefit and in the interests of the Covered Bonds Guarantor (to the extent it will carry out the services under the appointment of the Issuer) and the Covered Bondholders and accepted that upon delivery of a Notice to Pay, it will receive instructions from, provide its services to, and be liable *vis-à-vis* the Covered Bonds Guarantor or the Representative of the Covered Bondholders on its behalf.

The Issuer and (upon delivery of a Notice to Pay) the Covered Bonds Guarantor may, subject to the prior written notice to the Rating Agency and the prior written consent of the Representative of the Covered Bondholders, revoke the appointment of the Asset Monitor by giving not less than one year or

earlier than one year, in the event of a breach of warranties and covenants, written notice to the Asset Monitor (with a copy to the Representative of the Covered Bondholders, the Servicer and the Calculation Agent). If termination of the appointment of the Asset Monitor would otherwise take effect less than 30 days before or after any Calculation Date immediately after which an Asset Monitor Report shall be delivered, then such termination shall not take effect until the tenth day following such Calculation Date. In any case, no revocation of the appointment of the Asset Monitor shall take effect until a successor, notified in writing to the Rating Agency and approved by the Representative of the Covered Bondholders, has been duly appointed in accordance with the provisions of the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign by giving not less than one year (or such shorter period as the Representative of the Covered Bondholders may agree) prior written notice of termination to the Issuer, the Covered Bonds Guarantor, the Calculation Agent, the Servicer and the Representative of the Covered Bondholders, provided that such resignation will not take effect unless and until, *inter alia*: (i) a substitute Asset Monitor being appointed by the Issuer and (upon delivery of a Notice to Pay) the Covered Bonds Guarantor, with the prior written notice to the Rating Agency and with the prior written approval of the Representative of the Covered Bondholders, on substantially the same terms as those set out in the Asset Monitor Agreement; (ii) the Asset Monitor being not released from its obligations under the Asset Monitor Agreement until a substitute Asset Monitor has entered into such new agreement and it has become a party to the Intercreditor Agreement; (iii) the Representative of the Covered Bondholders, after the prior written notice to the Rating Agency, consenting in writing to the resignation (such consent not to be unreasonably withheld or delayed) and (iv) if such resignation would otherwise take effect less than 30 days before or after any Calculation Date immediately after which an Asset Monitor Report shall be delivered, then such resignation shall not take effect until the tenth day following such Calculation Date.

#### *Governing Law*

The Asset Monitor Agreement is governed by Italian law.

#### **Quotaholders' Agreement**

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer and Stichting Viridis 2 entered into a quotaholders' agreement (the **Quotaholders' Agreement**), containing provisions and undertakings in relation to the management of the Covered Bonds Guarantor. In addition, pursuant to the Quotaholders' Agreement, Stichting Viridis 2 will grant a call option in favour of the Issuer to purchase from Stichting Viridis 2 and Intesa Sanpaolo will grant a put option in favour of Stichting Viridis 2 to sell to Intesa Sanpaolo the quota of the Issuer quota capital held by Stichting Viridis 2.

#### *Governing Law*

The Quotaholders' Agreement will be governed by Italian law.

#### **Dealer Agreement**

On or about the Initial Issue Date, the Issuer, the Representative of Covered Bondholders and the Dealer entered into a dealer agreement, subsequently amended, (the **Dealer Agreement**), which contains certain arrangements under which the Covered Bonds may be issued and sold, from time to time, by the Issuer to the Dealer or any other dealers.

The Issuer, the Covered Bondholders and the Seller will indemnify the Dealer for costs, liabilities, charges, expenses and claims incurred by or made against the Dealer arising out of, in connection with or based on breach of duty or misrepresentation by the Issuer, the Covered Bonds Guarantor or the Seller.

The Dealer Agreement contains provisions relating to the resignation or termination of appointment of existing Dealer and for the appointment of additional or other dealers acceding as new dealer: (i) generally in respect of the Programme or (ii) in relation to a particular issue of Covered Bonds.

The Dealer Agreement contains stabilisation provisions.

Pursuant to the Dealer Agreement, the Issuer, the Covered Bonds Guarantor and the Seller give certain

representations and warranties to the Dealer in relation to, *inter alia*, themselves and the information given by each of them in connection with this Base Prospectus.

#### *Governing Law*

The Dealer Agreement will be governed by Italian law.

#### **Subscription Agreement**

The Dealer Agreement also contains the *pro forma* of the Subscription Agreement to be entered into in relation to each issue of Covered Bonds.

On or prior to the relevant Issue Date, the Issuer and the Relevant Dealers will enter into a subscription agreement under which the Relevant Dealers will agree to subscribe for the relevant tranche of Covered Bonds, subject to the conditions set out therein.

Under the terms of the Subscription Agreement, the Relevant Dealers will confirm the appointment of the Representative of the Covered Bondholders.

#### *Governing Law*

The Subscription Agreement will be governed by Italian law.

#### **Deed of Pledge**

On or about the Initial Issue Date the Covered Bonds Guarantor executed a deed of pledge, subsequently amended, (the **Deed of Pledge**) by means of which the Covered Bonds Guarantor pledged in favour of the Covered Bondholders and the Secured Creditors all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Covered Bonds Guarantor is entitled pursuant or in relation to the Transaction Documents (other than the English law Transaction Documents, the Deed of Pledge and the Conditions), including the monetary claims and rights relating to the amounts standing to the credit of the Accounts and any other account established by the Covered Bonds Guarantor in accordance with the provisions of the Transaction Documents. The Covered Bonds Guarantor will further grant a pledge in favour of the Covered Bondholders and the Secured Creditors of all of its rights, title, interest and benefit from time to time in and to any Eligible Investments or Authorised Investments made on behalf of the Covered Bonds Guarantor and the amounts and the securities standing to the credit of the Securities Account.

#### *Governing Law*

The Deed of Pledge is governed by Italian law.

#### **Deed of Charge**

On or about the Initial Issue Date, the Covered Bonds Guarantor executed a deed of charge (the **Deed of Charge**) by means of which the Covered Bonds Guarantor assigns by way of security to, and charges in favour of, the Representative of the Covered Bondholders (acting in its capacity as Security Trustee for itself and on trust for the Covered Bondholders and the Secured Creditors), all of its rights, title, interest and benefit from time to time in and to the Swap Agreements.

#### *Governing Law*

The Deed of Charge is governed by English law.

#### **Swap Agreements**

##### **CB Swaps**

In order to hedge the currency and/or interest rate exposure in relation to its floating or fixed rate obligations under the CB, the Covered Bonds Guarantor may enter into one or more swap transactions with the CB Hedging Counterparty on each Issue Date as confirmed by a confirmation (a **CB Swap Confirmation**) evidencing the terms of such transaction (a **CB Swap** and jointly the **CB Swaps**), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support Annex (Bilateral

Form – Transfer)(ISDA Agreements Subject to English law) (the **Credit Support Annex**) and CB Swap Confirmation (the **CB Master Agreement**).

### **TBG Swaps**

In order to hedge the interest rate and/or currency risks related to the transfer of each Portfolio, the Covered Bonds Guarantor will enter into one or more swap transactions with the TBG Hedging Counterparty, on the date of each transfer as confirmed by a confirmation (a **TBG Swap Confirmation** and together with the CB Swap Confirmations, the **Swap Confirmations**) evidencing the terms of such transaction (a **TBG Swap** and jointly the **TBG Swaps** and together with the CB Swaps, the **Swap Agreements**), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, Credit Support Annex and TBG Swap Confirmation (the **TBG Master Agreement** and together with the CB Master Agreement, the **Master Agreements**).

With respect to any Swap, the respective Hedging Counterparty will, *inter alia*, be required to have the Minimum Required Hedging Counterparty Rating provided for under the respective Master Agreement.

In the event that the Hedging Counterparty ceases to hold a Moody's First Trigger Required Rating (**Initial Moody's Rating Event**), then the Hedging Counterparty shall notify the Rating Agency, the Representative of the Covered Bondholders and the Covered Bonds Guarantor within 30 Business Days of such rating event and shall use its reasonable endeavors and as soon as reasonably practicable after such rating event and at its cost provide collateral pursuant to the terms of the Credit Support Annex.

In the event that the Hedging Counterparty shall cease to hold a Moody's Second Trigger Required Rating (**Subsequent Rating Event**), then the Hedging Counterparty shall be required, (as soon as reasonably practicable after such downgrade) at its cost:

- (i) to continue to provide collateral under the terms of the Credit Support Annex until (ii) below occurs; and
- (ii) either to
  - (a) transfer all its interest in, and obligations under, this Agreement to another entity that holds a Moody's Second Trigger Required Rating; or
  - (b) procure another entity that holds a Moody's First Trigger Required Rating and/or a Moody's Second Trigger Required Rating to become a guarantor in respect of the obligations of the Hedging Counterparty under this Agreement.

Failure or inability by the Hedging Counterparty to comply with the obligations described above following an Initial Rating Event or a Subsequent Rating Event shall constitute an Additional Termination Event in accordance with Section 5(b)(v) of the Master Agreements in respect of which the Hedging Counterparty shall be the sole Affected Party.

The Covered Bonds Guarantor may only designate an Early Termination Date if it has found a replacement counterparty willing to enter into a new transaction close to the current one (economic and legal terms).

Each Master Agreement will terminate on the Maturity Date or, if applicable under the relevant Final Terms, the Extended Maturity Date or the Long Date Due For Payment Date, as the case may be, unless terminated earlier in accordance with its terms.

Under the terms of each Swap Confirmation, on or about each Payment Date, or Swap Payment Date in the case of the relevant Hedging Counterparty, both the Covered Bonds Guarantor and the relevant Hedging Counterparty are required to make a payment as set out in the respective Swap Confirmation.

In the event that the Covered Bonds Guarantor fails to make any one such payment then the relevant Hedging Counterparty is entitled to terminate all of the Swaps to which it is a party. Upon such termination, the Covered Bonds Guarantor may be required to make a termination payment to the

Hedging Counterparty. Such payment will be made in accordance with the Priority of Payments set out in the Intercreditor Agreement. In the event that the Hedging Counterparty fails to make any payment then the Covered Bonds Guarantor is entitled to terminate all of the Swaps to which such Hedging Counterparty is a party. In the event that following a termination due to the occurrence of an Event of Default, a Termination Event or Additional Termination Event, the Covered Bonds Guarantor may be required to make a termination payment to the Hedging Counterparty, such payment will be made in accordance with the Priority of Payments set out in the Intercreditor Agreement.

#### *Governing Law*

The Swaps are governed by English law.

Notwithstanding the above, the Covered Bonds Guarantor could enter into hedging agreements, other than the Master Agreements, in order to hedge the interest rate and/or currency risk related to the transfer of each Portfolio or to the Covered Bonds. Details of such agreements will be provided for, from time to time, in the relevant Final Terms.

#### **Master Definition Agreement**

Pursuant to a master definition agreement entered into on or about the Initial Issue Date and subsequently amended between the Covered Bonds Guarantor and the other parties to the Transaction Documents (the **Master Definition Agreement**), the definitions of certain terms used in the Transaction Documents have been agreed.

#### *Governing Law*

The Master Definition Agreement is governed by Italian law.

#### **ISP Mandate Agreement**

Pursuant to a mandate agreement entered into on 28 February 2014 between Intesa Sanpaolo, as Swap Service Provider, and the Covered Bonds Guarantor, Intesa Sanpaolo has agreed to provide the Covered Bonds Guarantor with certain services due under the Swap Agreements pursuant to the EMIR Regulation (the **ISP Mandate Agreement**).

#### *Governing Law*

The ISP Mandate Agreement is governed by Italian law.

## SELECTED ASPECTS OF ITALIAN LAW

*The following is an overview only of certain aspects of Italian law that are relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. It is not intended to be exhaustive and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.*

### **Law 130, Article 7-bis thereof and BoI OBG Regulations. General remarks**

Law 130 was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy. Law 130 was further amended during the following years.

Law Decree No. 35 of 14 March 2005, converted with amendments into law by Law no. 80 of 14 May 2005, added articles 7-bis and 7-ter to Law 130, for the purpose of allowing Italian banks to use the securitisation techniques introduced by Law 130 in view of issuing covered bonds (*obbligazioni bancarie garantite*).

Pursuant to article 7-bis, certain provisions of Law 130 apply to transactions involving the “true” sale (by way of non-gratuitous assignment) of receivables or asset backed securities issued in the context of securitisation transactions meeting certain eligibility criteria set out in article 7-bis and in MEF Decree, where the sale is to a vehicle incorporated pursuant to article 7-bis and all amounts paid by the debtors are to be used by the special purpose vehicle exclusively to meet its obligations under a guarantee to be issued by it, in view of securing the payment obligations of the selling bank or of other banks in connection with the issue of covered bonds.

Pursuant to article 7-bis, the purchase price of the assets to be included in the portfolio shall be financed through the taking of a loan granted or guaranteed by the bank selling the assets or a different bank. The payment obligations of the special purpose vehicle under such loan shall be subordinated to the payment obligations *vis-à-vis* the covered bondholders, the counterparties of any derivative contracts hedging risks in connection with the assigned receivables and securities, the counterparties of any other ancillary contract and counterparties having a claim in relation to any payment of other costs of the transaction.

The covered bonds are further regulated by the Decree of the Ministry for the Economy and Finance No. 310 of 14 December 2006 (**MEF Decree**) and the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of the circular no. 285 of 17 December 2013, containing the “*Disposizioni di vigilanza per le banche*” as further implemented and amended, (the **BoI OBG Regulations**). Pursuant to the BoI OBG Regulations, the covered bonds may be issued also by banks which are member of banking groups meeting, as of the date of issuance of the covered bonds, certain requirements relating to the consolidated regulatory capital and the consolidated solvency ratio at the group’s level. Such requirements must be complied with, as of the date of issuance of the covered bonds, also by banks selling the assets, where the latter are different from the bank issuing the covered bonds and do not fall within the same banking group.

### **The Special Purpose Vehicle**

On 8 May 2015, the Ministerial Decree No. 53/2015 (the **Decree 53/2015**) issued by the Ministry of Economy and Finance has been published in the Official Gazette of the Republic of Italy. The Decree 53/2015 came into force on 23 May 2015, repealing the Decree No. 29/2009. Pursuant to Article 7 of the Decree 53/2015, the assignee companies which guarantee covered bonds, belonging to a banking group as defined by Article 60 of the Banking Law (such as ISP CB Pubblico S.r.l.), will no longer have to be registered in the general register held by the Bank of Italy pursuant to Article 106 of the Banking Law.

## Eligibility criteria of the assets and limits to the assignment of assets

Under the MEF Decree, the following assets, *inter alia*, may be assigned to the purchasing company, together with any ancillary contracts aimed at hedging the financial risks embedded in the relevant assets: (a) loans extended to, or guaranteed by, the following entities, and securities issued or guaranteed by the same entities: (i) Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement; (ii) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the “Standardised Approach” to credit risk measurement (provided that such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the covered bonds guarantor); (b) asset backed securities issued in the context of securitisation transactions, meeting the following criteria: (i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans and securities referred to in letter (a) above; (ii) the relevant asset backed securities attract a risk weighting factor not exceeding 20 per cent. under the “Standardised Approach” to credit risk measurement.

For the purpose above, the relevant provisions define a guarantee “valid for purposes for the credit risk mitigation” as a guarantee eligible for the “credit risk mitigation”, in accordance with Directive 2006/48/EC of 14 June 2006 (the **Restated Banking Directive**). Similarly, the “Standardised Approach” shall provide a uniform approach to credit risk measurements as defined by the Restated Banking Directive.

The BoI OBG Regulations set out certain requirements for banks belonging to banking groups with respect to the issuance of covered bonds to be met at the time of the relevant issuance:

- (i) a regulatory capital on a consolidated basis of not less than Euro 250,000,000.00; and
- (ii) an overall capital ratio on a consolidated basis of not less than 9 per cent.

The above mentioned requirements must be complied with, as of the date of the assignment, also by the banks selling the assets, where the latter are different from the bank issuing the covered bonds and do not fall within the same banking group.

If the bank selling the assets does not belong to a banking group, the above mentioned requirements relate to the individual regulatory capital and/or overall capital ratio.

Banks not complying with the above mentioned requirements may set up covered bond programmes only prior notice to the Bank of Italy, which may start an administrative process to assess the compliance with the required requirements.

Moreover, the BoI OBG Regulations set out certain limits to the possibility for banks to assign eligible assets, which are linked to the tier 1 ratio (**T1R**) and common equity tier 1 ratio (**CET1R**) of the individual bank (or of the relevant banking group, if applicable), in accordance with the following grid, contained in the BoI OBG Regulations:

Ratios		Limits to the assignment
Group “a”	T1R ≥ 9 % and CET1R ≥ 8 %	No limits
Group “b”	T1R ≥ 8 % and CET1R ≥ 7 %	Assignment allowed up to 60% of the eligible assets
Group “c”	T1R ≥ 7 % and CET1R ≥ 6 %	Assignment allowed up to 25% of the eligible assets



The relevant T1R and CET1R set out in the grid relate to the aggregate of the covered bonds transactions launched by the relevant banking group or individual bank, as the case may be. If foreign entities belonging to the banking group of the bank selling the assets have issued covered bonds in accordance with their relevant jurisdiction and have therefore segregated part of their assets to guarantee the relevant issuances, the limits set out above shall be applied to the eligible assets held by the Italian companies being part of the assigning bank's banking group.

In addition to the above, certain further amendments have been introduced in respect of the monitoring activities to be performed by the asset monitor.

The limits to the assignment set out above do not apply to Integration (as defined below) of the portfolio, provided that Integration is allowed exclusively within the limits set out by the BoI OBG Regulations.

The substitution of eligible assets included in the portfolio with other eligible assets of the same nature is also permitted, provided that certain conditions indicated under the BoI OBG Regulations are met.

### **Ring-Fencing of the assets**

Under the terms of article 3 of Law 130, all the receivables relating to a Law 130 transaction, the relevant collections and the financial assets purchased using the collections arising from the relevant receivables will by operation of law be segregated for all purposes from all other assets of the special purpose vehicle and from those relating to the other Law 130 transactions carried out by the same special purpose vehicle. On a winding up of the special purpose vehicle such assets will only be available to holders of the covered bonds in respect of which the special purpose vehicle has issued the covered bond guarantee and to the other secured creditors of the special purpose vehicle. In addition, the assets relating to a particular covered bond transaction will not be available to the holders of covered bonds issued under any other covered bond transaction or to general creditors of the special purpose vehicle.

However, under Italian law, any other creditor of the special purpose vehicle which is not a party to the transaction documents would be able to commence insolvency or winding up proceedings against the special purpose vehicle in respect of any unpaid debt.

### **The assignment**

The assignment of receivables under Law 130 is governed by article 58 paragraphs 2, 3 and 4 of the Banking Law. The prevailing interpretation of these provisions, which view has been strengthened by article 4 of Law 130, is that:

- (a) as from the date of publication in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) of the notice of assignment of the relevant receivables in accordance with the applicable provisions of Article 58 of the Banking Law, the assignment of the relevant receivables will become enforceable against:
  - (i) any creditors of the seller of the relevant receivables who have not commenced enforcement by means of obtaining an attachment order (*pignoramento*) prior to the date of publication of the notice of assignment of the relevant receivables;
  - (ii) a receiver in the insolvency of the seller of the relevant receivables; and
  - (iii) prior assignees of the relevant receivables who have not perfected their assignment by way of (A) notifying the assigned debtors or (B) making the assigned debtors acknowledge the assignment by an acceptance bearing a date certain at law (*data certa*) prior to the date of publication of the notice of assignment of the relevant receivables or in any other way permitted under applicable law,

without the need to follow the ordinary rules under Article 1265 of the Italian Civil Code as to making the assignment effective against third parties; and

- (b) as from the later of (A) the date of the publication of the notice of assignment of the relevant receivables, and (B) the date of registration (*iscrizione*) of such notice with the Companies' Register of the district where the issuer is enrolled, in accordance with the applicable provisions of Article 58 of the Banking Law, the assignment of the relevant receivables will also become enforceable against:
- (i) the assigned debtors; and
  - (ii) a receiver in the insolvency of the assigned debtors (so that any payments made by an assigned debtor to the purchasing company may not be subject to any claw back action according to Article 65 and Article 67 of the Bankruptcy Law),

without the need to follow the ordinary rules under Article 1264 of the Italian Civil Code as to making the assignment effective against the assigned debtor.

The benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the relevant receivables will automatically be transferred to and perfected with the same priority in favour of the special purpose vehicle, without the need for any formality or annotations.

As from the date of publication of the assignment of the relevant receivables in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), no legal action may be brought to attach the relevant receivables, or the sums derived therefrom, other than for the purposes of enforcing the rights of the holders of the covered bonds and to meet the costs of the transaction.

Article 7-*bis* provides for a special regime for the assignment of claims against public administrations, which deviates from the generally applicable regime (set out by articles 69 and 70 of Royal Decree no. 2440 of 18 November 1923). Article 7-*bis*, paragraph 4, expressly provides that articles 69 and 70 of Royal Decree no. 2440 of 1923 shall not apply to assignments of assets under Article 7-*bis*. Accordingly, the assignment of receivables against public administration shall be governed by the same rules governing the assignment of other receivables in the context of Article 7-*bis* and Law 130.

However, Article 7-*bis*, paragraph 4, also provides that where the functions of servicer (*soggetto incaricato della riscossione dei crediti*) are attributed, in the context of covered bonds transaction, to an entity other than the assigning bank (whether from the outset or eventually), notice of such circumstance shall be given by way of publication in the Italian Official Gazette and registered mail with return receipt to the relevant public administrations.

### **Exemption from claw-back**

Assignments executed under Law 130 are subject to revocation on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the transaction is entered into (i) in cases where paragraph 2 of article 67 applies, within three months of the adjudication of bankruptcy of the relevant party or (ii) in cases where paragraph 1 of article 67 applies, within six months of the adjudication of bankruptcy.

The subordinated loans to be granted to the special purpose vehicle and the covered bonds guarantee are subject to the provisions of article 67, paragraph 4, of the Bankruptcy Law, pursuant to which the provisions of article 67 relating to the claw back of for-consideration transactions, payments and guarantees do not apply to certain transactions.

In addition to the above, any payments made by an assigned debtor to the special purpose vehicle may not be subject to any claw back action according to Article 65 and 67 of the Bankruptcy Law.

### **Tests set out in the MEF Decree**

Pursuant to article 3 of the MEF Decree, the issuing bank and the assigning bank (to the extent different from the issuing bank), will have to ensure that, in the context of the transaction, the following tests are satisfied on an ongoing basis:

- (i) the outstanding aggregate nominal amount of the portfolio shall be greater than or equal to the

aggregate nominal amount of the outstanding covered bonds;

- (ii) the net present value of the portfolio, net of the transaction costs to be borne by the special purpose vehicle, including therein the expected costs and the costs of any hedging arrangement entered into in relation to the transaction, shall be greater than or equal to the net present value of the outstanding covered bonds;
- (iii) the amount of interest and other revenues generated by the portfolio, net of the costs borne by the special purpose vehicle, shall be greater than or equal to the interest and costs due by the bank under the outstanding covered bonds, taking also into account any hedging arrangements entered into in relation to the transaction.

### **Integration Assets**

For the purpose of ensuring compliance with the tests described above and pursuant to article 2 of the MEF Decree, in addition to assets which are eligible in accordance with article 2, paragraph 1 of the MEF Decree, the following assets may be used for the purpose of the integration of the portfolio:

- (a) the creation of deposits with banks incorporated in Admitted States or in a State which attracts a risk weight factor equal to 0 per cent. under the “Standardised Approach” to credit risk measurement;
- (b) the assignment of securities issued by the banks referred to under (a) above, having a residual maturity not exceeding one year,

(the **Integration Assets**).

Integration through Integration Assets shall be allowed within the limits of 15 per cent. of the nominal value of the assets included in the portfolio.

In addition, pursuant to article 7-bis of Law 130 and the MEF Decree, integration of the portfolio (the **Integration**), whether through eligible assets or Integration Assets, shall be carried out in accordance with the modalities, and subject to the limits, set out in the BoI OBG Regulations.

More specifically, under the BoI OBG Regulations, Integration is allowed exclusively for the purpose of (a) complying with tests set out in the MEF Decree; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements and (c) complying with the 15 per cent. limitation of the Integration Assets included the portfolio. The limits to the assignment indicated above do not apply to the Integration.

The Integration is not allowed in circumstances other than as set out in the BoI OBG Regulations.

### **The features of the covered bonds guarantee**

According to article 4 of the MEF Decree the covered bonds guarantee shall be limited recourse to the portfolio, irrevocable, first demand, unconditional and autonomous from the obligations assumed by the issuer of the covered bonds. Accordingly, such obligations shall be a direct, unconditional, unsubordinated obligation of the special purpose vehicle, limited recourse to the special purpose vehicle’s available funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the issuer of the covered bonds.

In order to ensure the autonomous and independent nature of the covered bonds guarantee, article 4 of the MEF Decree provides that the following provisions of the Italian Civil Code, generally applicable to personal guarantees (*fideiussioni*), shall not apply to the covered bonds guarantee: (a) article 1939, providing that a *fideiussione* shall not generally be valid where the guaranteed obligation is not valid; (b) article 1941, paragraph 1, providing that a *fideiussione* cannot exceed the amounts due by the guaranteed debtor, nor can it be granted for conditions more onerous than those pertaining to the main obligation; (c) article 1944, paragraph 2, providing, *inter alia*, that the parties to the contract pursuant to which the *fideiussione* is issued may agree that the guarantor shall not be obliged to pay before the

attachment is carried out against the guaranteed debtor; (d) article 1945, providing that the guarantor can raise against the creditor any objections (*eccezioni*) which the guaranteed debtor is entitled to raise, except for the objection relating to the lack of legal capacity; (e) article 1955, providing that a *fideiussione* shall become ineffective (*estinta*) where, as a consequence of acts of the creditor, the guarantor is prevented from subrogating into any rights, pledges, mortgages, and liens (*privilegi*) of the creditor; (f) article 1956, providing that the guarantor of future receivables shall not be liable where the creditor – without the authorisation of the guarantor – has extended credit to a third party, while being aware that the economic conditions of the principal obligor were such that recovering the receivable would have become significantly more difficult; (g) article 1957, providing, *inter alia*, that the guarantor will be liable also after the guaranteed obligation has become due and payable, provided that the creditor has filed its claim against the guaranteed debtor within six months and has diligently pursued them.

### **The obligations of the covered bonds guarantor following a liquidation of the Issuer**

The MEF Decree also sets out certain principles which are aimed at ensuring that the payment obligations of the special purpose vehicle are isolated from those of the issuer of covered bonds. To that effect it requires that the covered bonds guarantee contains provisions stating that the relevant obligations thereunder shall not accelerate upon the issuer's default, so that the payment profile of the covered bonds shall not automatically be affected thereby.

More specifically, article 4 of the MEF Decree provides that in the event of a breach by the issuer of its obligations *vis-à-vis* the covered bondholders, the special purpose vehicle shall assume the obligations of the issuer – within the limits of the portfolio – in accordance with the terms and conditions originally set out for the covered bonds. The same provision applies where the issuer is subject to mandatory liquidation procedures (*liquidazione coatta amministrativa*).

In addition, the acceleration (*decadenza dal beneficio del termine*) provided for by article 1186 of the Civil Code and affecting the issuer shall not affect the payment obligations of the special purpose vehicle under the covered bonds guarantee. Pursuant to article 4 of the MEF Decree, the limitation in the application of Article 1186 of the Civil Code shall apply not only to the events expressly mentioned therein, but also to any additional event of acceleration provided for in the relevant contractual arrangements.

In accordance with article 4, paragraph 3, of the MEF Decree, in case of a *liquidazione coatta amministrativa* of the issuer, the special purpose vehicle shall exercise the rights of the covered bondholders *vis-à-vis* the issuer in accordance with the legal regime applicable to the issuer. Any amount recovered by the special purpose vehicle as a result of the exercise of such rights shall be deemed to be included in the portfolio.

The Bank of Italy shall supervise on the compliance with the aforesaid provisions, within the limits of the powers vested with the Bank of Italy by the Banking Law.

### **Controls over the transaction**

The BoI OBG Regulations lay down rules on controls over transactions involving the issuance of Covered Bonds.

*Inter alia*, in order to provide support to the resolutions passed on the assignment of portfolios to the special purpose vehicle, both in the initial phase of transactions and in later phases, the assigning bank shall request to an auditing firm a confirmation (*relazione di stima*) stating that, on the basis of the activities carried out by that auditing firm, there are no reasons to believe that the appraisal criteria utilised in order to determine the purchase price of the assigned assets are not in line with the criteria which the assigning bank must apply when preparing its financial statements. The above mentioned confirmation is not required if the assignment is made at the book value, as recorded in the latest approved financial statements of the assigning bank, on which the auditors have issued a clean opinion. The above mentioned confirmation is not required if any difference between the book value

and the purchase price of the relevant assets is exclusively due to standard financial fluctuations of the relevant assets and is not in any way related to reductions in the qualitative aspects of those assets and/or the credit risk related to the relevant debtors.

The management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction, *inter alia*:

- (i) quality and integrity of the assets sold to the special purpose vehicle securing the obligations undertaken by the latter;
- (ii) compliance with the maximum ratio between covered bonds issued and the portfolio sold to the special purpose vehicle for purposes of backing the issue, in accordance with the MEF Decree;
- (iii) compliance with the limits to the assignment and the limits to Integration set out by the BoI OBG Regulations;
- (iv) effectiveness and adequacy of the coverage of risks provided under derivative agreements entered into in connection with the transaction; and
- (v) completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

The bodies with management responsibilities of issuing banks and banking groups ensure that an assessment is carried out on the legal aspects (*profili giuridici*) of the activity on the basis of specially issued legal opinions setting out an in-depth analysis of the contractual structures and schemes adopted, with a particular focus on, *inter alia*, the characteristics of the covered bonds guarantee.

The BoI OBG Regulations also contain certain provisions on the asset monitor, who is delegated to carry out controls over the regularity of the transaction (*regolarità dell'operazione*) and the integrity of the covered bonds guarantee (*integrità della garanzia*) (the **Asset Monitor**). Due to the latest amendments to the BoI OBG Regulations, introduced by way of inclusion of new Part III, Chapter 3 (Obbligazioni bancarie garantite) in Bank of Italy's Circular No. 285 of 17 December 2013, the Asset Monitor is also requested to carry out controls over the information to be provided to investors (*informativa agli investitori*). Pursuant to the BoI OBG Regulations the Asset Monitor shall be an auditing firm having adequate professional experience in relation to the tasks entrusted with the same and independent from (a) the bank entrusting the same and (b) the other entities which take part to the transaction. In order to meet this independence requirement the auditing firm entrusted with the monitoring must be different from the one entrusted with the auditing of the issuing bank and the selling bank (if different from the issuing bank) and the special purpose vehicle.

The Asset Monitor shall prepare annual reports on controls and assessments on the performance of transactions, to be addressed, *inter alia*, to the body entrusted with control functions of the bank which appointed the Asset Monitor. The BoI OBG Regulations refer to the provisions (article 52 and 61, paragraph 5, of the Banking Law), which impose on persons responsible for such control functions specific obligations to report to the Bank of Italy. Such reference appears to be aimed at ensuring that any irregularities found are reported to the Bank of Italy.

In order to ensure that the special purpose vehicle can perform, in an orderly and timely manner, the obligations arising under the covered bonds guarantee, the issuing banks shall use asset and liability management techniques for purposes of ensuring, including by way of specific controls at least every six months, that the payment dates of the cash-flows generated by the portfolio substantially match the payments dates with respect to payments due by the issuing bank under the covered bonds issued and other transaction costs.

Finally, in relation to the information flows, the parties to the covered bonds transactions shall assume contractual undertakings allowing the issuing bank (and the assigning bank, if different) also acting as servicer (and any third party servicer, if appointed) to hold the information on the portfolio which are necessary to carry out the controls described in the BoI OBG Regulations and for the compliance with the supervisory reporting obligations, including therein the obligations arising in connection with the participation to the central credit register (*Centrale dei Rischi*).

## Set-off

The assignment of receivables under Law 130 is governed by Article 58, paragraph 2, 3 and 4, of the Banking Law. According to the prevailing interpretation of such provision, such assignment becomes enforceable against the relevant Debtors as of the later of: (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), and (ii) the date of registration of the notice of assignment in the Companies' Register of the place where the Covered Bonds Guarantor has its registered office. Consequently, the rights of the Covered Bonds Guarantor may be subject to the direct rights of the Debtors against the Seller, including rights of set-off on claims existing prior to publication in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and registration in the Companies' Register of the place where the Covered Bonds Guarantor has its registered office.

Law Decree No. 145 introduced, *inter alia*, certain amendments to article 4 of Law 130. As a consequence of such amendments, it is now expressly provided by Law 130 that the Debtors cannot exercise rights of set-off against the Covered Bonds Guarantor on claims arising *vis-à-vis* the Seller after the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

## Usury Law

Pursuant to the Usury Law lenders are prevented from applying interest rates higher than those deemed to be usurious (the **Usury Rates**). Usury Rates are set on a quarterly basis by a Decree issued by the Italian Treasury. With a view to limiting the impact of the application of the Usury Law to Italian loans executed prior to the entering into force of the Usury Law, Italian Law no. 24 of 28 February 2001 (**Law 24/2001**) provides (by means of interpreting the provisions of the Usury Law) that an interest rate is usurious if it is higher than the relevant limit in force at the time at which such interest rate is promised or agreed, regardless of the time at which interest is repaid by the borrower. A few commentators and debatable lower court decisions have held that, irrespective of the principle set out in Law 24/2001, if interest originally agreed at a rate falling below the then applicable usury limit (and thus, not usurious) were, at a later date, to exceed the usury limit from time to time in force, such interest should nonetheless be reduced to the then applicable usury limit. The Italian Supreme Court (*Corte di Cassazione*), under decision No. 24675 of 19 October 2017, rejected such interpretation and it clarified that only the moment of execution of the agreement is relevant to verify if the interest rate is usurious in the mortgage loans with fixed interest rate. In the last years, a number of objection have been raised on the basis of the excess of the usury limit from the sum of the default interest and the compensatory rate, based on the erroneous interpretation under decision of the Italian Supreme Court (*Corte di Cassazione*) no. 350 of 2013 that the default interest is relevant for the purposes of determining if an interest rate is usurious. Such interpretation has been constantly rejected by the Italian Courts. Other objections raised in the last years are based on the violation of the Usury Law by, for example, the sole default interest exceeding the usury limit or making reference to additional components (such as penalties and insurance policies). In this respect, the Italian Courts have not reached an unanimous position.

In addition to the above and according to recent court precedents of the Italian Supreme Court (*Corte di Cassazione*), the remuneration of any given financing must be below the applicable Usury Rate from time to time applicable. Based on this recent evolution of case law on the matter, it will constitute a breach of the Usury Law if the remuneration of a financing is lower than the applicable Usury Rate at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rate at any point in time thereafter.

### *Compounding of interest*

Pursuant to article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable, accrued interest may be capitalised after a period of not less than six months or from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Italian Civil Code allows derogation from this provision in the event that there are recognised customary

practices to the contrary. Banks and other financial institutions in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice. In 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interest payable on current accounts to be unlawful. Following this decision, a series of disputes emerged on the subject of the capitalisation of interest for contracts executed prior to that date, whereas the problem was partly resolved for contracts executed after the amendment of Art. 120 of the Banking Law introduced in the interim by Legislative Decree No. 342/1999, which made it legal to capitalise interest payable and receivable, provided that both occur with the same frequency.

Article 17 bis of law decree 18 of 14 February 2016 as converted into Law no. 49 of 8 April 2016 amended article 120, paragraph 2, of the Consolidated Banking Act, providing that the accrued interest shall not produce further interests, except for default interests, and are calculated exclusively on the principal amount. Paragraph 2 of article 120 of the Banking Law also requires the *Comitato Interministeriale per il Credito e il Risparmio (CICR)* to establish the methods and criteria for the compounding of interest. Decree No. 343 of 3 August 2016 of the CICR, implementing paragraph 2 of Article 120 of the Banking Law, has been published in the Official Gazette No. 212 of 10 September 2016.

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions of the Covered Bonds (other than Registered Covered Bonds) (the **Conditions** and, each of them, a **Condition**). In these Conditions, references to the “holder” of Covered Bonds and to the “Covered Bondholders” are to the ultimate owners of the Covered Bonds, dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) the Financial Law and implementing regulations and (ii) the joint regulation of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette no. 201 of 30 August 2018, as subsequently amended and supplemented from time to time.*

*The Covered Bondholders are deemed to have notice of and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of Covered Bondholders attached to, and forming part of, these Conditions. In addition, the applicable Final Terms in relation to any Series of Covered Bonds will complete the Conditions for the purpose of such Series.*

*In relation to Covered Bonds issued in registered form also as German law governed registered covered bonds (the **Registered Covered Bonds**), the terms and conditions of such Series of Registered Covered Bonds will be as set out in the Registered Covered Bond (and the terms and conditions of the Registered Covered Bonds (the **Registered Covered Bond Conditions**) attached as a Schedule thereto). Any reference to an “Registered Covered Bond Condition” other than in this section shall be deemed to be, as applicable, a reference to the relevant provision of the Registered Covered Bond or the Registered Covered Bonds Conditions attached as a schedule.*

*Any reference to the Conditions or a Condition shall be referred to the Conditions and/or the Registered Covered Bonds Conditions as the context may require. Any reference to the Covered Bondholders shall be referred to the holders of the Covered Bonds and/or the registered holder for the time being of a Registered Covered Bond as the context may require.*

*Any reference to the Covered Bonds will be construed as to including the Covered Bonds issued under the Conditions and/or the Registered Covered Bonds as the context may require.*

### 1 Introduction

- (a) *Programme:* Intesa Sanpaolo S.p.A. (the **Issuer**) has established a Covered Bond Programme (the **Programme**) for the issuance of up to Euro 20,000,000,000 in aggregate principal amount of covered bonds (the **Covered Bonds**) guaranteed by ISP CB PUBBLICO S.r.l. (the **Covered Bonds Guarantor**). Covered Bonds are issued pursuant to Article 7-bis of Law no. 130 of 30 April 1999 (as amended, the **Law 130**), Decree of the Ministry for the Economy and Finance no. 310 of 14 December 2006 (**MEF Decree**) and the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of the circular no. 285 of 17 December 2013, containing the “*Disposizioni di vigilanza per le banche*” as further implemented and amended, (the **BoI OBG Regulations** and jointly with Law 130 and MEF Decree, the **OBG Regulations**).
- (b) *Final Terms:* Covered Bonds are issued in series (each a **Series**) and each Series may comprise one or more tranches (each a **Tranche**). Each Series is the subject of final terms (the **Final Terms**) which completes these Conditions. The terms and conditions applicable to any particular Series of Covered Bonds are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Covered Bonds Guarantee:* Each Series of Covered Bonds is the subject of a guarantee dated on or about the Initial Issue Date (the **Covered Bonds Guarantee**) entered into by the Covered Bonds Guarantor for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series issued under the Programme. The Covered Bonds Guarantee will be collateralised by a cover pool constituted by certain assets assigned from time to time to



the Covered Bonds Guarantor pursuant to the Master Transfer Agreement (as defined below) and in accordance with the provisions of the Law 130, the MEF Decree and the BoI OBG Regulations.

- (d) *Dealer Agreement and Subscription Agreement*: in respect of each Series of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the Issue Price for the Covered Bonds on the Issue Date under the terms of a dealer agreement dated on or about the Initial Issue Date (as amended and supplemented from time to time, the **Dealer Agreement**) between the Issuer, the Covered Bonds Guarantor and the dealer(s) named therein (the **Dealers**), as supplemented (if applicable) by a subscription agreement entered into between the Issuer, the Covered Bonds Guarantor and the Relevant Dealer(s) (as defined below) on or around the date of the relevant Final Terms (the **Subscription Agreement**). In the Dealer Agreement, the Dealer has appointed Finanziaria Internazionale Securitisation Group S.p.A. as representative of the Covered Bondholders (in such capacity, the **Representative of the Covered Bondholders**), as described in Condition 13 (*Representative of the Covered Bondholders*).
- (e) *Monte Titoli Mandate Agreement*: In a mandate agreement with Monte Titoli dated on or about the Initial Issue Date (the **Monte Titoli Mandate Agreement**), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds.
- (f) *Master Definition Agreement*: In a master definition agreement dated on or about the Initial Issue Date (as amended and supplemented from time to time, the **Master Definition Agreement**) between all the parties to each of the Transaction Documents (as defined below), the definitions of certain terms used in the Transaction Documents have been agreed.
- (g) *The Covered Bonds*: Except where stated otherwise, all subsequent references in these Conditions to “Covered Bonds” are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to “each Series of Covered Bonds” are to (i) the Covered Bonds which are the subject of the relevant Final Terms and (ii) each other Series of Covered Bonds issued under the Programme which remains outstanding from time to time.
- (h) *Rules of the Organisation of Covered Bondholders*: The Rules of the Organisation of Covered Bondholders are attached to, and form an integral part of, these Conditions. References in these Conditions to the **Rules of the Organisation of the Covered Bondholders** include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.
- (i) *Summaries*: Certain provisions of these Conditions are summaries of the Transaction Documents and are subject to their detailed provisions. Covered Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents applicable to them. Copies of the Transaction Documents are available for inspection by Covered Bondholders during normal business hours at the registered office of the Representative of the Covered Bondholders from time to time and, where applicable, at the Specified Offices of each of the Paying Agents.

## 2 Interpretation

### 2.1 Definitions

In these Conditions the following expressions have the following meanings:

**Adjustment Spread** means either a spread (which may be positive or negative) or a formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines should be applied to the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), as a result of the replacement of the relevant Reference Rate with the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is recommended or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Benchmark Rate, the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate as a result of the replacement of the Reference Rate with the Successor Rate or Alternative Benchmark Rate (as applicable).

**Administrative Services Agreement** means an administrative services agreement entered into on 20 May 2009 between Intesa Sanpaolo as administrative services provider and the Covered Bonds Guarantor;

**Amortisation Test** has the meaning given to it in the Portfolio Administration Agreement;

**Amortisation Test Adjusted Eligible Portfolio** has the meaning given to it in the Portfolio Administration Agreement;

**Article 74 Event** has the meaning given to it in Condition 11(a) (Article 74 Event);

**Article 74 Notice to Pay** means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Article 74 Event;

**Asset Monitor** means the auditing company appointed as asset monitor in accordance with the Asset Monitor Agreement and any successor thereto;

**Asset Monitor Agreement** means the Asset Monitor Agreement entered into on or about the Initial Issue Date between, *inter alios*, the Asset Monitor and the Issuer;

**Available Funds** shall include (a) the Interest Available Funds, (b) the Principal Available Funds and (c) following an Issuer Event of Default, the amounts received by the Covered Bonds Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree (the **Excess Proceeds**).

**Banking Law** means Legislative Decree no. 385 of 1 September 1993, as amended and supplemented from time to time;

**Benchmark Event** means:

- (a) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (b) a public statement by the administrator of the relevant Reference Rate that it has ceased, or will cease, publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or
- (c) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the Reference Rate (as applicable) that means that such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Covered Bonds; or
- (e) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market; or

- (f) it has or will become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Covered Bondholders using the relevant Reference Rate (as applicable) (including, without limitation, under the BMR, if applicable).

Unless otherwise specified in the relevant Final Terms, the change of the Reference Rate methodology does not constitute a Benchmark Event. In the event of a change in the formula and/or (mathematical or other) methodology used to measure the Relevant Benchmark, reference shall be made to the Reference Rate based on the formula and/or methodology as changed.

**Business Day** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in Luxembourg, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**Business Day Convention**, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **Following Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **Preceding Business Day Convention** means that the relevant date shall be brought back to the first preceding day that is a Business Day;
- (iv) **FRN Convention, Floating Rate Convention** or **Eurodollar Convention** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
- (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
- (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **No Adjustment** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**Calculation Agent** means the company appointed as calculation agent in accordance with the Cash Management and Agency Agreement and the Portfolio Administration Agreement and any successor

thereto;

**Calculation Amount** has the meaning given in the relevant Final Terms;

**Cash Management and Agency Agreement** means the Cash Management and Agency Agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Cash Manager, the Receivables Collection Account Bank, the Account Bank, the Servicer, the Representative of the Covered Bondholders, the Calculation Agent, the Luxembourg Listing Agent and the Paying Agent;

**Cash Manager** means Intesa Sanpaolo S.p.A. acting as such pursuant to the Cash Management and Agency Agreement;

**CB Hedging Counterparty** means the party acting as hedging counterparty in accordance with the CB Swap and any successor thereof.

**CB Interest Period** means each period beginning on (and including) a CB Payment Date (or, in case of the first CB Interest Period, the Interest Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in case of the last CB Interest Period, the Maturity Date);

**CB Payment Date** means the First CB Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first CB Payment Date) or the previous CB Payment Date (in any other case);

**CB Swap** means the swap agreement entered into on or about the Issued Date between the Covered Bonds Guarantor and the CB Hedging Counterparty for hedging the currency / interest rate risk on the Covered Bonds;

**Clearstream** means Clearstream Banking, société anonyme, Luxembourg;

**CONSOB** means *Commissione Nazionale per le Società e la Borsa*;

**Covered Bondholders** means the holders of Covered Bonds, from time to time;

**Covered Bonds Guarantor** means ISP CB Pubblico S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated in the Republic of Italy pursuant to article 7 *bis* of Law 130, whose registered office is at Via Monte di Pietà 8, Milan, Italy, share capital Euro 120,000.00, enrolled with the Companies Register of Milan, under no. 05936150969.

**Covered Bonds Guarantor Acceleration Notice** means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of any of the Covered Bonds Guarantor Events of Default;

**Covered Bonds Guarantor Event of Default** has the meaning given to it in Condition 11(e) (*Covered Bonds Guarantor Events of Default*);

**Day Count Fraction** means, in respect of the calculation of an amount for any period of time (the **Calculation Period**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **Actual/Actual (ICMA)** is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number

of Regular Periods normally ending in any year; and

- (b) where the Calculation Period is longer than one Regular Period, the sum of:
- (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if **Actual/365** or **Actual/Actual (ISDA)** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **Actual/365 (Fixed)** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **Actual/360** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **30/360 (Fixed rate)** (in respect of Condition 5 (*Fixed Rate Provisions*)) is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (vi) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the CB Interest Period divided by 365 or, in the case of a CB Payment Date falling in a leap year, 366;
- (vii) if **30/360 (Floating Rate)** (in respect of Condition 6 (*Floating Rate*)) is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included

in the Calculation Period, unless such number would be 31 and  $D_1$  is greater than 29, in which case  $D_2$  will be 30;

- (viii) if **30E/360** or **Eurobond Basis** is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Calculation Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case  $D_2$  will be 30; and

- (ix) if **30E/360 (ISDA)** is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Calculation Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case  $D_2$  will be 30,

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

**Due for Payment Date** has the meaning given to such expression under the Covered Bonds Guarantee.

**Early Redemption Amount** means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the

relevant Final Terms;

**Early Redemption Date** means, as applicable, the Optional Redemption Date (Call), the Optional Redemption Date (Put) or the date on which any Series of Covered Bonds is to be redeemed pursuant to Condition 8(c) (*Redemption for tax reasons*);

**Early Termination Amount** means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

**Euroclear** means Euroclear Bank S.A./N.V.;

**Extension Determination Date** means the date falling four Business Days prior to the Maturity Date;

**Extended Maturity Date** means, in relation to any Series of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 8(b) (*Extension of maturity*).

**Extendable Maturity** has the meaning given to such expression under Condition 8(b) (*Extension of maturity*).

**Extraordinary Meeting** has the meaning given in the Rules of the Organisation of the Covered Bondholders attached to these Conditions;

**Final Redemption Amount** means, with respect to a Series of Covered Bonds, the amount, as specified in the applicable Final Terms, representing the amount due (subject to the applicable grace period) in respect of the relevant Series of Covered Bond;

**First CB Payment Date** means the date specified in the relevant Final Terms;

**Fixed Coupon Amount** has the meaning given in the relevant Final Terms;

**Guaranteed Amounts** means (i) prior to the service of a Covered Bonds Guarantor Acceleration Notice, with respect to any Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Due for Payment Date, or (ii) after the service of a Covered Bonds Guarantor Acceleration Notice, an amount equal to the relevant Early Redemption Amount (as defined and specified in the Conditions) *plus* all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Covered Bonds Guarantor under the Transaction Documents, provided that any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was timely paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the **Clawed Back Amounts**). In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 10(a) (*Gross up by Issuer*);

**Guarantor Payment Date** means 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Covered Bonds Guarantor Event of Default, the earlier of (i) each Business Day falling 10 Business Days after the Business Day on which an amount at least equal to 10 per cent. of the aggregate Outstanding Principal Balance of all Series of Covered Bonds is standing to the credit of the Transaction Account and the Investment Account, and (ii) 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day, provided that the first Guarantor Payment Date shall be 31 March 2010.

**Hard Bullet Covered Bonds** means the Series of Covered Bonds in relation to which no Extended Maturity Date is specified in the relevant Final Terms, and the Final Redemption Amount in respect to such Series will be due for payment on the Maturity Date and the Pre-Maturity Liquidity Test shall

apply;

**Hedging Senior Payment** means, on any relevant date, any interest and/or principal payment due under any CB Swap or TBG Swap, as the case may be, including any termination payment arising out of a termination event, other than termination payments where the relevant Hedging Counterparty is the defaulting party or the sole affected party, but including, in any event, the amount of any termination payment due and payable to the relevant Hedging Counterparty in relation to the termination of the relevant swap transactions to the extent of any premium received (net of any costs reasonably incurred by the Covered Bonds Guarantor to find a replacement swap counterparty), if any, by the Covered Bonds Guarantor from a replacement swap counterparty in consideration for entering into swap transactions with the Covered Bonds Guarantor on the same terms as the relevant CB Swaps or TBG Swaps. With respect to the *Additional Provisions* “Mark to Market Payment” in the TBG Swaps, any payment under this clause will be part of the Hedging Senior Payments for an amount up to the difference on each Guarantor Payment Date between the purchase price paid by any purchaser/s of the Selected Asset and the Outstanding Principal Balance of the Public Assets and Integration Assets sold to such purchaser/s.

**Independent Adviser** means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense;

**Initial Issue Date** means the date on which the Issuer will issue the first Series of Covered Bonds.

**Insolvency Event** means, in respect of any company or corporation, that:

- (i) such company or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, *fallimento*, *liquidazione coatta amministrativa*, *concordato preventivo* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than, in the case of the Covered Bonds Guarantor, any portfolio of assets purchased by the Covered Bonds Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (iii) such company or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Covered Bonds Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments; or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation or any of the events under Article 2448 of the Italian Civil Code occurs with respect to such company or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in



writing by the Representative of the Covered Bondholders); or

- (v) such company or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business;

**Intercreditor Agreement** means the agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Servicer, the Issuer, the Calculation Agent, the Representative of the Covered Bondholders and the other Secured Creditors, as amended and supplemented from time to time.

**Interest Amount** means, in relation to any Series of Covered Bonds and a CB Interest Period, the amount of interest payable in respect of that Series for that CB Interest Period;

**Interest Available Funds** has the meaning ascribed to such expression under the Master Definition Agreement.

**Interest Commencement Date** means, in relation to any Series of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**Interest Determination Date** has the meaning given in the relevant Final Terms;

**ISDA Definitions** means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Series of Covered Bonds (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.;

**ISDA Master Agreement** means the 1992 ISDA Master Agreement together with the relevant Schedule and Credit Support Annex, as amended and supplemented from time to time;

**ISP Mandate Agreement** has the meaning given in the Master Definition Agreement;

**Issue Date** has the meaning given in the relevant Final Terms;

**Issuer Event of Default** has the meaning given to it in Condition 11(c) (*Issuer Event of Default*);

**Long Dated Covered Bonds** means any Covered Bond issued by the Issuer in respect of which the Extended Maturity Date is set at the Long Date Due for Payment Date and identified as such in the relevant Final Terms;

**Long Date Due For Payment Date** means the CB Payment Date immediately following the tenth anniversary of the last Maturity Date of the Public Asset or Integration Asset contained in the Portfolio;

**Margin** has the meaning given in the relevant Final Terms;

**Master Transfer Agreement** means the master transfer agreement entered into on May 20, 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time;

**Maturity Date** has the meaning given in the relevant Final Terms;

**Maximum Redemption Amount** has the meaning given in the relevant Final Terms;

**Minimum Redemption Amount** has the meaning given in the relevant Final Terms;

**Minimum Required Account Bank Rating** means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as Account Bank and which is at least equal to "P-3" from the Rating Agency.

**Minimum Required Pre-Maturity Liquidity Guarantor Rating** means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as guarantor in order to cure a breach of the Pre-Maturity Liquidity Test and which is at least equal to "P-1" from the Rating Agency.

**Monte Titoli** means Monte Titoli S.p.A. a joint stock company under the laws of the Republic of

Italy, whose registered office is at Piazza Affari 6, Milan, Italy, incorporated with Fiscal Code and VAT number 03638780159, registered with the Milan Register of Enterprises under number 03638780159.

**Monte Titoli Account Holder** means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quater* of Italian Legislative Decree no. 58 of 24 February 1998 and includes any depository banks appointed by the Relevant Clearing System;

**Notice to Pay** means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Issuer Event of Default;

**Official Gazette** means *La Gazzetta Ufficiale della Repubblica Italiana*;

**Optional Redemption Amount (Call)** means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**Optional Redemption Amount (Put)** means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**Optional Redemption Date (Call)** has the meaning given in the relevant Final Terms;

**Optional Redemption Date (Put)** has the meaning given in the relevant Final Terms;

**Organisation of the Covered Bondholders** means the association of the Covered Bondholders, organised pursuant to the Rules of the Organisation of the Covered Bondholders;

**Outstanding Principal Balance** means, at any date, in relation to a loan, a bond, a Series of Covered Bonds or any other asset the aggregate nominal principal amount outstanding of such loan, bond, Series of Covered Bonds or asset at such date.

**Outstanding Principal Balance of the Covered Bonds** means the Outstanding Principal Balance of the outstanding Series of Covered Bonds.

**Payment Business Day** means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

- (i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Place of Payment** means, in respect of any Covered Bondholders, the place at which such Covered Bondholder receives payment of interest or principal on the Covered Bonds;

**Portfolio Administration Agreement** means the portfolio administration agreement entered into on or about the Initial Issue Date between, *inter alios*, the Issuer, the Seller, the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, as amended and supplemented from time to time;

**Post-Guarantor Default Priority of Payments** has the meaning ascribed to such expression in the Intercreditor Agreement.

**Post-Issuer Default Priority of Payments** has the meaning ascribed to such expression in the Intercreditor Agreement.

**Pre-Issuer Default Interest Priority of Payments** has the meaning ascribed to such expression in the Intercreditor Agreement.

**Pre-Issuer Default Principal Priority of Payments** has the meaning ascribed to such expression in the Intercreditor Agreement.

**Pre-Maturity Liquidity Required Ratings** means, with reference to the Issuer a short-term credit rating from the Rating Agency of at least P-1.

**Pre-Maturity Rating Period** means the period of 12 months preceding the Maturity Date of any Series of Hard Bullet Covered Bonds.

**Pre-Maturity Test Account** means the account or the accounts to be opened by the Issuer for making deposits in any form in order to remedy a breach of the Pre-Maturity Liquidity Test.

**Principal Available Funds** has the meaning ascribed to such expression under the Master Definition Agreement.

**Principal Financial Centre** means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Paying Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Paying Agent;

**Priorities of Payments** means, collectively, the Pre-Issuer Default Principal Priority of Payment, the Pre-Issuer Default Interest Priority of Payment, the Post-Issuer Default Priority of Payments and the Post-Guarantor Default Priority of Payments.

**Public Assets** means any Public Asset (as defined in the Master Definition Agreement) which is sold and assigned by the Seller to the Covered Bonds Guarantor from time to time under the terms of the Master Transfer Agreement;

**Put Option Notice** means a notice which must be delivered to the Paying Agent, the Calculation Agent and the Asset Monitor by the Representative of the Covered Bondholders on behalf of any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

**Put Option Receipt** means a receipt issued by the Paying Agent to a depositing Covered Bondholder upon deposit of Covered Bonds with such Paying Agent by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

**Quotaholders' Agreement** means the quotaholder agreement executed on or about the Initial Issue Date by, *inter alia*, the Issuer and Stichting Viridis 2, as amended and supplemented from time to time;

**Rate of Interest** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**Redemption Amount** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

**Reference Banks** has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Paying Agent in the market that is most closely connected with the Reference Rate;

**Reference Price** has the meaning given in the relevant Final Terms;

**Reference Rate** has the meaning given in the relevant Final Terms;

**Regular Period** means:

- (i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first CB Payment Date and each successive period from and including one CB Payment Date to but excluding the next CB Payment Date;
- (ii) in the case of Covered Bonds where, apart from the first CB Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any CB Payment Date falls; and
- (iii) in the case of Covered Bonds where, apart from one CB Interest Period other than the first CB Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any CB Payment Date falls other than the CB Payment Date falling at the end of the irregular CB Interest Period;

**Relevant Clearing System** means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made;

**Relevant Date** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Covered Bondholders;

**Relevant Dealer(s)** means, in relation to a Series, the Dealer(s) which is/are party to any agreement (whether oral or in writing) entered into with the Issuer and the Covered Bonds Guarantor for the issue by the Issuer and the subscription by such Dealer(s) of such Series pursuant to the Dealer Agreement;

**Relevant Financial Centre** has the meaning given in the relevant Final Terms;

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable): (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

**Relevant Screen Page** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**Relevant Time** has the meaning given in the relevant Final Terms;

**Scheduled Due for Payment Date** means:

- (a) (A) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (B) only with respect to the first Scheduled Payment Date immediately after the

occurrence of an Article 74 Event or an Issuer Event of Default, the day which is two Business Days following service, respectively, of the Article 74 Notice to Pay (which has not been withdrawn) or the Notice to Pay on the Covered Bonds Guarantor in respect of such Guaranteed Amounts, if such Article 74 Notice to Pay or Notice to Pay has not been served more than two Business Days prior to the relevant Scheduled Payment Date; or

- (b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

**Scheduled Interest** means an amount equal to the amount in respect of interest which would have been due and payable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the **Excluded Scheduled Interest Amounts**), but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, *less* any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

**Scheduled Principal** means an amount equal to the amount in respect of principal which would have been due and repayable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, or premiums: the **Excluded Scheduled Principal Amounts**), but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or, if in accordance with the Final Terms an Extended Maturity Date is applied to such Series, the Extended Maturity Date of such Series.

**Secured Creditors** has the meaning given in the Master Definition Agreement;

**Selected Assets** has the meaning given in the Master Definition Agreement;

**Seller** means Intesa Sanpaolo in its capacity as such pursuant to the Master Transfer Agreement;

**Servicer** means Intesa Sanpaolo in its capacity as such pursuant to the Servicing Agreement;

**Servicing Agreement** means the agreement entered into on 20 May 2009 between the Covered Bonds Guarantor and the Servicer.

**Specified Currency** has the meaning given in the relevant Final Terms;

**Specified Denomination(s)** has the meaning given in the relevant Final Terms;

**Specified Office** means with reference to the Paying Agent, Piazza del Calendario no. 3, 20126, Milan, Italy, or such other office in the same city or town as the Paying Agent may specify by notice to the Issuer and the other parties to the Cash Management and Agency Agreement in the manner provided therein;

**Specified Period** has the meaning given in the relevant Final Terms;

**Successor Rate** means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser (with the Issuer's agreement) determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body;

**Subordinated Loan Agreement** means the subordinated loan agreement entered into on 20 May 2009

between the Subordinated Loan Provider and the Covered Bonds Guarantor, as amended and supplemented from time to time;

**Subordinated Loan Provider** means Intesa Sanpaolo, and any successor thereof, appointed as subordinated loan provider in accordance with the Subordinated Loan Agreement;

**Subsidiary** has the meaning given to it in Article 2359 of the Italian Civil Code;

**Swap Agreements** means collectively the CB Swaps and the TBG Swaps, including the ISDA Master Agreement, as amended and supplemented from time to time.

**TARGET Settlement Day** means any day on which TARGET2 (the Trans-European Automated Real-Time Gross Settlement Express Transfer system) is open.

**TBG 1 Hedging Counterparty** means the bank appointed as hedging counterparty in accordance with the TBG 1 Swap and any successor thereof;

**TBG 2 Hedging Counterparty** means the bank appointed as hedging counterparty in accordance with the TBG 2 Swap and any successor thereof;

**TBG Hedging Counterparties** means jointly the TBG 1 Hedging Counterparty and the TBG 2 Hedging Counterparty;

**TBG 1 Swap** means any swap agreement entered into between the Covered Bonds Guarantor and the TBG 1 Hedging Counterparty with respect to any Portfolio of fixed rate Receivables and Securities;

**TBG 2 Swap** means any swap agreement entered into between the Covered Bonds Guarantor and the TBG 2 Hedging Counterparty with respect to any Portfolio of floating rate Receivables and Securities;

**TBG Swaps** means jointly the TBG 1 Swap and the TBG 2 Swap;

**Tests** means jointly the Asset Coverage Test, the Amortisation Test, the NPV Test and the Interest Coverage Test as respectively defined under the Portfolio Administration Agreement;

**Transaction Documents** means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Intercreditor Agreement, the Portfolio Administration Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bonds Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Dealer Agreement, the Subscription Agreements, the Quotaholders' Agreement, the Deed of Pledge, the Deed of Charge, the Swap Agreements, the Master Definition Agreement, the Conditions, the Final Terms, the ISP Mandate Agreement and any document or agreement which supplement, amend or restate the content of any of the above mentioned documents and any other documents designated as such by the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;

**Warranty and Indemnity Agreement** means the warranty and indemnity agreement entered into on 20 May 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time; and

**Zero Coupon Covered Bond** means a Covered Bond specified as such in the relevant Final Terms.

## 2.2 Interpretation:

In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 10 (*Taxation*), any premium payable in respect of a Series of Covered Bonds and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the

relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Covered Bonds;

- (iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended, supplemented and/or restated up to and including the Issue Date of the relevant Covered Bonds;
- (v) any reference to a party to a Transaction Document (other than the Issuer and the Covered Bonds Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Transaction Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Series only; and
- (vi) any reference in any Italian legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

### **3 Form, Denomination and Title**

The Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination and higher integral multiples of a smaller amount, in each case as specified in the relevant Final Terms. The Covered Bonds will be issued in bearer form and in dematerialised form (*emesse in forma dematerializzata*) and will be wholly and exclusively deposited with Monte Titoli in accordance with article 83-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, through the authorised institutions listed in Article 83-*quarter* of such legislative decree. The Covered Bonds will at all times be evidenced by, and title thereto will be transferable by means of, book-entries in accordance with the provisions of article 83-*bis* of Italian Legislative Decree no. 58 of 24 February 1998 and the joint regulation of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette no. 201 of 30 August 2018, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Covered Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical documents of title will be issued in respect of the Covered Bonds. The rights and powers of the Covered Bondholders may only be exercised in accordance with the Rules of the Organisation of the Covered Bondholders. For the purposes of Regulation EU 2017/1129, dematerialised Covered Bonds shall be deemed as having been issued in bearer form.

### **4 Status and Guarantee**

- (a) *Status of the Covered Bonds*: The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Covered Bonds Guarantor on their behalf.
- (b) *Status of the Covered Bonds Guarantee*: The payment of Guaranteed Amounts in respect of each Series of Covered Bonds when due for payment will be unconditionally and irrevocably guaranteed by the Covered Bonds Guarantor in the Covered Bonds Guarantee. However, the Covered Bonds Guarantor shall have no obligation under the Covered Bonds Guarantee to pay any Guaranteed Amount on the Due for Payment Date until the occurrence of an Article 74 Event or an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Covered Bonds Guarantor of an Article 74 Notice to Pay or a Notice to Pay.
- (c) *Priority of Payments*. Amounts due by the Covered Bonds Guarantor pursuant to the Covered Bonds Guarantee shall be paid in accordance with the Priority of Payments, as set out in the

## Intercreditor Agreement.

Any payment made by the Covered Bonds Guarantor shall discharge the corresponding obligations of the Issuer under the Covered Bonds *vis-à-vis* the Covered Bondholders.

### **5 Fixed Rate Provisions**

- (a) *Application:* This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Covered Bonds bear interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate of Interest. Interest will be payable in arrear on each CB Payment Date, subject as provided in Condition 9 (*Payments*), up to (and excluding) the Maturity Date, or as the case may be, the Extended Maturity Date. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Covered Bond for any CB Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

### **6 Floating Rate**

- (a) *Application:* This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* Each Covered Bond bears interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each CB Payment Date, subject as provided in Condition 9 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be determined by the Paying Agent on the following basis:



- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Paying Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Paying Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Paying Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Paying Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant CB Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant CB Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such CB Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any CB Interest Period, the Rate of Interest applicable to the Covered Bonds during such CB Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding CB Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any CB Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Paying Agent under an interest rate swap transaction if the Paying Agent were acting as Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that CB Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

- (f) *Fallback Provisions:* Notwithstanding the foregoing provisions of this Condition 6, if the Issuer (in consultation with the Calculation Agent (or the person specified in the relevant Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s))) determines that a Benchmark Event has occurred, when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to a Reference Rate, then the following provisions shall apply:
- (i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the **Alternative Benchmark Rate**) and, in either case, an alternative screen page or source (the **Alternative Relevant Screen Page**) and an Adjustment Spread (if applicable) no later than three (3) Business Days prior to the relevant Interest Determination Date relating to the next succeeding CB Interest Period (the **IA Determination Cut-off Date**) for purposes of determining the Rate of Interest applicable to the Covered Bonds for all future CB Interest Periods (as applicable) (subject to the subsequent operation of this Condition 6(f));
  - (ii) the Alternative Benchmark Rate shall be such rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the relevant Reference Rate in customary market usage for the purposes of determining floating rates of interest or reset rates of interest in respect of eurobonds denominated in the Specified Currency, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the relevant Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;
  - (iii) if the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select a Successor Rate or an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the IA Determination Cut-off Date in accordance with sub-paragraph (ii) above, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine which (if any) rate has replaced the relevant Reference Rate in customary market usage for purposes of determining floating rates of interest or reset rates of interest in respect of eurobonds denominated in the Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the relevant Reference Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; *provided however that* if (A) this sub-paragraph (iii) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the Interest Determination Date relating to the next succeeding CB Interest Period in accordance with this sub-paragraph (iii), *then* the Reference Rate applicable to such Interest Period shall be equal to the Reference Rate for a term equivalent to the Relevant Interest Period published on the Relevant Screen Page as at the last preceding Interest Determination Date (though substituting, where a different Relevant Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Relevant Margin relating to the relevant CB Interest Period, in place of the margin relating to that last preceding CB Interest Period). For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding CB Interest Period, and any subsequent CB Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 6(f);
  - (iv) if a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such

Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page shall be the benchmark and the Relevant Screen Page in relation to the Covered Bonds for all future CB Interest Periods (subject to the subsequent operation of this Condition 6(f));

- (v) if the Issuer, following consultation with the Independent Adviser and acting in good faith, determines that (A) an Adjustment Spread is required to be applied to the Successor Rate or Alternative Benchmark Rate and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of a relevant Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate;
  - (vi) if a Successor Rate or an Alternative Benchmark Rate and/or Adjustment Spread is determined in accordance with the above provisions, the Independent Adviser (with the Issuer's agreement) or the Issuer (as the case may be), may also specify changes to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Covered Bonds, and the method for determining the fallback rate in relation to the Covered Bonds, in order to follow market practice in relation to the Successor Rate or Alternative Benchmark Rate and/or Adjustment Spread, which changes shall apply to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 6(f)); and
  - (vii) the Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page and Adjustment Spread (if any) give notice thereof and of any changes pursuant to sub-paragraph (vi) above to the Calculation Agent, the Paying Agent, the Representative of the Covered Bondholders and the Covered Bondholders.
- (g) *Calculation of Interest Amount:* The Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each CB Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such CB Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such CB Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Paying Agent, then the Paying Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Paying Agent in the manner specified in the relevant Final Terms.
- (i) *Publication:* The Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant CB Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as

practicable after such determination but (in the case of each Rate of Interest, Interest Amount and CB Payment Date) in any event not later than the first day of the relevant CB Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant CB Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

- (j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Covered Bonds Guarantor, the Covered Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## **7 Zero Coupon Provisions**

- (a) *Application:* This Condition 7 is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Covered Bonds:* If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

## **8 Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed or purchased and cancelled as specified below, the Covered Bonds of each Series will be redeemed at their Final Redemption Amount on the relevant Maturity Date, subject as provided in Condition 8(b) (*Extension of maturity*) and Condition 9 (*Payments*). If an Extended Maturity Date is not specified as applicable in the relevant Final Terms for a Series of Covered Bonds, Condition 8(m) (*Pre-Maturity Liquidity Test*) shall apply.

The Issuer shall confirm to the Paying Agent as soon as reasonably practicable and in any event at least as of the Extension Determination Date as to whether payment will or will not be made in full of the Final Redemption Amount in respect of the Covered Bonds on that Maturity Date. Any failure by the Issuer to notify the Paying Agent shall not affect the validity or effectiveness of the extension.

- (b) *Extension of maturity:* If an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and an Article 74 Event or an Issuer Event of Default has occurred, following the service respectively of an Article 74 Notice to Pay or a Notice to Pay on the Covered Bonds Guarantor, the Covered Bonds Guarantor or the Calculation Agent on its behalf determines that the Covered Bonds Guarantor has insufficient Available Funds under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the Extension Determination Date, then (subject as

provided below), payment of the unpaid amount by the Covered Bonds Guarantor under the Covered Bonds Guarantee shall be deferred until the Extended Maturity Date *provided that* any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Covered Bonds Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Maturity Date (the **Extendable Maturity**). Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and withdrawal of the Article 74 Notice to Pay, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an Extendable Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month in which the Article 74 Notice to Pay has been withdrawn.

The Covered Bonds Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 18 (*Notices*), any relevant Hedging Counterparties, the Rating Agency, the Representative of the Covered Bondholders and the Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Maturity Date of any inability of the Covered Bonds Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bonds Guarantee. Any failure by the Covered Bonds Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Covered Bonds Guarantor shall on the relevant Due for Payment Date, pursuant to the Covered Bonds Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priorities of Payments) *pro rata* in payment of an amount equal to the Final Redemption Amount in respect of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Covered Bonds Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid on such Due for Payment Date shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Guarantor Payment Date following the Maturity Date up to the Extended Maturity Date (inclusive).

Where an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and applied, failure to pay on the Maturity Date by the Covered Bonds Guarantor shall not constitute a Covered Bonds Guarantor Event of Default.

(c) *Redemption for tax reasons:* The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if neither the Floating Rate Provisions are specified in the relevant Final Terms as being applicable); or
- (ii) on any CB Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Covered Bondholders (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first

Series of Covered Bonds; and

- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided, however, that* no such notice of redemption shall be given earlier than:

- (1) where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or
- (2) where the Covered Bonds may be redeemed only on an CB Payment Date, 60 days prior to the CB Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Paying Agent with copy to the Luxembourg Listing Agent and the Representative of the Covered Bondholders a certificate signed by duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and such evidence shall be sufficient to the Paying Agent and the Representative of the Covered Bondholders and conclusive and binding on the Covered Bondholders. Upon the expiry of any such notice as is referred to in this Condition 8(c), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 8(c).

- (d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Covered Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (e) *Partial redemption:* If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 8(d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Covered Bondholders referred to in Condition 8(d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Redemption at the option of Covered Bondholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Covered Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8(f), the Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the Paying Agent a duly completed Put Option Notice in the form obtainable from the Paying Agent. The Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put

Option Receipt to the depositing Covered Bond holder. Once deposited in accordance with this Condition 8(f), no duly completed Put Option Notice, may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by a Paying Agent in accordance with this Condition 8(f), the Covered Bondholder and not such Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 8(a) (*Scheduled redemption*) to (f) (*Redemption at the option of Covered Bondholders*) above.
- (h) *Early redemption of Zero Coupon Covered Bonds:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bonds at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bonds become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer or any of its Subsidiaries (other than the Covered Bonds Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price. The Covered Bonds Guarantor shall not purchase any Covered Bonds at any time.
- (j) *Legislative Exchange:* Following the coming into force in Italy, at any time after the Issue Date, of (i) any legislation similar to the OBG Regulation in force in any other European Union country or (ii) any rules, regulations or guidelines published by any governmental authority that provides for bonds issued by Italian issuers to qualify for the same benefits available to covered bonds issued under covered bond legislation in force in any other European Union country, the Issuer may, at its option and without the consent of the Representative of the Covered Bondholders, exchange all (but not some only) of the Covered Bonds of all Series then outstanding (the **Existing Covered Bonds**) for new Covered Bonds which qualify as covered bonds under such new legislation, rules, regulations or guidelines (the **New Covered Bonds**) on the same economic terms and conditions as the Existing Covered Bonds (the **Legislative Exchange**) if not more than 60 nor less than 30 days' notice to the Covered Bondholders (in accordance with Condition 18 (*Notices*)) and the Representative of the Covered Bondholders is given and provided that:
  - (i) on the date on which such notice expires the Issuer delivers to the Representative of the Covered Bondholders a certificate signed by two authorised signatories of each of the Issuer and the Covered Bonds Guarantor confirming that, in the case of the Issuer, no Issuer Event of Default and, in the case of the Covered Bonds Guarantor, no Covered Bonds Guarantor Event of Default, has occurred which is continuing;
  - (ii) the Rating Agency then rating the Existing Covered Bonds has confirmed in writing that the New Covered Bonds will be assigned the same ratings as are then applicable to the Existing Covered Bonds; and

- (iii) if the Existing Covered Bonds are listed, quoted and/or traded on or by a competent and/or relevant listing authority, stock exchange and/or quotation system on or before the date on which such notice expires the Issuer delivers to the Representative of the Covered Bondholders a certificate signed by two authorised signatories of the Issuer confirming that all applicable rules of such competent and/or relevant listing authority, stock exchange and/or quotation system have been or will be complied with.

The Existing Covered Bonds will be cancelled concurrently with the issue of the New Covered Bonds and with effect on and from the date of issue thereof all references herein to Covered Bonds shall be deemed to be references to the New Covered Bonds.

- (k) *Redemption due to illegality*: The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Covered Bondholders and the Paying Agent and, in accordance with Condition 18 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next CB Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such CB Payment Date.

Covered Bonds redeemed pursuant to this Condition 8(k) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

- (l) *Pre-Maturity Liquidity Test*. If an Extended Maturity Date is not specified as applicable in the relevant Final Terms for a Series of Covered Bonds, on any Business Day (each the **Pre-Maturity Liquidity Test Date**) falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default, the Calculation Agent will determine if the Pre-Maturity Liquidity Test (as defined below) has been breached, and if so, it shall immediately notify the Issuer, the Seller, the Hedging Counterparty and the Representative of Covered Bondholders.

For the purpose of this paragraph the **Pre-Maturity Liquidity Test** is complied with on any Pre-Maturity Liquidity Test Date if, during the Pre-Maturity Rating Period, all of the Issuer's credit ratings are equal to or greater than the Pre-Maturity Liquidity Required Ratings.

Following a breach of a Pre-Maturity Liquidity Test in respect of a Series of Covered Bonds:

- (i) the Issuer shall:
  - (a) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or
  - (b) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-Maturity Liquidity Guarantor Ratings; and/or
  - (c) take action in the form of a combination of the foregoing which in aggregate adding up to an amount equal to the Required Redemption Amount of the



Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;

and/or

- (ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

## **9 Payments**

- (a) *Payments through clearing systems:* Payment of interest and repayment of principal in respect of the Covered Bonds will be credited, in accordance with the instructions of Monte Titoli, by the Paying Agent on behalf of the Issuer or the Covered Bonds Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.
- (b) *Payments subject to fiscal laws:* All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to Covered Bondholders in respect of such payments.
- (c) *Payments on business days:* If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Covered Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

## **10 Taxation**

- (a) *Gross up by Issuer:* All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:
  - (i) in respect to any payment or deduction of any interest or principal on account of *imposta sostitutiva* (at the then applicable tax rate) pursuant to Legislative Decree no. 239 of 1 April 1996, as amended (**Decree No. 239**) with respect to any Covered Bonds or, for the avoidance of doubt, Italian Legislative Decree no. 461 of 21 November 1997 (as amended by Italian Legislative Decree no. 201 of 16 June 1998) (as any of the same may be amended or supplemented) or any related implementing regulations, and in all circumstances in which the procedures set forth in Decree No. 239 in order to benefit from a tax exemption have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
  - (ii) with respect to any Covered Bond presented for payments:

- (a) in the Republic of Italy; or
  - (b) by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond by reason of his having some connection with the Republic of Italy other than the mere holding of such Covered Bond; or
  - (c) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Covered Bond by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or
  - (d) more than 30 days after the Maturity Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such Covered Bond for payment on such thirtieth day assuming that day to have been a Business Day; or
  - (e) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a tax haven country (as defined and listed in the Ministry of Finance Decree of 23 January 2002 as amended from time to time) or which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or
  - (f) in respect of Covered Bonds classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of September 30, 1983, as amended and supplemented from time to time.
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction. For the avoidance of doubt, the Issuer will have no obligation to pay additional amounts in respect of the Covered Bonds for any amounts required to be withheld or deducted pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986.

## 11 Article 74 Event and Events of Default

### (a) Article 74 Event

If a resolution pursuant to Article 74 of the Banking Law is issued in respect of the Issuer (**Article 74 Event**), the Representative of the Covered Bondholders will serve a notice (the **Article 74 Notice to Pay**) on the Covered Bonds Guarantor that an Article 74 Event has occurred.

### (b) Effect of an Article 74 Notice to Pay

Upon service of an Article 74 Notice to Pay upon the Covered Bonds Guarantor:

- (i) *Acceleration against the Issuer:* each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) pursuant to the Covered Bonds Guarantee, the Covered Bonds Guarantor shall pay an amount equal to the Guaranteed Amounts, subject to and in accordance with the Post-Issuer Default Priority of Payments and within the suspension period, on the relevant Scheduled Due for Payment Date, (iii) in accordance with terms and conditions provided for by the Covered Bonds Guarantee and with Article 4, Para. 4, of the MEF Decree, the Covered Bonds Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the suspension period and (iv) upon the termination of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding

will not be deemed to be accelerated against the Issuer);

- (ii) *Delegation*: the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the provisions of the Covered Bonds Guarantee, in the context of which the Covered Bondholders have irrevocably delegated – also in the interest and for the benefit of the Covered Bonds Guarantor – to the Covered Bonds Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In accordance with the Covered Bonds Guarantee, the Representative of the Covered Bondholders on behalf of the Covered Bondholders has confirmed such delegation and waived any rights of the Covered Bondholders to revoke such delegation and take any such individual action against the Issuer.

- (iii) *Covered Bonds Guarantee*: without prejudice to paragraph (i) above, interest and principal falling due on the Covered Bonds will be payable by the Covered Bonds Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bonds Guarantee and the priority of payments to creditors set out in the Intercreditor Agreement;
- (iv) *Tests*: the Tests shall continue to be applied; and
- (v) *Pre-Maturity Liquidity Test*: the Pre-Maturity Liquidity Test shall be deemed to be failed with respect to any Hard Bullet Covered Bonds for which the Maturity Date falls within 12 months.

Upon the termination of the suspension period, the Issuer shall resume responsibility for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubt, the Covered Bonds then outstanding will not be deemed to have been accelerated against the Issuer).

(c) *Issuer Events of Default*:

If any of the following events (each, an **Issuer Event of Default**) occurs and is continuing:

- (i) default is made by the Issuer for a period of 7 Business Days or more in the payment of any principal or redemption amount, or for a period of 14 Business Days or more in the payment of any interest on the Covered Bonds of any Series when due; or
- (ii) the Issuer is in breach of material obligations under or in respect of the Covered Bonds (of any Series outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds) and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or
- (iii) an Insolvency Event (as defined in the Conditions) occurs in respect of the Issuer;
- (iv) in relation to Hard Bullet Covered Bonds, breach of the Pre-Maturity Liquidity Test which is not remedied by the earlier of:
  - (a) 20 Business Days from the date on which the Issuer is notified of the breach of

- the Pre-Maturity Liquidity Test; and
- (b) the Maturity Date of that Series of Covered Bonds;
- (v) breach of the Tests which is not remedied within 6 months from the notification of the occurrence of such breach.

If an Issuer Event of Default occurs:

- (a) the Representative of the Covered Bondholders will serve a notice (the **Notice to Pay**) on the Issuer and Covered Bonds Guarantor that an Issuer Event of Default has occurred;
  - (b) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer;
  - (c) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (b) above (See Section “*Covered Bonds Guarantee*”);
  - (d) the Tests, shall continue to be applied.
- (d) *Effect of a Notice to Pay:*

Upon service of a Notice to Pay to the Issuer and the Covered Bonds Guarantor:

- (i) *Acceleration against the Issuer:* each series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) pursuant to the Covered Bonds Guarantee, the Covered Bonds Guarantor shall pay an amount equal to the Guaranteed Amounts, subject to and in accordance with the Post-Issuer Default Priority of Payments, on the relevant Scheduled Due for Payment Date, (iii) in accordance with terms and conditions provided for by the Covered Bonds Guarantee and with Article 4, Para. 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds;
- (ii) *Delegation:* the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the provisions of the Covered Bonds Guarantee, in the context of which the Covered Bondholders have irrevocably delegated – also in the interest and for the benefit of the Covered Bonds Guarantor – to the Covered Bonds Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In accordance with the Covered Bonds Guarantee, the Representative of the Covered Bondholders on behalf of the Covered Bondholders has confirmed such delegation

and waived any rights of the Covered Bondholders to revoke such delegation and take any such individual action against the Issuer.

(iii) *Covered Bonds Guarantee*: without prejudice to paragraph (i) above, interest and principal falling due on the Covered Bonds will be payable by the Covered Bonds Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bonds Guarantee and the priority of payments to creditors set out in the Intercreditor Agreement.

(iv) *Tests*: the Tests shall continue to be applied.

(e) *Covered Bonds Guarantor Events of Default*:

Following an Issuer Event of Default, if any of the following events (each, a **Covered Bonds Guarantor Event of Default**) occurs and is continuing:

(i) *Non-payment*: the Covered Bonds Guarantor fails to pay any of interest and/or principal due and payable in respect of the relevant Series of Covered Bonds in accordance with the Covered Bonds Guarantee, subject to a period of 7 Business Days cure period in respect of principal or redemption amount and a 14 Business Days cure period in respect of interest payment the Covered Bonds Guarantor, or fails to pay or to set aside for payment of costs or amount due to any Hedging Counterparty; or subject to

(ii) *Insolvency*: an Insolvency Event occurs with respect to the Covered Bonds Guarantor; or

(iii) *Breach of other obligation*: a breach of other binding obligations under the Dealer Agreement, the Intercreditor Agreement, the Covered Bonds Guarantee or any other Transaction Document to which the Covered Bonds Guarantor is a party, which is not remedied within 30 days from the date on which the Covered Bonds Guarantor is notified of such breach; or

(iv) *Breach of Amortisation Test*: the Amortisation Test is breached;

then the Representative of the Covered Bondholders shall serve a Covered Bonds Guarantor Acceleration Notice on the Covered Bonds Guarantor.

(f) *Effect of a Covered Bonds Guarantor Acceleration Notice*:

From and including the date on which the Representative of the Covered Bondholders delivers a Covered Bonds Guarantor Acceleration Notice upon the Covered Bonds Guarantor:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Redemption Amount together, if appropriate, with any accrued interest; *Cross Acceleration*: if a Covered Bonds Guarantor Event of Default is triggered

(ii) with respect to a Series, each series of Covered Bonds will cross accelerate at the same time against the Covered Bonds Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves; and

(iii) *Covered Bonds Guarantee*: subject to and in accordance with the terms of the Covered Bonds Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Covered Bonds Guarantor for an amount equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 10(a) (*Gross up by Issuer*)) in accordance with the priority of payments to creditors set out in the Intercreditor Agreement; and

(iv) *Enforcement*: subject to the failure of the Covered Bonds Guarantor in taking the necessary actions pursuant to Condition 11(b)(ii) and Condition 11(d)(ii) above, the Representative of the Covered Bondholders on behalf of the Covered Bondholders

shall be entitled to take any steps and proceedings against the Issuer to enforce the provisions of the Covered Bonds. The Representative of the Covered Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Covered Bonds Guarantor as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by an Extraordinary Resolution of the Covered Bondholders.

- (g) *Determinations, etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11 (Article 74 Event and Event of Default) by the Representative of the Covered Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Covered Bonds Guarantor and all Covered Bondholders and (in such absence as aforesaid) no liability to the Covered Bondholders, the Issuer or the Covered Bonds Guarantor shall attach to the Representative of the Covered Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

## **12 Prescription**

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

## **13 Representative of the Covered Bondholders**

- (a) *Organisation of the Covered Bondholders:* The Organisation of the Covered Bondholders shall be established upon, and by virtue of, the issuance of the Covered Bonds and shall remain in force and in effect until repayment in full or cancellation of the Covered Bonds. Pursuant to the Rules of the Organisation of the Covered Bondholders, for as long as the Covered Bonds are outstanding, there shall at all times be a Representative of the Covered Bondholders. The appointment of the Representative of the Covered Bondholders as legal representative of the Organisation of the Covered Bondholders is made by the Covered Bondholders subject to and in accordance with the Rules of the Organisation of the Covered Bondholders.
- (b) *Initial appointment:* In the Dealer Agreement, the Dealer has appointed the Representative of the Covered Bondholders to perform the activities described in the Dealer Agreement, in these Conditions (including the Rules of the Organisation of Covered Bondholders), in the Intercreditor Agreement and in the other Transaction Documents, and the Representative of the Covered Bondholders has accepted such appointment for the period commencing on the Initial Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds have been cancelled or redeemed in accordance with these Conditions.
- (c) *Acknowledgment by Covered Bondholders:* Each Covered Bondholder, by reason of holding Covered Bonds:
- (i) recognises the Representative of the Covered Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Representative of the Covered Bondholders in such capacity as if such Covered Bondholder were a signatory thereto; and
  - (ii) acknowledges and accepts that the Relevant Dealer(s) shall not be liable, without prejudice for the provisions set forth under article 1229 of the Italian Civil Code, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Covered Bondholders as a result of the performance by the Representative of the Covered Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

## **14 Agents**

In acting under the Cash Management and Agency Agreement and in connection with the Covered Bonds, the Paying Agent acts solely as agents of the Issuer and, following service of a Notice to Pay

or a Covered Bonds Guarantor Acceleration Notice, as agent of the Covered Bonds Guarantor and do not assume in the framework of the Programme any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders.

The Paying Agent and its initial Specified Offices are set out in these Conditions. Any additional Paying Agent and its Specified Offices (if any) are specified in the relevant Final Terms. The Issuer, and (where applicable) the Covered Bonds Guarantor, reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint an additional or successor paying agent; *provided, however, that:*

- (a) the Issuer, and (where applicable) the Covered Bonds Guarantor, shall at all times maintain a paying agent; and
- (b) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer, and (where applicable) the Covered Bonds Guarantor, shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agent or in its Specified Offices shall promptly be given to the Covered Bondholders.

## 15 Further Issues

The Issuer may from time to time, without the consent of the Covered Bondholders, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

## 16 Substitution of the Issuer

The Representative of the Covered Bondholders may (and in the case of an Approved Reorganisation shall) agree with the Issuer (or any previous substitute) and the Covered Bonds Guarantor at any time without the consent of the Covered Bondholders:

- (d) to the substitution in place of Intesa Sanpaolo (or of any previous substitute) as principal debtor under the Covered Bonds by any bank Subsidiary of Intesa Sanpaolo (the **Substitute Obligor**) by way of an Issuer obligation transfer agreement without recourse to the Issuer (*accollo liberatorio*); or
- (e) to an Approved Reorganisation; or
- (f) that Intesa Sanpaolo (or any previous substitute) may, other than by means of an Approved Reorganisation, consolidate with, merge into or amalgamate with any successor company,

provided that:

- (i) the obligations of the Substitute Obligor or the Resulting Entity under the Covered Bonds shall be irrevocably and unconditionally guaranteed by Intesa Sanpaolo (on like terms as to subordination, if applicable, to those of the Covered Bonds Guarantee); and
- (ii) (other than in the case of an Approved Reorganisation) the Representative of the Covered Bondholders is satisfied that the interests of the Covered Bondholders will not be materially prejudiced thereby; and
- (iii) the Substitute Obligor or the Resulting Entity agrees, in form and manner satisfactory to the Representative of the Covered Bondholders, to be bound by the terms and conditions of the Covered Bonds and all the Transaction Documents in respect to any Series of Covered Bonds still outstanding, by means of executing agreements and documents substantially in the same form and substance of the Transaction Documents;
- (iv) the Representative of the Covered Bondholders is satisfied that (a) the Resulting Entity or Substituted Obligor has obtained all governmental and regulatory approvals and consents

necessary for its assumption of liability as principal debtor in respect of the Covered Bonds in place of the Issuer (or such previous substitute as aforesaid), and (b) such approvals and consents are, at the time of substitution, Approved Reorganisation or consolidation, merger, amalgamation other than by means of an Approved Reorganisation, as the case may be, in full force and effect.

Upon the assumption of the obligations of the Issuer by a Substitute Obligor or of the Issuer by a Resulting Entity or of an Issuer by a successor company, Intesa Sanpaolo shall have no further liabilities under or in respect of the Covered Bonds.

Any such substitution, Approved Reorganisation or consolidation, merger or amalgamation shall be notified to the Covered Bondholders in accordance with Condition 18 (*Notices*). In the case of a substitution, the relevant Issuer shall notify the Luxembourg Stock Exchange thereof and prepare, or procure the preparation of, a supplement to the Base Prospectus in respect of the Programme.

In connection with the exercise of its powers, authorities or discretions above mentioned: (a) the Representative of the Covered Bondholders shall have regard to the interests of the Covered Bondholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Covered Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory; and (b) the Representative of the Covered Bondholders shall not be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Covered Bondholders except to the extent already provided for by Condition 10 (*Taxation*).

In these Conditions, **Approved Reorganisation** means a solvent and voluntary reorganisation involving, alone or with others, the Issuer, and whether by way of consolidation, amalgamation, merger, transfer of all or substantially all of its business or assets, or otherwise provided that the principal resulting, surviving or transferee entity (a **Resulting Entity**) is a banking company and effectively assumes all the obligations of the Issuer under, or in respect of, the Covered Bonds.

## **17 Limited Recourse and Non Petition**

### (a) *Limited Recourse*

The obligations of the Covered Bonds Guarantor under the Covered Bonds Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Covered Bonds Guarantor, collateralised by the Portfolio as provided under Law 130, MEF Decree and the BoI OBG Regulation. The recourse of the Covered Bondholders to the Covered Bonds Guarantor under the Covered Bonds Guarantee will be limited to the assets comprised in the Portfolio subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Covered Bondholders.

### (b) *Non Petition*

Only the Representative of the Covered Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Amounts or enforce the Covered Bonds Guarantee and/or the relevant securities and no Covered Bondholder shall be entitled to proceed directly against the Covered Bonds Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Covered Bonds Guarantee and/or the relevant securities. In particular:

- (i) no Covered Bondholder (nor any person on its behalf) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Covered Bondholders to enforce the Covered Bonds Guarantee and/or the relevant securities or take any proceedings against the Covered Bonds Guarantor to enforce the Covered Bonds Guarantee and/or the relevant securities;
- (ii) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) shall, save as expressly permitted by the



Transaction Documents, have the right to take or join any person in taking any steps against the Covered Bonds Guarantor for the purpose of obtaining payment of any amount due from the Covered Bonds Guarantor;

- (iii) at least until the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Covered Bondholder (nor any person on its behalf, other than the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Covered Bonds Guarantor; and
- (iv) no Covered Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

## **18 Notices**

- (a) *Notices given through Monte Titoli:* Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.
- (b) *Notices through Luxembourg Stock Exchange.* Any notice regarding the Covered Bonds, as long as the Covered Bonds are admitted to trading on the regulated market of the Luxembourg Stock Exchange, shall be deemed to have been duly given if published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or, if required, of the CSSF and, in any event, if published in accordance with the rules and regulation of the Luxembourg Stock Exchange.
- (c) *Other publication:* The Representative of the Covered Bondholders shall be at liberty to sanction any other method of giving notice to Covered Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to trading (including any means provided for under Article 16 of Luxembourg law, dated 19 July 2005) and provided that notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Covered Bondholders shall require.

## **19 Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## **20 Governing Law and Jurisdiction**

- (a) *Governing law:* These Covered Bonds are governed by Italian law. All other Transaction Documents are governed by Italian law, save for the Swap Agreements and the deed of charge relating to such Swap Agreements, which are governed by English law.
- (b) *Jurisdiction:* The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.
- (c) *Relevant legislation:* Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130, BoI OBG Regulations and MEF Decree.

# RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS

## TITLE I

### GENERAL PROVISIONS

#### 1. GENERAL

1.1 The Organisation of the Covered Bondholders in respect of each Series of Covered Bonds issued under the Programme by Intesa Sanpaolo S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of each such Series and is governed by these Rules of the Organisation of the Covered Bondholders (**Rules**).

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds of each Series issued by the Issuer.

#### 2. DEFINITIONS AND INTERPRETATION

##### 2.1 Definitions

In these Rules, the terms below shall have the following meanings:

**Block Voting Instruction** means, in relation to a Meeting, a document issued by the Paying Agent or by a Registrar, as the case may be:

- (a) in case of Covered Bond issued in a dematerialized form, certifying that specified Covered Bonds are held to the order of the Paying Agent or under its control and have been blocked in an account with a clearing system and will not be released until a the earlier of:
  - (i) a specified date which falls after the conclusion of the Meeting; and
  - (ii) the surrender to the Paying Agent not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Paying Agent to the Issuer and Representative of the Covered Bondholders;
- (b) in case of Covered Bonds issued in registered form, certifying that specified Covered Bonds have been blocked with the Registrar and will not be released until the conclusion of the Meeting;
- (c) certifying that the Holder, or the registered Holder in case of Covered Bonds issued in registered form, of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Paying Agent or the Registrar that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;
- (d) listing the total number of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and
- (e) authorising a named individual to vote in accordance with such instructions;

**Blocked Covered Bonds** means (i) Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of the Paying Agent, or (ii) in case of Covered Bonds issued in registered form, such Covered Bonds which have been blocked with the Registrar, for the purpose of obtaining from the Principal Paying Agent and/or the Registrar a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of

which the Block Voting Instruction or Voting Certificate is required;

**Chairman** means, in relation to any Meeting, the person who takes the chair in accordance with Article 6 (*Chairman of the Meeting*).

**Currency Swap Rate** means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the respective currency hedging agreement relating to such Covered Bond or Series of Covered Bonds or, if the respective currency hedging agreement has terminated or is not in place, the applicable exchange rate provided by the Servicer;

**Event of Default** means an Issuer Event of Default or a Covered Bonds Guarantor Event of Default;

**Extraordinary Resolution** means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast;

**Holder** means in respect of Covered Bonds, the ultimate owner of such Covered Bonds and, in respect of the Covered Bonds issued in registered form, the ultimate registered owner of such Covered Bonds issued in registered form, as set out in the Register;

**Liabilities** means losses, liabilities, inconvenience, costs, expenses, damages, claims, actions or demands

**Meeting** means a meeting of Covered Bondholders (whether originally convened or resumed following an adjournment);

**Monte Titoli Account Holder** means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quater* of the Financial Law and includes any depository banks appointed by the Relevant Clearing System;

**N Paying Agent** means any institution appointed from time to time by the Issuer to act as paying agent in respect of the Covered Bonds issued in a registered form under the Programme;

**Ordinary Resolution** means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50% of the votes cast;

**Portfolio** has the meaning given to it in the Master Definition Agreement;

**Programme Resolution** means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Covered Bonds Guarantor pursuant to Condition 11(f)(iv) (*Effect of a Covered Bonds Guarantor Acceleration Notice – Enforcement*) or other similar Condition with reference to Covered Bonds issued in registered form;

**Proxy** means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

- (a) any person whose appointment has been revoked and in relation to whom the Paying Agent or the Registrar has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and
- (b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

**Rating Agency** Moody's Investors Service Ltd., to the extent that at the relevant time it provides ratings in respect of the then outstanding Covered Bonds;

**Register** means any register held by the Registrar for the purpose of recording payments and assignments of Covered Bonds issued in registered form;

**Registrar** means any institution which may be appointed from time to time by the Issuer to act as registrar in respect of the Covered Bonds issued in registered form under the Programme, provided that if the Issuer will keep the register and will not delegate such activity, any reference to the Registrar will be construed as a reference to the Issuer;

**Resolutions** means the Ordinary Resolutions and the Extraordinary Resolutions, collectively;

**Transaction Party** means any person who is a party to a Transaction Document;

**Voter** means, in relation to a Meeting, the Holder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by the Paying Agent or by a Registrar or a Proxy named in a Block Voting Instruction;

**Voting Certificate** means, in relation to any Meeting:

- (a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time; or
- (b) a certificate issued by the Paying Agent or by a Registrar stating:
  - (i) that Blocked Covered Bonds will not be released until the earlier of:
    - (A) a specified date which falls after the conclusion of the Meeting; and
    - (B) the surrender of such certificate to the Paying Agent or to the Registrar; and
  - (ii) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

**Written Resolution** means a resolution in writing signed by or on behalf of one or more persons holding or representing at least 75 per cent of the Outstanding Principal Balance of the Covered Bonds, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Covered Bondholders;

**24 hours** means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in the place where the Paying Agent has its specified office or in case of Covered Bonds issued in registered form, the Registrar has its specified office; and

**48 hours** means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the relevant Conditions.

## 2.2 Interpretation

In these Rules:

- 2.2.1 any reference herein to an “Article” shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Covered Bondholders;
- 2.2.2 a “successor” of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

- 2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

## **2.3 Separate Series**

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Covered Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Covered Bonds Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Article 2.3:

- 2.3.1 Articles 26 (*Appointment, Removal and Remuneration*) and 27 (*Resignation*); and
- 2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Covered Bonds Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions “Covered Bonds” and “Covered Bondholders” shall be construed accordingly.

## **3. PURPOSE OF THE ORGANISATION OF THE COVERED BONDHOLDERS**

- 3.1 Each Covered Bondholder is a member of the Organisation of the Covered Bondholders.
- 3.2 The purpose of the Organisation of the Covered Bondholders is to co-ordinate the exercise of the rights of the Covered Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Covered Bondholders.

## TITLE II

### MEETINGS OF THE COVERED BONDHOLDERS

#### 4 CONVENING A MEETING

##### 4.1 Convening a Meeting

The Representative of the Covered Bondholders, the Covered Bonds Guarantor or the Issuer may convene separate or combined Meetings of the Covered Bondholders at any time and the Representative of the Covered Bondholders shall be obliged to do so upon the request in writing by Covered Bondholders representing at least one-tenth of the aggregate Outstanding Principal Balance of the Covered Bonds.

The Representative of the Covered Bondholders, the Covered Bonds Guarantor or the Issuer or (in relation to a meeting for the passing of a Programme Resolution) the Covered Bondholders of any Series may at any time and the Issuer shall upon a request in writing signed by the holders of not less than one-tenth of the aggregate Outstanding Principal Balance of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Representative of the Covered Bondholders or the subject making the request. The Representative of the Covered Bondholders may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Representative of the Covered Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

##### 4.2 Meetings convened by Issuer

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Covered Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

##### 4.3 Time and place of Meetings

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Covered Bondholders.

#### 5. NOTICE

##### 5.1 Notice of Meeting

At least 21 days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Covered Bondholders, the Registrar and the Paying Agent, with a copy to the Issuer and the Covered Bonds Guarantor, where the Meeting is convened by the Representative of the Covered Bondholders, or with a copy to the Representative of the Covered Bondholders, where the Meeting is convened by the Issuer.

##### 5.2 Content of notice

5.2.1 The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that the Voting Certificate for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time and that for the purpose of obtaining Voting Certificates from the Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bondholders must (to the satisfaction of the Paying Agent) be held to the order of or placed under the control of the Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

- 5.2.2 With reference to the Covered Bonds issued in registered form, the notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Covered Bond issued in registered form, may be blocked with the Registrar, or with other entity authorised to do so by the Registrar, for the purposes of appointing Proxies under Block voting Instructions until 48 hours before the time fixed for the Meeting and that holders of Covered Bonds issued in registered form, may also appoint Proxies either under a Block Voting Instruction by delivering written instructions to the Registrar or the N Paying Agent or by executing and delivering a form of Proxy to the Specified Office of the Registrar or the N Paying Agent, in either case until 48 hours before the time fixed for the Meeting.

### **5.3 Validity notwithstanding lack of notice**

A Meeting is valid notwithstanding that the formalities required by this Article 5 are not complied with if the Holders of the Covered Bonds constituting the Outstanding Principal Balance of the Covered Bonds, the Holders of which are entitled to attend and vote are represented at such Meeting and the Issuer and the Representative of the Covered Bondholders are present.

## **6. CHAIRMAN OF THE MEETING**

### **6.1 Appointment of Chairman**

An individual (who may, but need not be, a Covered Bondholder), nominated by the Representative of the Covered Bondholders may take the chair at any Meeting, but if:

- 6.1.1 the Representative of the Covered Bondholders fails to make a nomination; or
- 6.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

### **6.2 Duties of Chairman**

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

### **6.3 Assistance to Chairman**

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Covered Bondholders.

## **7. QUORUM**

The quorum at any Meeting will be:

- 7.1.1 in the case of an Ordinary Resolution, one or more persons holding or representing at least 25 per cent of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or
- 7.1.2 in the case of an Extraordinary Resolution or a Programme Resolution (subject as provided below), one or more persons holding or representing at least 50 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders of the relevant Series for the time being outstanding, whatever the Outstanding

Principal Balance of the Covered Bonds so held or represented; or

7.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32 (*Waiver*), only be capable of being effected after having been approved by Extraordinary Resolution, namely:

- (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;
- (b) alteration of the currency in which payments under the Covered Bonds are to be made;
- (c) alteration of the majority required to pass an Extraordinary Resolution;
- (d) any amendment to the Covered Bonds Guarantee, the Deed of Pledge or the Deed of Charge (except in a manner determined by the Representative of the Covered Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series);
- (e) except in accordance with Articles 31 (*Amendments and Modifications*) and 32 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Covered Bonds Guarantor or any other person or body corporate, formed or to be formed; and
- (f) alteration of this Article 7.1.3;

(each a **Series Reserved Matter**), the quorum shall be one or more persons being or representing holders of not less two-thirds of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, one or more persons being or representing not less than one-third of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding.

## 8. ADJOURNMENT FOR WANT OF QUORUM

8.1 If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

8.1.1 if such Meeting was convened upon the request of Covered Bondholders, the Meeting shall be dissolved; and

8.1.2 in any other case, the Meeting shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period, being not less than 13 clear days nor more than 42 clear days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Representative of the Covered Bondholders).

8.2 If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Representative of the Covered Bondholders) dissolve such meeting or adjourn the same for such period, being not less than 13 clear days (but without any maximum number of clear days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Representative of the



Covered Bondholders.

## **9. ADJOURNED MEETING**

Except as provided in Article 8 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

## **10. NOTICE FOLLOWING ADJOURNMENT**

### **10.1 Notice required**

Article 5 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

10.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

10.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

### **10.2 Notice not required**

Except in the case of a Meeting to consider an Extraordinary Resolution, it shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 8 (*Adjournment for Want of Quorum*).

## **11. PARTICIPATION**

The following categories of persons may attend and speak at a Meeting:

11.1 Voters;

11.2 the directors and the auditors of the Issuer and the Covered Bonds Guarantor;

11.3 representatives of the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;

11.4 financial advisers to the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;

11.5 legal advisers to the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders; and

11.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Covered Bondholders.

## **12. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS**

12.1 A Covered Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time.

12.2 A Covered Bondholder may also obtain from the Paying Agent or require the Paying Agent to issue a Block Voting Instruction by arranging for such Covered Bonds to be (to the satisfaction of the Paying Agent) held to its order or under its control or blocked in an account in the Relevant Clearing System (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.

12.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.

12.4 So long as a Voting Certificate or Block Voting Instruction is valid, the named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account

Holder), the bearer thereof (in the case of a Voting Certificate issued by the Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by the Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

- 12.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.
- 12.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.
- 12.7 Any registered Holder may require the Registrar to issue a Block Voting Instruction by arranging (to the satisfaction of the Registrar) for the related Covered Bonds issued in registered form to be blocked with the Registrar not later than 48 hours before the time fixed for the relevant Meeting. The registered Holder may require the Registrar to issue a Block Voting Instruction by delivering to the Registrar written instructions not later than 48 hours before the time fixed for the relevant Meeting. Any registered Holder may obtain an uncompleted and unexecuted Form of Proxy from the Registrar. A Block Voting Instruction shall be valid until the release of the Blocked Bonds to which it relates. A Form of Proxy and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Bond.

### **13. VALIDITY OF BLOCK VOTING INSTRUCTIONS**

- 13.1 A Block Voting Instruction or a Voting Certificate shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Paying Agent or the Registrar, as the case may be, or at any other place approved by the Representative of the Covered Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to business. If the Representative of the Covered Bondholders so requires, a notarised copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate shall be produced at the Meeting but the Representative of the Covered Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction or the identity of any Holder named in a Voting Certificate.

### **14. VOTING BY SHOW OF HANDS**

- 14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.
- 14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

### **15. VOTING BY POLL**

#### **15.1 Demand for a poll**

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or any one or more Voters, whatever the Outstanding Principal Balance of the Covered Bonds held or represented by such Voter. A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the

continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded as at the date of the taking of the poll.

## **15.2 The Chairman and a poll**

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

## **16. VOTES**

### **16.1 Voting**

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every person who is so present shall have one vote in respect of each Euro 1.00 or such other amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Covered Bondholders in its absolute discretion may stipulate).

### **16.2 Block Voting Instruction**

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

### **16.3 Voting tie**

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

## **17. VOTING BY PROXY**

### **17.1 Validity**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked provided that none of the Issuer, the Representative of the Covered Bondholders, the Registrar or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

### **17.2 Adjournment**

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

## **18. RESOLUTIONS**

### **18.1 Ordinary Resolutions**

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

- 18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and
- 18.1.2 to authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

## **18.2 Extraordinary Resolutions**

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

- 18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or any of them;
- 18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Covered Bondholders, the Issuer, the Covered Bonds Guarantor, the Covered Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or of any Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Covered Bondholders and/or any other party thereto;
- 18.2.3 assent to any modification of the provisions of these Rules or the Transaction Documents which shall be proposed by the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or of any Covered Bondholder;
- 18.2.4 in accordance with Article 26 (*Appointment*), appoint and remove the Representative of the Covered Bondholders;
- 18.2.5 subject to the provisions set forth under the Conditions and the Transaction Documents or upon request of the Representative of the Covered Bondholders, authorise the Representative of the Covered Bondholders to issue an Article 74 Notice to Pay as a result of an Article 74 Event pursuant to Condition 11(a) (*Article 74 Event*), a Notice to Pay as a result of an Issuer Event of Default pursuant to Condition 11(c) (*Issuer Event of Default*) or a Covered Bonds Guarantor Acceleration Notice as a result of a Covered Bonds Guarantor Event of Default pursuant to Condition 11(e) (*Covered Bonds Guarantor Event of Default*);
- 18.2.6 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Covered Bondholders from any liability in relation to any act or omission for which the Representative of the Covered Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;
- 18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;
- 18.2.8 authorise and ratify the actions of the Representative of the Covered Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document, if required therein;
- 18.2.9 to appoint any person (whether Covered Bondholders or not) as a committee to represent the interests of the Covered Bondholders and to confer on any such committee any powers which the Covered Bondholders could themselves exercise by Extraordinary Resolution; and
- 18.2.10 authorise the Representative of the Covered Bondholders or any other person to

execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

### **18.3 Programme Resolutions**

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Covered Bonds Guarantor pursuant to Condition 11(f)(iv) (*Effect of a Covered Bonds Guarantor Acceleration Notice- Enforcement*).

### **18.4 Other Series of Covered Bonds**

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

## **19. EFFECT OF RESOLUTIONS**

### **19.1 Binding nature**

Subject to Article 18.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Covered Bondholders duly convened and held in accordance with these Rules shall be binding upon all Covered Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

### **19.2 Notice of voting results**

Notice of the results of every vote on a resolution duly considered by Covered Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Paying Agents (with a copy to the Issuer, the Covered Bonds Guarantor, the Registrar and the Representative of the Covered Bondholders within 14 days of the conclusion of each Meeting).

## **20. CHALLENGE TO RESOLUTIONS**

Any absent or dissenting Covered Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

## **21. MINUTES**

Minutes shall be made of all resolutions and proceedings of each Meeting and entered in books provided by the Issuer for that purpose. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

## **22. WRITTEN RESOLUTION**

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

## **23. INDIVIDUAL ACTIONS AND REMEDIES**

Each Covered Bondholder has accepted and is bound by the provisions of Clauses 4 (*Exercise of Rights and Subrogation*) and 11 (*Limited Recourse*) of the Covered Bonds Guarantee and Clause 18 (*Limited Recourse and Non Petition*) of the Intercreditor Agreement and, accordingly, if any Covered Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Covered Bonds and the Covered Bonds Guarantee, any such action or remedy shall be subject to a Meeting not passing an Extraordinary Resolution objecting to such individual

action or other remedy on the grounds that it is not consistent with such Condition. In this respect, the following provisions shall apply:

- 23.1 the Covered Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her intention;
- 23.2 the Representative of the Covered Bondholders will, without delay, call a Meeting in accordance with these Rules (including, for the avoidance of doubt, Article 24 (*Choice of Meeting*));
- 23.3 if the Meeting passes an Extraordinary Resolution objecting to the enforcement of the individual action or remedy, the Covered Bondholder will be prevented from taking such action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted for review of another Meeting); and
- 23.4 if the Meeting of Covered Bondholders does not object to an individual action or remedy, the Covered Bondholder will not be prohibited from taking such individual action or remedy.

## **24. MEETINGS AND SEPARATE SERIES**

### **24.1 Choice of Meeting**

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

- 24.1.1 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;
- 24.1.2 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;
- 24.1.3 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;
- 24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Covered Bondholders of all Series; and
- 24.1.5 to all such meetings all the preceding provisions of these Rules shall *mutatis mutandis* apply as though references therein to Covered Bonds and Covered Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

### **24.2 Denominations other than euro**

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any Meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of the meeting or any adjourned such Meeting or any poll resulting therefrom or any such request or written resolution) the Outstanding Principal Balance of such Covered Bonds shall be the Euro Equivalent of the Currency Swap Rate. In such circumstances, on any poll each person present shall have one vote for each Euro 1.00 (or such other euro amount as the

Representative of the Covered Bondholders may in its absolute discretion stipulate) of the Outstanding Principal Balance of the Covered Bonds (converted as above) which he holds or represents.

**25. FURTHER REGULATIONS**

Subject to all other provisions contained in these Rules, the Representative of the Covered Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Covered Bondholders in its sole discretion may decide.

## TITLE III

### THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

#### **26. APPOINTMENT, REMOVAL AND REMUNERATION**

##### **26.1 Appointment**

The appointment of the Representative of the Covered Bondholders takes place by Extraordinary Resolution of the Covered Bondholders in accordance with the provisions of this Article 26, except for the appointment of Finanziaria Internazionale Securitisation Group S.p.A. as first Representative of the Covered Bondholders which will be appointed under the Dealer Agreement.

##### **26.2 Identity of Representative of the Covered Bondholders**

The Representative of the Covered Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 107 of the Banking Law; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Covered Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Covered Bondholders and, if appointed as such, they shall be automatically removed.

##### **26.3 Duration of appointment**

Unless the Representative of the Covered Bondholders is removed by Extraordinary Resolution of the Covered Bondholders pursuant to Article 18.2 (*Extraordinary Resolution*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Covered Bondholders*), it shall remain in office until full repayment or cancellation of all the Series of Covered Bonds.

##### **26.4 After termination**

In the event of a termination of the appointment of the Representative of the Covered Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Covered Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Covered Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Covered Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

##### **26.5 Remuneration**

The Issuer shall pay to the Representative of the Covered Bondholders an annual fee for its services as Representative of the Covered Bondholders from the Issue Date, as agreed in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when the Covered Bonds shall have been repaid in full or cancelled in accordance with the Conditions. In case of failure by the Issuer to pay the Representative of the Covered Bondholders the fee for its services, the same will be paid by the Covered Bonds Guarantor.

#### **27. RESIGNATION OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS**

The Representative of the Covered Bondholders may resign at any time by giving at least three



calendar months' written notice to the Issuer and the Covered Bonds Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Covered Bondholders shall not become effective until a new Representative of the Covered Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Covered Bondholders has accepted its appointment, provided that if Covered Bondholders fail to select a new Representative of the Covered Bondholders within three months of written notice of resignation delivered by the Representative of the Covered Bondholders, the Representative of the Covered Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Covered Bondholders*).

## **28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS**

### **28.1 Representative of the Covered Bondholders as legal representative**

The Representative of the Covered Bondholders is the legal representative of the Organisation of the Covered Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Covered Bondholders.

### **28.2 Meetings and resolutions**

Unless any Resolution provides to the contrary, the Representative of the Covered Bondholders is responsible for implementing all resolutions of the Covered Bondholders. The Representative of the Covered Bondholders has the right to convene and attend Meetings to propose any course of action which it considers from time to time necessary or desirable.

### **28.3 Delegation**

The Representative of the Covered Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Covered Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Covered Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Covered Bondholders may think fit in the interest of the Covered Bondholders. The Representative of the Covered Bondholders shall not, other than in the normal course of its business, be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Covered Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Covered Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Covered Bonds Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Covered Bonds Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

### **28.4 Judicial proceedings**

The Representative of the Covered Bondholders is authorised to represent the Organisation of the Covered Bondholders in any judicial proceedings including any Insolvency Event in

respect of the Issuer and/or the Covered Bonds Guarantor.

## **28.5 Consents given by Representative of Covered Bondholders**

Any consent or approval given by the Representative of the Covered Bondholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

## **28.6 Discretions**

Save as expressly otherwise provided herein, the Representative of the Covered Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Covered Bondholders by these Rules or by operation of law.

## **28.7 Obtaining instructions**

In connection with matters in respect of which the Representative of the Covered Bondholders is entitled to exercise its discretion hereunder, the Representative of the Covered Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Covered Bondholders' instructions as to how it should act. Without prejudice to the provisions set forth under Article 33 (*Indemnity*), prior to undertaking any action, the Representative of the Covered Bondholders shall be entitled to request that the Covered Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

## **28.8 Remedy**

The Representative of the Covered Bondholders may determine whether or not a default in the performance by the Issuer or the Covered Bonds Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and if the Representative of the Covered Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Covered Bondholders, the other creditors of the Covered Bonds Guarantor and any other party to the Transaction Documents.

## **29. EXONERATION OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS**

### **29.1 Limited obligations**

The Representative of the Covered Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

### **29.2 Specific limitations**

Without limiting the generality of the Article 29.1, the Representative of the Covered Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Article 74 Event, an Issuer Event of Default or a Covered Bonds Guarantor Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Covered Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Covered Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Article 74 Event, Issuer Event of Default or a Covered Bonds Guarantor Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and

performance by the Issuer or the Covered Bonds Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Covered Bondholders shall be entitled to assume that the Issuer or the Covered Bonds Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

- 29.2.3 except as expressly required in these Rules or any Transaction Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Transaction Document;
- 29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:
- (i) the nature, status, creditworthiness or solvency of the Issuer or the Covered Bonds Guarantor;
  - (ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection herewith;
  - (iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;
  - (iv) the failure by the Covered Bonds Guarantor to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Portfolio; and
  - (v) any accounts, books, records or files maintained by the Issuer, the Covered Bonds Guarantor, the Servicer and the Paying Agent or any other person in respect of the Portfolio or the Covered Bonds;
- 29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;
- 29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;
- 29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Covered Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;
- 29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;
- 29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Covered Bonds Guarantor in relation to the assets contained in the Portfolio or any part thereof, whether such defect or failure was known to the Representative of the Covered Bondholders or might have been discovered upon examination or enquiry or whether capable of being

remedied or not;

- 29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Public Assets and Integration Assets contained in the Portfolio or any part thereof;
- 29.2.11 shall not be responsible for reviewing or investigating any report relating to the Portfolio or any part thereof provided by any person;
- 29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Portfolio or any part thereof;
- 29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Portfolio or any Transaction Document;
- 29.2.14 shall not be under any obligation to insure the Portfolio or any part thereof;
- 29.2.15 shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Covered Bondholders, have regard to the overall interests of the Covered Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Covered Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Covered Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;
- 29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than 25 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series then outstanding;
- 29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Transaction Documents, except where expressly provided therein, have regard to the interests of both the Covered Bondholders and the other creditors of the Issuer or the Covered Bonds Guarantor but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between their interests the Representative of the Covered Bondholders will have regard solely to the interest of the Covered Bondholders;
- 29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Covered Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and
- 29.2.19 shall not be liable or responsible for any Liabilities which may result from anything done or omitted to be done by it in accordance with the provisions of these Rules or the Transaction Documents.

### **29.3 Covered Bonds held by Issuer**

The Representative of the Covered Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer or the Covered Bonds Guarantor.

### **29.4 Illegality**

No provision of these Rules shall require the Representative of the Covered Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Covered Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or Liabilities which it may incur as a consequence of such action. The Representative of the Covered Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

## **30. RELIANCE ON INFORMATION**

### **30.1 Advice**

The Representative of the Covered Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or otherwise, and shall not be liable for any loss incurred by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Covered Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

### **30.2 Certificates of Issuer and/or Covered Bonds Guarantor**

The Representative of the Covered Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter *prima facie* within the Issuer's or the Covered Bonds Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Covered Bonds Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Covered Bonds Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Covered Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

### **30.3 Resolution or direction of Covered Bondholders**

The Representative of the Covered Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Covered Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Covered Bondholders.

#### 30.4 **Certificates of Monte Titoli Account Holders**

The Representative of the Covered Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

#### 30.5 **Clearing Systems or Registrar**

The Representative of the Covered Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system or Registrar, as the case may be, as the Representative of the Covered Bondholders considers appropriate, or any form of record made by any clearing system or Registrar, as the case may be, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

#### 30.6 **Certificates of parties to Transaction Documents**

The Representative of the Covered Bondholders shall have the right:

30.6.1 to require the Issuer to obtain, written certificates issued by one of the parties to the Intercreditor Agreement, or by any other creditor of the Covered Bonds Guarantor, as to any matter or fact which is *prima facie* within the knowledge of such party or as to such party's opinion with respect to any matter; and

30.6.2 to rely on such written certificates.

The Representative of the Covered Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or issue and shall not be held responsible for any Liabilities incurred as a result of having failed to do so.

#### 30.7 **Rating Agency**

The Representative of the Covered Bondholder shall be entitled to assume, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the holders of Covered Bonds of any Series or of all Series for the time being outstanding if the Rating Agency has confirmed that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Covered Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agency as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Covered Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Covered Bondholders or the Representative of the Covered Bondholders may seek and obtain such views itself at the cost of the Issuer.

#### 30.8 **Certificates of Parties to Transaction Document**

The Representative of the Covered Bondholders shall have the right to call for or require the Issuer or the Covered Bonds Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Covered Bonds Guarantor) to the Intercreditor Agreement or any other Transaction Document,

30.8.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

30.8.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.8.3 as to such party's opinion with respect to any issue

and the Representative of the Covered Bondholders shall not be required to seek additional

evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any Liabilities incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

### 30.9 **Auditors**

The Representative of the Covered Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

## 31. **AMENDMENTS AND MODIFICATIONS**

31.1 The Representative of the Covered Bondholders may from time to time and without the consent or sanction of the Covered Bondholders concur with the Issuer and/or the Covered Bonds Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Covered Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Transaction Documents which in the opinion of the Representative of the Covered Bondholders may be expedient to make provided that the Representative of the Covered Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; and

31.1.2 to these Rules, the Conditions or the other Transaction Documents which is of a formal, minor or technical nature or, which in the opinion of the Representative of the Covered Bondholders is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or to comply with mandatory provisions of law.

31.2 Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders may determine, shall be binding upon the Covered Bondholders and, unless the Representative of the Covered Bondholders otherwise agrees, shall be notified by the Issuer or the Covered Bonds Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

31.3 In establishing whether an error is established as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers reasonable to rely on, and may, but shall not be obliged to, have regard to all or any of the following:

31.3.1 a certificate from a Relevant Dealer, stating the intention of the parties to the relevant Transaction Document, confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention and stating the modification to the relevant Transaction Document that is required to reflect such intention;

31.3.2 confirmation from the relevant credit rating agencies that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.4 The Representative of the Covered Bondholders shall be bound to concur with the Issuer and the Covered Bonds Guarantor and any other party in making any of the above-mentioned modifications if it is so directed by an Extraordinary Resolution or and if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

## 32. **WAIVER**

### 32.1 **Waiver of Breach**

The Representative of the Covered Bondholders may at any time and from time to time in its sole direction, without prejudice to its rights in respect of any subsequent breach, condition, event or act, but only if and in so far as in its opinion the interests of the holders of the Covered Bonds then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive, on such terms and subject to such conditions (if any) as it may decide, any proposed breach or breach of any of the covenants or provisions contained in the Covered Bonds Guarantee or any of the obligations of or rights against the Covered Bonds Guarantor under any other Transaction Documents; or

32.1.2 determine that any Event of Default or Article 74 Event shall not be treated as such for the purposes of the Transaction Documents,

without any consent or sanction of the Covered Bondholders.

### 32.2 **Binding Nature**

Any authorisation, waiver or determination referred in Article 32.1 (*Waiver of Breach*) shall be binding on the Covered Bondholders.

### 32.3 **Restriction on powers**

The Representative of the Covered Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Covered Bonds then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent in aggregate Outstanding Principal Balance of the Covered Bonds (in the case of any such determination, with the Covered Bonds of all Series taken together as a single Series as aforesaid), and at all times then only if it shall be indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing but so that no such direction or request:

32.3.1 shall affect any authorisation, waiver or determination previously given or made or

32.3.2 all authorise or waive any such proposed breach or breach relating to a Series Reserved Matter unless holders of Covered Bonds of each Series has, by Extraordinary Resolution, so authorised its exercise.

### 32.4 **Notice of waiver**

Unless the Representative of the Covered Bondholders agrees otherwise, the Issuer shall cause any such authorisation, waiver or determination to be notified to the Covered Bondholders and the Secured Creditors, as soon as practicable after it has been given or made in accordance with Condition 18 (*Notices*).

## 33. **INDEMNITY**

Pursuant to the Dealer Agreement, the Issuer has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Covered Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands duly documented and properly incurred by or made against the Representative of the Covered Bondholders, including but not limited to legal expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Covered Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Covered Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction Documents.

## 34. **LIABILITY**

Notwithstanding any other provision of these Rules, the Representative of the Covered Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*),



gross negligence (*colpa grave*) or wilful default (*dolo*).

## TITLE IV

### THE ORGANISATION OF THE COVERED BONDHOLDERS AFTER SERVICE OF A COVERED BONDS GUARANTOR ACCELERATION NOTICE

#### 35. POWERS TO ACT ON BEHALF OF THE COVERED BONDS GUARANTOR

It is hereby acknowledged that, upon service of a Covered Bonds Guarantor Acceleration Notice or, prior to service of a Covered Bonds Guarantor Acceleration Notice, following the failure of the Covered Bonds Guarantor to exercise any right to which it is entitled, pursuant to the Intercreditor Agreement the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, shall be entitled (also in the interests of the Secured Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Portfolio. Therefore, the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, will be authorised, pursuant to the terms of the Intercreditor Agreement, to exercise, in the name and on behalf of the Covered Bonds Guarantor and as *mandatario in rem propriam* of the Covered Bonds Guarantor, any and all of the Covered Bonds Guarantor's Rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

## **TITLE V**

### **GOVERNING LAW AND JURISDICTION**

#### **36. GOVERNING LAW**

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

#### **37. JURISDICTION**

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds (other than Registered Covered Bonds) issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive (UE) 2016/97 (**IDD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**MIFID II Product Governance / Professional investors and ECPs only target market** – Solely for the purposes of each of the manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)] [MiFID II]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**Final Terms dated [●]**

**Intesa Sanpaolo S.p.A.**

**Issue of [Aggregate Nominal Amount of Tranche] [Description] Covered Bonds due [Maturity]**

**Guaranteed by**

**ISP CB Pubblico S.r.l.**

**under the Euro 20,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme**

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the prospectus dated 23 December 2019 [and the supplement[s] to the prospectus dated [●] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Regulation (EU) 2017/1129 (as amended from time to time, the **Prospectus Regulation**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8 of the Prospectus Regulation. These Final Terms, published on [●], contain the final terms of the Covered Bonds and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Covered Bonds Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [, including the supplement[s]] [is/are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may

be obtained from [address]]. [This Final Terms will be published on website of the Luxembourg Stock Exchange at www.bourse.lu]

*(Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.)*

1. (i) Series Number: [•]  
(ii) Tranche Number: [•]  
(iii) Date on which the Covered Bonds will become fungible: [Not Applicable] / [The Covered Bonds will be consolidated, form a single Series and be interchangeable for trading purposes with [(insert Number of the Series and ISIN Code)] on [the Issue Date/ (insert date)]]
  
2. Specified Currency or Currencies: [Euro/UK Sterling/Swiss Franc/Japanese Yen/ US Dollar/Other]
  
3. Aggregate Nominal Amount: [•]  
(i) Series: [•]  
(ii) Tranche: [•]
  
4. Issue Price: [•] %. of the aggregate nominal amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
  
5. (i) Specified Denominations: [•] [plus integral multiples of [•] in addition to the said sum of [•]] (as referred to under Condition 3) *(Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount.)*  
(ii) Calculation Amount: [•]
  
6. (i) Issue Date: [•]  
(ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
  
7. Maturity Date: [Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year.]
  
8. Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bonds Guarantee: [Not applicable / Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year] (as referred to in Condition 8(b))

9. Interest Basis: [[•] % Fixed Rate]  
 [[•]+/- [•] % Floating Rate]  
 [Zero Coupon (as referred to in Condition 7)]  
 (further particulars specified in [14]/[15]/[16] below)
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at 100 % of their nominal amount (as referred to in Condition 8(a))]
11. Change of Interest or Redemption/Payment Basis: ([Change of interest rate may be applicable in case an Extended Maturity Date is specified as applicable, as provided for in Condition 8(b) ] / [Not Applicable])
12. Put/Call Options: [Not Applicable]  
 [Investor Put (as referred in Condition 8(f))]  
 [Issuer Call (as referred in Condition 8(d))][further particulars specified in paragraph [17]/[18]below)]
13. [Date [Board] approval for issuance of Covered Bonds [and Covered Bonds Guarantee] [respectively]] obtained: [•] [and [•], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Covered Bonds Guarantee*)

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

14. Fixed Rate Provisions [Applicable/Not Applicable (as referred in Condition 5)]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [•]% per annum payable in arrear [annually/semi-annually/quarterly/monthly /other (*specify*)] on each CB Payment Date.
- (ii) CB Payment Date(s): [•] [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [[•] per Calculation Amount, payable on the CB Payment Date falling [in/on] [•]/[Not Applicable]]

- (v) Day Count Fraction: [Actual/Actual (ICMA)  
Actual/365  
Actual/365 (Fixed)  
Actual/360  
30/360 (Fixed rate)  
Actual/365 (Sterling)  
30/360 (Floating Rate)  
Eurobond Basis  
30E/360  
  
30E/360 (ISDA)]
- (vi) [Determination Date(s): [[•] in each year/Not Applicable]]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA).)*  
[Applicable/Not Applicable (as referred to in Condition 6)]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 15. Floating Rate Provisions**
- (i) CB Interest Period(s): [•]
- (ii) Specified Period: [•]  
*(Specified Period and CB Payment Dates are alternatives. A Specified Period, rather than CB Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)*
- (iii) CB Payment Dates: [•]  
*(Specified Period and Specified CB Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”)*
- (iv) First CB Payment Date: [•]
- (v) Business Day Convention: [Floating Rate Convention/  
Following Business Day Convention/  
Modified Following Business Day  
Convention/  
Preceding Business Day Convention]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent): [[Name] shall be the Calculation Agent *(no need to specify if the Fiscal Agent is to perform this function)*]
- (ix) Screen Rate Determination:
- Reference Rate: [•] month [LIBOR/EURIBOR]

- Reference Banks: [[●]/not applicable]
  - Interest Determination Date(s): [●]
  - Relevant Screen Page: [*For example, Reuters LIBOR 01/ EURIBOR 01*]
  - Relevant Time: [*For example, 11.00 a.m. London time/Brussels time*]
  - Relevant Financial Centre: [*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)*]
- (x) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (xi) Margin(s): [+/-][●]% per annum
- (xii) Minimum Rate of Interest: [●]% per annum
- (xiii) Maximum Rate of Interest: [●]% per annum
- (xiv) Day Count Fraction: [Actual/Actual (ICMA)/Actual/Actual (ISDA)  
Actual/365  
Actual/365 (Fixed)  
Actual/360  
30/360 (Fixed rate)  
Actual/365 (Sterling)  
30/360 (Floating Rate)  
Eurobond Basis  
30E/360 (ISDA)]

**16. Zero Coupon Provisions** [Applicable/Not Applicable](as referred in Condition 7)  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) [Amortisation/Accrual] Yield: [●]% per annum
- (ii) Reference Price: [●]
- (iii) Day Count Fraction for the purposes of Condition 9(h) (Early redemption of Zero Coupon Covered Bonds): [30/360]/[Actual/360]/[Actual/365]

#### **PROVISIONS RELATING TO REDEMPTION**

**17. Call Option** [Applicable/Not Applicable](as referred in Condition 8(d))  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [●]



- (ii) Optional Redemption Amount(s) of Covered Bonds: [•] per Calculation Amount
- (iii) If redeemable in part:  
 Minimum Redemption Amount: [•] per Calculation Amount  
 Maximum Redemption Amount [•] per Calculation Amount
- (iv) Notice period: [•]
- 18. Put Option** [Applicable/Not Applicable](as referred in Condition 8(f))  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Covered Bonds: [•] per Calculation Amount
- (iii) Notice period: [•]
- 19. Final Redemption Amount of Covered Bonds** [•] per Calculation Amount (as referred in Condition 8(a)) *[Note that the Final Redemption Amount shall be equal to the principal amount of the Series]*
- 20. Early Redemption Amount** [Not Applicable/[•] per Calculation Amount](as referred in Condition 8)  
 Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Covered Bonds Guarantor Event of Default: *(If both the Early Redemption Amount and the Early Termination Amount are the principal amount of the Covered Bonds/specify the Early Redemption Amount and/or the Early Termination Amount if different from the principal amount of the Covered Bonds)*
- GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**
- 21.** Additional Financial Centre(s): [Not Applicable/give details]  
*[Note that this paragraph relates to the date and place of payment, and not interest period end dates]*

## RESPONSIBILITY FOR THIRD PARTY INFORMATION

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

Signed on behalf of Intesa Sanpaolo S.p.A.

By: \_\_\_\_\_  
Duly authorised

Signed on behalf of ISP CB Pubblico S.r.l.

By: \_\_\_\_\_  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing [Official List of the Luxembourg Stock Exchange/*Other*]/[Not applicable]
- (ii) Admission to trading Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the regulated market of [the Luxembourg Stock Exchange /*Other* with effect from [•]/Not applicable].
- (Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*

### 2. RATINGS

- Ratings: [The Covered Bonds to be issued [[have been]/[are expected]] to be rated]/[The following ratings assigned to the Covered Bonds of this type issued under the Programme generally:]
- [Moody's: [•]]
- [[Other]: [•]]
- (Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)*

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

[Each of [•] and] Moody's Investors Service Ltd. is established in the European Union and is registered under Regulation (EC) No 1060/2009, as amended by Regulation (EU) no. 513 of 2011 and Regulation (EU) no. 462 of 2013 (the **CRA Regulation**). As such [each of [•] and] Moody's Investors Service Ltd. is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with such Regulation.

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The Issuer and Banca IMI S.p.A., acting as [Manager] under this issue, have a conflict of interest with respect to the Covered Bondholders, as they both belong to the Intesa Sanpaolo Group and Banca IMI S.p.A. is the subsidiary of the Issuer.]

The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its] affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under the Prospectus Regulation.)]*

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer: [●]]

[(ii) Estimated net proceeds: [●]]

[(iii) Estimated total expenses [●] *[Include breakdown of expenses]*

5. ***Fixed Rate Covered Bonds only* – YIELD**

Indication of yield: [●]/[Not Applicable]

6. ***Floating Rate Covered Bonds only* - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/specify other Reference Rate] rates can be obtained from [Reuters]./[Not Applicable]

[Benchmark

Amounts payable under the Covered Bonds will be calculated by reference to [●] which is provided by [●]. As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011) (the **BMR**).

[As far as the Issuer is aware, [●] does/do] not fall within the scope of the BMR by virtue of Article 2 of that regulation / [the transitional provisions in Article 51 of the BMR apply], such that [●] is not currently required to obtain authorisation or registration.]

7. **OPERATIONAL INFORMATION**

ISIN Code: [●]

Common Code: [•]

CFI: [[●]/Not Applicable] as published on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

FISN: [[●]/Not Applicable] as published on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

Delivery: Delivery [against/free of] payment

Names and Specified Offices of additional Paying Agent(s) (if any): [•][Not Applicable]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]  
 [Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be held in a form which would allow Eurosystem eligibility (i.e. issued in dematerialised form (*emesse in forma dematerializzata*) and wholly and exclusively deposited with Monte Titoli in accordance with articles 83*bis* and 83*ter* of Italian Legislative Decree No. 58 of 24 February 1998, through the authorised institutions listed in article 84 *quater* of such legislative decree) and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## DISTRIBUTION

- 22. Method of distribution [Syndicated/Non-syndicated]
  - (i) If syndicated, names of Managers: [Not Applicable/give names]  
[Not Applicable/give name]
  - (ii) Stabilising Manager(s) (if any):
  
- 23. If non-syndicated, name of Dealer: [Not Applicable/give name]
- 24. U.S. Selling Restrictions: [Not Applicable/Compliant with Regulation S under the U.S. Securities Act of 1933.]
  
- 25. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
 

*(If the offer of the Covered Bonds is concluded prior to 1 January 2018, or, on and after that date, the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Covered Bonds will be concluded on or after 1 January 2018 and the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.)*

## **MAIN FEATURES OF REGISTERED COVERED BONDS (*GEDECKTE NAMENSSCHULDVERSCHREIBUNGEN*)**

Under the Programme the Issuer may issue Registered Covered Bonds (*Gedekte Namensschuldverschreibungen*), each issued with a minimum denomination indicated in the applicable Registered Covered Bond Conditions. The Registered Covered Bonds will not be listed and/or admitted to trading on any market and will not be settled through a clearing system.

The Registered Covered Bonds will be governed by the laws of the Federal Republic of Germany or by whatever law chosen by the Issuer (to be supplemented with the specific provisions required under German law in order for the Registered Covered Bonds to be a German law registered note (*Gedekte Namensschuldverschreibung*)) provided that, in any case, certain provisions, including those applicable to the Issuer and the Portfolio and those applicable to the status, limited recourse and the guarantee of the Registered Covered Bonds, shall be confirmed to be governed by Italian law.

The Registered Covered Bonds will be direct, unconditional, unsubordinated and unsecured obligations of the Issuer, guaranteed by the Guarantor pursuant to the terms of the Covered Bond Guarantee. The Registered Covered Bonds will rank *pari passu* and without any preference among themselves and, save for any applicable statutory provisions, at least equally with all other present and future unsecured and un-subordinated obligations of the Issuer from time to time outstanding.

In accordance with the Law 130, MEF Decree and the BoI OBG Regulations, the terms and conditions of each Series of Registered Covered Bonds together with the Transaction Documents, the Registered Covered Bondholders will have (i) recourse to the Issuer and (ii) limited recourse to the Guarantor limited to the Available Funds.

The Registered Covered Bonds shall be governed by a set of legal documentation in the form from time to time agreed with the relevant Dealer and will not be governed by the Conditions of the Covered Bonds set out in this Base Prospectus. Such legal documentation will include the relevant Registered Covered Bond certificate, the Registered Covered Bond Conditions, the Registered Covered Bond assignment agreement, any other ancillary documents and/or agreements. Notwithstanding the foregoing, the Issuer will be entitled to enter into a different or additional set of documentation as agreed with the relevant Dealer in relation to a specific issue of Registered Covered Bonds.

The full terms and conditions applicable to each Series of Registered Covered Bonds will be the relevant Registered Covered Bond Certificate, the Registered Covered Bond Conditions attached thereto and any other related agreements.

In connection with each Registered Covered Bond, each reference in the Base Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the Registered Covered Bond Certificate, the Registered Covered Bond Conditions attached thereto or any other document expressed to govern such Registered Covered Bond and, as applicable, each other reference to Final Terms in the Base Prospectus shall be construed and read as a reference to such Registered Covered Bond, the Registered Covered Bond Conditions attached thereto or any other document expressed to govern such of Registered Covered Bond.

A transfer of Registered Covered Bonds is deemed to be not effective until the transferee has delivered to the Registrar a duly executed copy of the Registered Covered Bond certificate relating to such Registered Covered Bond along with a duly executed Registered Covered Bond assignment agreement. A transfer can only occur for the minimum denomination indicated in the applicable Registered Covered Bond Conditions or multiples thereof.

In connection of Registered Covered Bonds, any references in this Base Prospectus to the Conditions or a particularly numbered Condition shall be construed, where relevant and unless specified

otherwise, to include the equivalent Condition in the Registered Covered Bond Conditions as supplemented by any other applicable document.



## TAXATION IN THE REPUBLIC OF ITALY

*The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Covered Bonds.*

*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 Covered Bonds 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 Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.*

### Italian Tax treatment of the Covered Bonds

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, (**Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, *inter alia*, by Italian banks, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*). For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

### Taxation of Interest

#### *Italian resident Covered Bondholders*

Where an Italian resident Covered Bondholder is (a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, or (b) a non-commercial partnership, or (c) a non-commercial private or public institution (other than companies), a trust not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (unless the Covered Bondholder described under (a), (b) and (c) have entrusted the management of their financial assets, including the Covered Bonds, to an authorized intermediary and they have opted for the application of the "*risparmio gestito*" regime - see "*Capital Gains Tax*" below).

Subject to certain conditions, interest in respect of Covered Bonds issued by Intesa Sanpaolo that qualify as *obbligazioni or titoli similari alle obbligazioni* received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No.232 of 11 December 2016 (**Law 232**) and Article 1, paragraphs 211-215, of Law No. 145 of 30 December 2018 (**Law 145**), as implemented by the Ministerial Decree of 30 April 2019.

In the event that the Covered Bondholders described under (a) or (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Covered Bondholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected and the Covered Bonds are deposited with an authorised intermediary, interest, premium and other income from the Covered Bonds will not be subject to *imposta sostitutiva*, but must be included in the relevant Covered Bondholder's annual income tax return and are therefore subject to general Italian corporate taxation (**IRES**) (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also to regional tax on productive activities (**IRAP**)).

If an investor is resident in Italy and is an open-ended or a closed-ended investment fund, a SICAF (an investment company with fixed capital) or a SICAV (an investment company with variable capital) established in Italy (together, the **Fund**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Covered Bonds are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Covered Bonds will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such result, but a withholding tax up to 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, interest, premiums or incomes in respect of the Covered Bonds made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate SICAFs (**Real Estate SICAFs**) are subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF. The income of the real estate fund or Real Estate SICAFs is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where an Italian resident Covered Bondholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, interest, premium and other income relating to the Covered Bonds 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 on the increase in value of the managed assets accrued at the end of each year. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Covered Bonds may be excluded from the taxable base of the 20 per cent. substitute tax if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law 232 and Article 1, paragraphs 211-215, of Law 145, as implemented by the Ministerial Decree of 30 April 2019.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* (SIMs), fiduciary companies, *Società di gestione del risparmio* (SGRs), stockbrokers and other entities identified by a Decree of the Ministry of Economy and Finance (each an **Intermediary**) as subsequently amended and integrated. An Intermediary must: (a) be (i) resident in Italy or (ii) a permanent establishment in Italy of a non-Italian resident financial intermediary or (iii) an entity or a company not resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239 and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Covered Bondholder or, absent that, by the Issuer.

### *Non-Italian resident Covered Bondholders*

Where the Covered Bondholder is a non-Italian resident, without a permanent establishment in Italy to which the Covered Bonds are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a state or territory which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended and supplemented by Ministerial Decree of 23 March 2017, and possibly further amended by future decree issued pursuant to Article 11 paragraph 4 (c) of Decree 239 (the **White List**); or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

In order to ensure gross payment, non-resident investors must be the beneficial owners of payments of interest, premium or other income and must (a) deposit, directly or indirectly, the Covered Bonds, the Receipts or the coupons with a bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non-resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a statement of the relevant Covered Bondholder, to be provided only once, until revoked or withdrawn, in which the Covered Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent., or at the reduced rate provided for by any applicable double tax treaty, if any, to interest, premium and other income paid to Covered Bondholders other than those listed above or, even if listed, which failed to comply with the aforementioned requirements and procedures.

### **Atypical Securities**

Interest payments relating to Covered Bonds that are not deemed to be bonds (*obbligazioni*), debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the rate of 26 per cent.. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Subject to certain conditions, interest in respect of Covered Bonds issued by Intesa Sanpaolo that do not qualify as *obbligazioni or titoli similari alle obbligazioni* and are treated as atypical securities received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law 232 and Article 1, paragraphs 211-215, of Law 145, as implemented by the Ministerial Decree of 30 April 2019.

Where the Covered Bondholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity to which the Covered Bonds are connected, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Covered Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Covered Bondholders, the withholding tax rate may be reduced by any applicable tax treaty.

### **Payments made by the Guarantor**

With respect to payments on the Covered Bonds made to certain Italian resident Covered Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be subject to a provisional withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Covered Bondholders, the withholding tax may be applied at 26 per cent. as a final tax.

Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

### **Capital gains tax**

#### *Italian resident Covered Bondholders*

Any gain obtained from the sale, early redemption or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Covered Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where an Italian resident Covered Bondholder is (i) an individual holding the Covered Bonds not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Covered Bondholder from the sale early redemption or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident Covered Bondholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any incurred capital loss, realised by the investors pursuant to all sales, early redemption or redemptions of the Covered Bonds carried out during any given tax year. Italian Covered Bondholders under (i) to (iii) above must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Covered Bondholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale, early redemption or redemption of the Covered Bonds (the *risparmio amministrato* regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as a subsequently amended, the **Decree 461**). Such

separate taxation of capital gains is allowed subject to (a) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express and valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant Covered Bondholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale, early redemption or redemption of the Covered Bonds (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 Covered Bondholders, deducting a corresponding amount from the proceeds to be credited to the Covered Bondholder or using funds provided by the Covered Bondholder for this purpose. Under the *risparmio amministrato* regime, where a sale, early redemption or redemption of the Covered Bonds results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Covered Bondholder is not required to declare the capital gains in the annual income tax return.

Any capital gains realised or accrued by Italian resident Covered Bondholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Covered Bonds, to an authorised intermediary and have validly opted for the so-called *risparmio gestito* regime (regime provided by Article 7 of Decree 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Covered Bondholder is not required to declare the capital gains realised in the annual income tax return.

Any capital gains realised by a Covered Bondholder who is a Fund will be included in the result of the relevant portfolio accrued at the end of the tax period. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Covered Bondholder who is an Italian real estate fund to which the provisions of Decree 351-, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF. The income of the real estate investment fund or the Real Estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Covered Bondholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains in respect of Covered Bonds realized upon sale, transfer or redemption by Italian Pension Fund may be excluded from the taxable base of the 20 per cent. substitute tax if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law 232 and Article 1, paragraphs 211-215, of Law 145, as implemented by the Ministerial Decree of 30 April 2019.

#### *Non-Italian resident Covered Bondholders*

Capital gains realised by non-Italian-resident Covered Bondholders, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, from the sale, early redemption or redemption of Covered Bonds issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Covered Bonds are traded on regulated markets and, in certain cases,

subject to the timely filing of a self-declaration form with the Italian Intermediary with which the Covered Bonds are deposited attesting the status of the relevant Covered Bondholder.

Capital gains realised by non-Italian resident Covered Bondholders, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, from the sale, early redemption or redemption of Covered Bonds not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Covered Bonds are connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale, early redemption or redemption of Covered Bonds are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale, early redemption or redemption of Covered Bonds.

If none of the conditions above are met, capital gains realised by non-Italian resident Covered Bondholders from the sale or redemption of Covered Bonds issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

### **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006 (**Decree No. 262**), converted into Law No. 286 of 24 November 2006 as subsequently amended, the transfers of any valuable asset (including the Covered Bonds) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent on the value of the inheritance or the gift exceeding € 1,000,000, for each beneficiary;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent inheritance and gift tax on the value of the inheritance or the gift exceeding € 100,000, for each beneficiary; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

### **Transfer tax**

Contracts relating to the transfer of securities are subject to the registration tax as follows: (a) public deeds and notarized deeds are subject to fixed registration tax at rate of €200; (b) private deeds are subject to registration tax only in case of use or voluntary registration.

### **Stamp duty**

Pursuant to Article 13 par. 2-ter of Part I of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (**Decree 642**), a proportional stamp duty applies, based on an annual basis, to any periodic reporting communications which may be sent by a financial intermediary to a Covered Bondholder in respect of any Covered Bond which may be deposited with such financial intermediary in Italy.

The stamp duty applies at the rate of 0.2 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – on the face value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of the Covered Bond is held. The stamp duty cannot exceed € 14,000 if the Covered Bondholder is not an individual.

The stamp duty applies both to Italian resident and non-Italian resident investors, to the extent that Covered Bonds are held with an Italian-based financial intermediary.

### **Wealth Tax on securities deposited abroad**

According to the provisions set forth by Law No. 2014 of 6 December 2011, as amended and supplemented, Italian resident individuals holding the Covered Bonds outside the Italian territory are required to pay in their own annual tax return a wealth tax at the rate of 0.2 per cent.

This tax is calculated on the market value of the Covered Bonds at the end of the relevant year or – if no market value figure is available – on the nominal value or the redemption or in the case the face or redemption values cannot be determined, on purchase value of such financial assets held outside the Italian territory. The amount of tax due, based on the value indicated by the Covered Bondholder in its own annual tax return, must be paid within the same date in which payment of the balance of the annual individual income tax (**IRPEF**) is due.

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 assets held abroad are excluded from the scope of the Wealth Tax if such assets are administered by Italian financial intermediaries pursuant to an administration agreement. In this case the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree 642 does apply.

### **Tax Monitoring Obligations**

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as amended from time to time, for tax monitoring purposes, the amount of Covered Bonds held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through their intervention, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

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

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including

whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds 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 on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional Covered Bonds (as described under “Terms and Conditions of the Covered Bonds—Further Issues”) that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.



## SUBSCRIPTION AND SALE

### Dealer Agreement

Covered Bonds may be sold from time to time by the Issuer to the Dealer. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealer are set out in the Dealer Agreement. The Dealer Agreement provides for, *inter alia*, an indemnity to the Dealer against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealer Agreement also provides for the resignation or termination of appointment of existing Dealer and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series. The Dealer Agreement contains stabilising provisions.

### Subscription Agreements

Any Subscription Agreement between the Issuer and the Dealer and/or any additional or other dealers, from time to time for the sale and purchase of Covered Bonds (each a **Relevant Dealer**) will, *inter alia*, provide for the price at which the relevant Covered Bonds will be purchased by the Relevant Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

Each Subscription Agreement will also provide for the confirmation of the appointment of the Representative of the Covered Bondholders by the Relevant Dealer as initial holder of the Covered Bonds then being issued.

### Selling restrictions

#### *Prohibition of Sales to EEA Retail Investors*

Unless the Final in respect of any Covered Bonds specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression retail investor means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or
- (ii) a customer within the meaning of Directive (UE) 2016/97 (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

If the Final Terms in respect of any Covered Bonds specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) Fewer than 150 offerees: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) Other exempt offers: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or

any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

### *United States of America*

The Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Covered Bonds, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in case of an issue of the Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part within the United States of America or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds an offer or sale of such Covered Bonds within the United States of America by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### *Japan*

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act no. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### *The United Kingdom*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Covered Bonds Guarantor, as the case may be; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

### ***France***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and that such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1, L.533-16 and L.533-20 of the French Code *monétaire et financier*.

### ***The Republic of Ireland***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell any Covered Bonds except in conformity with the provisions of the Prospectus Regulation and, where applicable, implementing measures in Ireland and the provisions of the Irish Companies Act 2014 and every other enactment that is to be read together with any of those Acts;
- (b) in respect of Covered Bonds issued by Intesa Sanpaolo which are not listed on a stock exchange and which do not mature within two years its action in any jurisdiction will comply with the then applicable laws and regulations of that jurisdiction, it will not knowingly offer to sell such Covered Bonds to an Irish resident, or to persons whose usual place of abode is Ireland, and that it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Covered Bonds. In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg, or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners) and have a minimum denomination of £300,000 or its equivalent at the date of issuance;
- (c) in respect of Covered Bonds issued by Intesa Sanpaolo which are not listed on a stock exchange and which mature within two years, such Covered Bonds must have a minimum denomination of €500,000 or US\$500,000 or, in the case of Covered Bond which are denominated in a currency other than euro or US dollars, the equivalent in that other currency of €500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of first publication of this Programme). In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners);
- (d) it has only issued or passed on, and will only issue or pass on, any document received by it in connection with the issue of Covered Bonds to persons who are persons to whom the document may otherwise lawfully be issued or passed on;
- (e) it has complied and will comply with all applicable provisions of S.I. No. 60 of 2007, the European Communities (Markets in Financial Instruments) Regulations 2007 and the provisions of the Investor Compensation Act 1998, with respect to anything done by it in relation to the Covered Bonds or operating in, or otherwise involving, Ireland is acting under and within the terms of an authorisation to do so for the purposes of Directive 2014/65/UE of the European Parliament and of the Council of 21 April 2014 and it has complied with any applicable codes of conduct or practice made pursuant to implementing measures in respect of the foregoing Directive in any relevant jurisdiction;
- (f) it has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Central Bank Acts 1942-2013 (as amended) and any codes of conduct

rules made thereunder; and

- (g) It has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under the Irish Companies Act 2014 by the Central Bank of Ireland.

### ***Germany***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall only offer Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other laws applicable in the Federal Republic of Germany.

### ***Republic of Italy***

The offering of Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to any Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24th February, 1998, as amended (the **Financial Law**) and/or Italian CONSOB regulations; or
- (b) in any other circumstances which are exempted from the rules on public offerings pursuant to article 1 of the Prospectus Regulation, and in accordance with any applicable Italian laws and regulations.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Law, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1st September, 1993, as amended (the **Banking Law**);
- (b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Law and implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

### ***General***

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealer that would permit a public offering of Covered Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or have in their possession or distribute such offering material, in all cases at their own expenses.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes the Base Prospectus, any offering material or any Final Terms, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of

Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Covered Bonds Guarantor (if applicable) and any other Dealer shall have any responsibility therefore.

None of the Issuer, the Covered Bond Guarantor and the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### **Listing, Admission to Trading and Minimum Denomination**

Application has been made for the Covered Bonds (other than the Registered Covered Bonds) to be admitted to the official list and be traded on the regulated market of the Luxembourg Stock Exchange.

Covered Bonds (other than the Registered Covered Bonds) may be listed on such other stock exchange as the Issuer and the Relevant Dealer(s) may agree, as specified in the relevant Final Terms, or may be issued on an unlisted basis.

Where Covered Bonds (other than the Registered Covered Bonds) issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, such Covered Bonds will not have a denomination of less than Euro 100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

The Registered Covered Bonds Conditions will specify the minimum denomination for Registered Covered Bonds, which will not be listed.

### **Authorisations**

The establishment of the Programme and the relative following integrations were authorised by a resolution of the management board (*consiglio di gestione*) of the Issuer on 14 May 2009 as further detailed by a resolution of the management board of the Issuer on 19 March 2010 and on 13 May 2011.

The granting of the Covered Bonds Guarantee was authorised by a resolution of the Board of Directors of the Covered Bonds Guarantor on 24 July 2008 and 20 May 2009 as further detailed and integrated by subsequent resolutions of the Board of Directors of the Covered Bonds Guarantor issued from time to time.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

### **Clearing of the Covered Bonds**

The Covered Bonds (other than Registered Covered Bonds) will be issued in dematerialised form and held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream). The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds (other than Registered Covered Bonds) for clearance together with any further appropriate information or with respect to the Covered Bonds issued in any of the other forms which may be indicated in the relevant terms and conditions, the indication of the agent or registrar through which payments to the holders of the Covered Bonds will be made.

The registered office of Monte Titoli S.p.A. is at Piazza Affari 6, Milan, Italy.

The Registered Covered Bonds will not be settled through a clearing system. The Registered Covered Bond Conditions will specify the agent or registrar through which payments to the Registered Covered Bonds will be performed.

### **Common codes and ISIN numbers**

The appropriate common code and the International Securities Identification Number (ISIN) in relation to the Covered Bonds of each Series will be specified in the Final Terms relating thereto.

### **The Representative of the Covered Bondholders**

Pursuant to the provisions of the Conditions and the Rules of the Organisation of the Covered

Bondholders, there shall be at all times a Representative of the Covered Bondholders appointed to act in the interest and behalf of the Covered Bondholders. The initial Representative of the Covered Bondholders shall be Finanziaria Internazionale Securitisation Group S.p.A. Finanziaria Internazionale Securitisation Group S.p.A. shall be appointed by the Dealer in accordance with the Dealer Agreement and the relevant Subscription Agreements.

### **No material litigation**

Save as disclosed under paragraph “Legal Risks” in the section “Description of the Issuer”, during the twelve months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor are the Issuer or the Covered Bonds Guarantor aware of any pending or threatened proceedings of such kind, which have had or may have significant effects on the Issuer’s or the Covered Bonds Guarantor’s financial position or profitability.

### **Trend Information**

Since (i) 31 December 2018, there has been no material adverse change in the prospects of the Issuer and (ii) 30 September 2019, there has been no significant change in the financial performance of the Group.

Since 31 December 2018, there has been no material adverse change in the prospects of the Covered Bond Guarantor.

### **No significant change**

Since 30 September 2019, there has been no significant change in the financial position of the Issuer or the Group. Since 30 June 2019, there has been no significant change in the financial position of the Covered Bond Guarantor.

### **Luxembourg Listing Agent**

The Issuer has undertaken to maintain a listing agent in Luxembourg so long as Covered Bonds (other than Registered Covered Bonds) are admitted to trading on the regulated market of the Luxembourg Stock Exchange.

### **Independent auditors**

The auditors of the Issuer are KPMG S.p.A.. KPMG S.p.A. has audited the financial statements of the Issuer, in accordance with auditing standards and procedures recommended by the *Commissione Nazionale per le Società e la Borsa (CONSOB)* as at and for the years ended on 31 December 2017 and 31 December 2018. The audit report on 2017 audited financial statements has been issued by KPMG S.p.A. on 8 March 2018. The audit report on 2018 audited financial statements has been issued by KPMG S.p.A. on 20 March 2019. The unaudited consolidated interim condensed financial statements of the Issuer in respect of the half-year 2019 have been reviewed by KPMG S.p.A. (the limited review report states that limited procedures have been applied in accordance with professional standards and that KPMG S.p.A. did not audit nor express an opinion on such interim financial information), in their capacity as independent auditors of the Issuer, as indicated in their report thereon.

KPMG S.p.A. is a member of Assirevi, the Italian professional association of auditors and KPMG S.p.A. is included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at no. 70623.

KPMG S.p.A. was appointed to act as Intesa Sanpaolo’s external auditor for the period 2012-2020. KPMG S.p.A. address is: Via Vittor Pisani, 25, 20124 Milan.

The auditors of the Covered Bond Guarantor are KPMG S.p.A.. KPMG S.p.A. has audited the financial statements of the Covered Bond Guarantor, in accordance with auditing standards and procedures recommended by the *Commissione Nazionale per le Società e la Borsa (CONSOB)* as at

and for the years ended on 31 December 2017 and 31 December 2018. The audit report on 2017 audited financial statements of the Covered Bond Guarantor has been issued by KPMG S.p.A. on 7 March 2018. The audit report on 2018 audited financial statements of the Covered Bond Guarantor has been issued by KPMG S.p.A. on 12 March 2019. The unaudited interim condensed financial statements of the Covered Bond Guarantor in respect of the half-year 2019 have been reviewed by KPMG S.p.A., in their capacity as independent auditors of the Covered Bond Guarantor, as indicated in their reports thereon.

KPMG S.p.A. is a member of Assirevi, the Italian professional association of auditors and KPMG S.p.A. is included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at no. 70623.

KPMG S.p.A. was appointed to act as Covered Bond Guarantor's auditor for the period 2012-2020. KPMG S.p.A. address is: Via Vittor Pisani, 25, 20124 Milan.

### **Documents available for inspection**

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and admitted to trading on the regulated market of the Luxembourg Stock Exchange, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Luxembourg Listing Agent, namely:

- (i) the Transaction Documents (but excluding, for avoidance of doubt, any document in respect of any Registered Covered Bonds);
- (ii) the Issuer's memorandum of association (Atto Costitutivo) and by-laws (Statuto) as of the date hereof (which are also available on <https://group.intesasanpaolo.com/en/governance/company-documents/2019>);
- (iii) the Covered Bonds Guarantor's memorandum of association and by-laws as of the date hereof (which are also available on <https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/obbligazioni-bancarie/programma-obg-pubblico/programma-obg-settore-pubblico> and <https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents/covered-bonds/obg-public-programme/obg-public-programme> )
- (iv) the Issuer's unaudited condensed consolidated financial statements as at 30 September 2019;
- (v) the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2019, with auditors' limited review report;
- (vi) the Issuer's audited consolidated annual financial statements including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2018;
- (vii) the Issuer's audited consolidated annual financial statements including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2017;
- (viii) the Covered Bond Guarantor's unaudited interim condensed financial statements, including the auditors' limited review report, in respect of the half-year 2019;
- (ix) the Covered Bonds Guarantor's audited annual financial statements in respect of the year ended on 31 December 2018 and the relevant auditor's report;
- (x) the Covered Bonds Guarantor's audited annual financial statements, including the auditors'



report thereon, in respect of the year ended on 31 December 2017;

- (xi) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;
- (xii) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Covered Bonds Guarantor's request any part of which is included or referred to in the Base Prospectus;
- (xiii) the historical financial information of the Covered Bonds Guarantor or, in the case of a group, the historical financial information of the Covered Bonds Guarantor and its subsidiary undertakings for each of the two financial years preceding the publication of the Base Prospectus.
- (xiv) any Final Terms relating to Covered Bonds which are admitted to the official list and traded on the regulated market of the Luxembourg Stock Exchange (such Final Terms will be also available on the internet site of the Luxembourg Stock Exchange, at [www.bourse.lu](http://www.bourse.lu)). In the case of any Covered Bonds (other than Registered Covered Bonds) which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Covered Bondholders.

Copies of all such documents shall also be available to Covered Bondholders at the Specified Office of the Representative of the Covered Bondholders.

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

### **Financial statements available**

For so long as the Programme remains in effect or any Covered Bonds admitted to trading on the regulated market of the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent publicly available financial statements and consolidated financial statements of the Issuer may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

The external auditors have given, and have not withdrawn, their consent to the inclusion of their report on the accounts of the Issuer in this Base Prospectus in the form and context in which it is included.

### **Publication on the Internet**

This Base Prospectus, any supplement thereto and the Final Terms relating to Covered Bonds which are admitted to the official list and traded on the regulated market of the Luxembourg Stock Exchange will be available on the internet site of the Luxembourg Stock Exchange, at <https://www.bourse.lu>.

In any case, copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus, will remain publicly available in electronic form for at least 10 years on <https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents/covered-bonds/obg-public-programme/obg-public-programme>.

### **Material Contracts**

Neither the Issuer nor the Covered Bonds Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Covered Bondholders.

## **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. Banca IMI S.p.A., Arranger and Dealer under the Programme is a subsidiary of the Issuer. Certain of the Dealers and their affiliates may have positions, deal or make markets in Covered Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For avoidance of doubts the term "affiliates" in this paragraph includes also parent companies.

## GLOSSARY

*The following terms are used throughout this Base Prospectus. These and other terms used in this Base Prospectus are subject to, and in some cases are summaries of, the definitions of such terms set out in the Transaction Documents, as they may be amended from time to time.*

**6-Month Euribor Equivalent Margin** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Account Bank** Intesa Sanpaolo, appointed as Account Bank in accordance with the Cash Management and Agency Agreement and any successor thereof.

**Accounts** means the Principal Receivables Collection Account, the Interest Receivables Collection Account, the Principal Securities Collection Account, the Interest Securities Collection Account, the Investment Account, the Eligible Investments Account, the Transaction Account, the Securities Account, the Corporate Account, the Expenses Account and the Quota Capital Account.

**Accrued Interest** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Additional Sellers** means any bank, other than the Seller, which is a member of the Intesa Sanpaolo Group that may sell Public Assets or Integration Assets to the Covered Bonds Guarantor, subject to satisfaction of certain conditions.

**Adjusted Required Redemption Amount** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Adjustment Spread** has the meaning given in the Conditions.

**Administrative Services Agreement** means an administrative services agreement entered into on 20 May 2009 between Intesa Sanpaolo as administrative services provider and the Covered Bonds Guarantor;

**Administrative Services Provider** means Intesa Sanpaolo S.p.A, and any successor thereof, appointed as administrative services provider in accordance with the Administrative Services Agreement.

**Admitted States** means States comprised in the European Economic Space and the Swiss Confederation

**Amortisation Test** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Amortisation Test Adjusted Eligible Portfolio** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Annual Interest Payments** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Annual Net Interest Collections from the Eligible Portfolio** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Approved Reorganisation** means a solvent and voluntary reorganisation involving, alone or with others, the Issuer, and whether by way of consolidation, amalgamation, merger, transfer of all or substantially all of its business or assets, or otherwise provided that the principal resulting, surviving or transferee entity (a **Resulting Entity**) is a banking company and effectively assumes all the obligations of the Issuer under, or in respect of, the Covered Bonds.

**Arranger** means Banca IMI.

**Article 74 Event** has the meaning given to it in Condition 12(a) (*Article 74 Event*);

**Article 74 Notice to Pay** means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the

occurrence of an Article 74 Event;

**Asset Coverage Test** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Asset Cover Report** means the report to be sent by the Calculation Agent in accordance with the Portfolio Administration Agreement.

**Asset Monitor** means BDO Italia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi 94, 20131, Milan, Italy, fiscal code and enrolment with the companies register of Milan no. 07722780967, and enrolled under no. 167911 in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office pursuant to Legislative Decree no. 39 of 27 January 2010 and the Ministerial decree no. 145 of 20 June 2012. BDO Italia S.p.A. has been appointed as asset monitor in accordance with the Asset Monitor Agreement and any successor thereto.

**Asset Monitor Agreement** means the Asset Monitor Agreement entered into on or about the Initial Issue Date by, *inter alia*, the Issuer, the Covered Bonds Guarantor, the Asset Monitor, and the Representative of the Covered Bondholders, as amended and supplemented from time to time;

**Asset Monitor Report** means the report to be delivered by the Asset Monitor to the Covered Bonds Guarantor, the Calculation Agent, the Representative of the Covered Bondholders, the Servicer and the Issuer on each Asset Monitor Report Date.

**Asset Percentage** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**ATI** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**ATI Agent Bank** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**ATI Agent Remedy Actions** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**ATI Agent Trigger Event** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**ATI Commingling Affected Portfolio** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**ATI Commingling Reserve Amount** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Authorised Investments** means

- (A) Public Assets and/or Integration Assets consisting of euro denominated Public Securities other than Italian Public Securities, which are rated at least “P-1” by Moody’s
- (B) euro demand or time deposits, certificates of deposit and short term bank debt obligations (which qualifies as Integration Assets) held with a bank rated at least “P-3” by Moody’s

*provided that* in all cases such investments mature (or may be liquidated at no loss) within 3 Business Days prior to each Guarantor Payment Date and CB Payment Date.

**Available Funds** shall include (a) the Interest Available Funds, (b) the Principal Available Funds and (c) following an Issuer Event of Default, the amounts received by the Covered Bonds Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree (the **Excess Proceeds**).

**Banca IMI** means Banca IMI S.p.A., a bank organised as a joint stock company under the laws of the Republic of Italy, whose registered office is at Largo Mattioli 3, 20121 Milan, Italy, incorporated with Fiscal Code number, VAT number and registration number with Milan Register of Enterprises no. 04377700150, and registered with the Bank of Italy pursuant to Article 13 of the Banking Law under number 5570 ABI, part of the Gruppo Bancario Intesa Sanpaolo, agreed into the Fondo Interbancario di Tutela dei Depositi and into the Fondo Nazionale di Garanzia.

**Banking Law** means the Legislative Decree no. 385 of 1 September 1993, as amended and

supplemented from time to time.

**Bankruptcy Law** means Royal Decree no. 267 of 16 March 1942 (*Legge Fallimentare*) as amended and supplemented from time to time.

**Base Prospectus** means this base prospectus published in relation to the Programme, as supplemented and amended from time to time..

**Basel II** means the New Basel Capital Accord.

**Benchmark Event** has the meaning given in the Conditions.

**Beneficiary** means each of the beneficiaries of the loan granted by Intesa Sanpaolo in accordance with the Loan Agreements.

**BoI OBG Regulations** (*Istruzioni di Vigilanza sulle OBG*) means the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of the circular no. 285 of 17 December 2013, containing the “*Disposizioni di vigilanza per le banche*” as further implemented and amended from time to time.

**Business Day** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in Luxembourg, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**Business Day Convention**, has the meaning ascribed to such expression in the Conditions.

**Calculation Agent** Securitisation Services S.p.A. a joint stock company under the laws of the Republic of Italy, whose registered office is at Vittorio Alfieri no. 1, Conegliano (TV), Italy, incorporated with Fiscal Code number, Vat number and registration number with the Treviso Register of Enterprises no. 03546510268, subject to the direction and coordination (*direzione e coordinamento*) of Banca Finanziaria Internazionale S.p.A. ( or Banca Finint S.p.A.) pursuant to Articles 2487 and following of the Italian Civil Code.

**Calculation Amount** has the meaning given in the relevant Final Terms;

**Calculation Date** means 5 September and 5 March of each year or, in case that day is not a Business Day, the following Business Day, provided that the first Calculation Date will be 7 December 2009.

**Cash Management and Agency Agreement** means the Cash Management and Agency Agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Cash Manager, the Receivables Collection Account Bank, the Account Bank, the Servicer, the Representative of the Covered Bondholders, the Calculation Agent, the Luxembourg Listing Agent and the Paying Agent;

**Cash Manager** means Intesa Sanpaolo S.p.A. acting as such pursuant to the Cash Management and Agency Agreement and any successor thereto;

**CB Hedging Counterparty** means Intesa Sanpaolo and any other parties that, from time to time, will enter into the CB Swaps with the Covered Bonds Guarantor for the hedging of currency risk and/or interest rate risk on the Covered Bonds.

**CB Interest Period** means each period beginning on (and including) a CB Payment Date (or, in case of the first CB Interest Period, the Interest Commencement Date) and ending on (but excluding) the next CB Payment Date (or, in case of the last CB Interest Period, the Maturity Date);

**CB Master Agreement** means a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support

Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) entered into between a CB Hedging Counterparty and the Covered Bonds Guarantor.

**CB Payment Date** means the First CB Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first CB Payment Date) or the previous CB Payment Date (in any other case);

**CB Swap** means any swap agreement entered into on or about an Issued Date between the Covered Bonds Guarantor and the CB Hedging Counterparty for hedging the currency / interest rate risk on the Covered Bonds.

**CB Swap Confirmation** means the written confirmation of any CB Swap evidencing the terms of any such transaction.

**CB Swap Floating Rate Amount** means the amount to be accumulated by the Covered Bonds Guarantor on each relevant Guarantor Payment Date and shall be equal to (A) the product of (i) the Euribor paid to the Covered Bonds Guarantor under the TBG Swaps in relation to the relevant Guarantor Payment Date, *plus/minus* a spread (if any) as set in the relevant CB Swap confirmation, (ii) the notional amount of the relevant CB Swap and (iii) the Day Count Fraction, calculated for the relevant CB Swap calculation period as set in the relevant CB Swap confirmation or (B) zero, as specified in the relevant CB Swap Confirmation.

**CB Swaps Accumulation Amount** means the CB Swaps Interest Accumulation Amount and/or CB Swaps Principal Accumulation Amount.

**CB Swaps Interest Accumulation Amount** means, in relation to any Guarantor Payment Date, (a) for a Series of Covered Bonds with CB Payments Dates falling during the immediately following Guarantor Interest Period, an amount equal to the Due for Payment CB Swap Floating Rate Amount as provided under the relevant CB Swap confirmation (for the avoidance of doubts, taking into account the CB Swap Floating Rate Amount accumulated on the immediately previous Guarantor Payment Date), or (b) in case no CB Payment Dates are falling during the immediately following Guarantor Interest Period, an amount equal to the CB Swap Floating Rate Amount as provided under the relevant CB Swap confirmation.

**CB Swaps Principal Accumulation Amount** means, in relation to any Guarantor Payment Date, (a) for a Series of Covered Bonds with a Maturity Date falling during the immediately following Guarantor Interest Period, an amount equal to the principal amount due under the relevant CB Swap confirmation, or (b) for a Series of Covered Bonds with a Maturity Date not falling during the immediately following Guarantor Interest Period, an amount equal to zero.

**Clawed Back Amounts** means any Guaranteed Amount that was timely paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source.

**Clearstream** means Clearstream Banking, société anonyme, Luxembourg;

**Collection Date** means 31 January and 31 July of each year, starting from 31 January 2010.

**Collection Period** means each period comprised between a Collection Date (excluded) and the following Collection Date (included) or, in respect of the first Collection Period, the period from (and including) the Effective Date of the transfer of the Initial Portfolio and the next following Collection

Date (included).

**Collection Policies** means the collection policies provided for under Schedule 2 (*Procedura di Riscossione*) to the Servicing Agreement.

**Collections** means all the amounts collected from time to time by the Covered Bonds Guarantor in respect of the Portfolio as principal, interest and/or expenses and any payment of damages and all the Excess Proceeds.

**Conditions** means, in relation to the Covered Bonds of any Series, the terms and conditions of the Covered Bonds of such Series, as amended and supplemented from time to time and **Condition** shall be construed accordingly.

**Conditions to the Issue** means the requirements of issuing/assigning banks (*Requisiti delle banche emittenti e/o cedenti*) see Section II, Para. 1 of the BoI OBG Regulations.

**CONSOB** means *Commissione Nazionale per le Società e la Borsa*;

**Convenzioni in Pool** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Corporate Account** means the corporate account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Covered Bondholders** means the holders of the Covered Bonds from time to time.

**Covered Bonds** means any covered bond (including any Registered Covered Bond) issued under the Programme and denominated in such currency as may be agreed between the Issuer and the relevant Dealer which has such maturity and denomination as may be agreed between the Issuer and the relevant Dealer and issued or to be issued by the Issuer pursuant to the Dealer Agreement or any other agreement between the Issuer and the relevant Dealer.

**Covered Bonds Guarantee** means the guarantee issued by the Covered Bonds Guarantor in order to secure the payment obligations of the Issuer under the Covered Bonds in accordance with the provisions of Article 7-bis of Law 130 and Article 4 of the MEF Decree.

**Covered Bonds Guarantor** means ISP CB Pubblico S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated in the Republic of Italy pursuant to article 7 bis of Law 130, whose registered office is at Via Monte di Pietà 8, Milan, Italy, share capital Euro 120,000.00, enrolled with the Companies Register of Milan, under no. 05936150969.

**Covered Bonds Guarantor Acceleration Notice** means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of any of the Covered Bonds Guarantor Events of Default;

**Covered Bonds Guarantor Disbursement Amount** means on the Guarantor Payment Date falling on 31 March of each year the difference between: (i) Euro 100,000.00 and (ii) any amount standing to the credit of the Expenses Account on the Calculation Date immediately preceding such Guarantor Payment Date.

**Covered Bonds Guarantor Event of Default** has the meaning given to it in Condition 12(e) (*Covered Bonds Guarantor Events of Default*);

**Covered Bonds Guarantor Retention Amount** means on the Guarantor Payment Date falling on 31 March of each year the difference between: (i) Euro 150,000.00 and (ii) any amount standing to the credit of the Corporate Account on the Calculation Date immediately preceding such Guarantor Payment Date.

**Credit Support Annex** means a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) entered into by the Covered Bonds Guarantor and an Hedging Counterparty.

**Criteria** means jointly the General Criteria and the Specific Criteria.

**CSSF** means the *Commission de Surveillance du Secteur Financier*.

**Current Balance** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Cut-off Date** means: (i) in respect of the Initial Portfolio 1 May 2009 and (ii) in respect of assignment of any New Portfolio, the date indicated in the relevant offer of transfer on which the Receivables and Securities, to be included in the relevant New Portfolio, are identified.

**Day Count Fraction** has the meaning ascribed to such expression in the Conditions.

**Dealer** means Banca IMI and any other dealer appointed as such under the Dealer Agreement.

**Dealer Agreement** means a dealer agreement entered into on or about the Initial Issue Date between, *inter alia*, the Issuer and Banca IMI as amended and supplemented from time to time.

**Debtors** means any person, entity or subject, also different from the Beneficiary, who is liable for the payment of amounts due, as principal and interest, in respect of a Receivable or a Security.

**Decree 84/2005** means Legislative Decree no. 84 of 18 April 2005, as amended and supplemented.

**Decree No. 252** means Legislative Decree no. 252 of 5 December 2005, as amended and supplemented.

**Decree No. 461** means Italian Legislative Decree no. 461 of 21 November 1997, as amended and supplemented.

**Decree No. 600** means Presidential Decree no. 600 of 29 September 1973, as amended and supplemented.

**Deed of Charge** means the deed of charge dated on or about the Initial Issue Date as amended and supplemented from time to time, between the Covered Bonds Guarantor and the Representative of the Covered Bondholders for itself and on behalf of the Covered Bondholders and the other Secured Creditors, pursuant to which the Covered Bonds Guarantor has charged all of its rights, title and interest from time to time in and to the Swap Agreements.

**Deed of Pledge** means the deed of pledge dated on or about the Initial Issue Date as amended and supplemented from time to time, between the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Secured Creditors pursuant to which the Covered Bonds Guarantor has agreed to pledge in favour of the Covered Bondholders and the other Secured Creditors, all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant or in relation to the Transaction Documents (other than the Deed of Charge, the Deed of Pledge and the Swap Agreements), including the monetary rights and claims relating to the amounts standing to the credit of the Accounts and any other account established by the Issuer in accordance with the provisions of the Transaction Documents but excluding, for avoidance of doubt, the Receivables.

**Defaulted Assets** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Defaulted Securities** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Definitive Purchase Price of the New Portfolio** has the meaning ascribed to such expression under the Master Transfer Agreement.

**Discount Factor** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Due for Payment CB Swap Floating Rate Amount** means the amount to be paid by the Covered Bonds Guarantor to the CB Hedging Counterparty on a CB Payment Date under the relevant CB Swap and shall be equal to:

- in relation to a Series of Covered Bonds with annual CB Payment Dates, the aggregate of the CB Swap Floating Rate Amounts relating to two immediately preceding CB Swap calculation periods, and
- in relation to a Series of Covered Bonds with semi-annual CB Payment Dates, the CB Swap



Floating Rate Amount relating to the preceding CB Swap calculation period.

**Due for Payment Date** means (i) a Scheduled Due for Payment Date or (ii) following the occurrence of a Covered Bonds Guarantor Event of Default, the date on which the Covered Bonds Guarantor Acceleration Notice is served on the Covered Bonds Guarantor. If the Due for Payment Date is not a Business Day, the Due for Payment Date will be the next following Business Day. For the avoidance of doubt, Due for Payment Date does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the Guaranteed Obligations, by reason of prepayment, mandatory or optional redemption or otherwise.

**Earliest Maturing Covered Bonds** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Early Redemption Amount** has the meaning ascribed to such expression in the Conditions.

**Early Redemption Date** has the meaning ascribed to such expression in the Conditions.

**Early Termination Amount** has the meaning ascribed to such expression in the Conditions.

**Effective Date** means the date starting from which the assignment of each Portfolio becomes effective, in accordance with the provisions set forth under the Master Transfer Agreement.

**Eligible Investments** means:

- (i) any Euro denominated Security which qualifies as Public Assets; and /or
- (ii) the Integration Assets having the following characteristics:
  - (a) Euro denominated Security rated at least "P-1" by Moody's, which has a residual maturity of up to 30 calendar days or, if longer, which may be liquidated without loss within 30 days from a downgrade below "P-1" by Moody's, and/or
  - (b) reserve accounts, deposit accounts, and other similar accounts which qualifies as Integration Assets held with a bank rated at least "P-3" by Moody's,

provided that any such investments under (i) and (ii) above, (A) mature (or may be liquidated at no loss) at least 3 Business Days before the next following Guarantor Payment Date, and (B) prior to the delivery of a Notice to Pay or of an Article 74 Notice to Pay, mature (or may be liquidated at no loss), for a minimum amount equal to the aggregate of the CB Swap Accumulation Amount and the Interest Accumulation Amount, at least 3 Business Days before the following CB Payment Date, and (C) following the delivery of a Notice to Pay or of an Article 74 Notice to Pay, mature (or may be liquidated at no loss) at least 3 business days before the next following CB Payment Date.

**Eligible Investments Account** means the eligible investments account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Eligible Portfolio** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Eligible States** means, in accordance with the MEF Decree, any States belonging to the Economic European Area and the Swiss Confederation and any other State attracting a 0 per cent. risk weight factor under the “Standardised Approach” provided for by the Basel II.

**EMIR Regulation** means the Regulation (EU) 648/2012 of the European Parliament and Council dated 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as supplemented by the relevant delegated regulations, as amended from time to time.

**Euro Equivalent** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Euroclear** means Euroclear Bank S.A./N.V.;

**European Savings Directive** means EU Directive No. 2003/48/EC regarding the taxation of savings income.

**Evaluation Date** means: (i) in respect of the Initial Portfolio May 1, 2009 and (ii) in respect of any

New Portfolio, the date indicated in the relevant offer of transfer in accordance with the provisions set forth under the Master Transfer Agreement.

**Excess Proceeds** amounts received by the Covered Bonds Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Para. 3 of the MEF Decree.

**Excluded Assets** means (a) the Integration Assets in excess of the Integration Assets Limit to be excluded from the Eligible Portfolio, (b) the aggregate of Integration Assets which do not meet the Integration Assets Rating Requirements.

**Excluded Swaps** means the portion of the hedging arrangements, if any, corresponding to the Public Assets and Integration Assets excluded from the Eligible Portfolio.

**Expected Floating Payments** has the meaning ascribed to such expression under the Section “Credit Structure”.

**Expenses** means any Covered Bonds Guarantor’s documented fees, costs, expenses and taxes to maintain it in good standing, to comply with applicable legislation and any obligation and to preserve its corporate existence.

**Expenses Account** means the expenses account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Extendable Maturity** has the meaning given to such expression under Condition 8(b) (*Extension of maturity*).

**Extended Maturity Date** means, in relation to any Series of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 8(b) (*Extension of maturity*).

**Extension Determination Date** means the date falling four Business Days prior to the Maturity Date;

**Extraordinary Meeting** has the meaning given in the Rules of the Organisation of the Covered Bondholders attached to these Conditions;

**Final Redemption Amount** means, with respect to a Series of Covered Bonds, the amount, as specified in the applicable Final Terms, representing the amount due (subject to the applicable grace period) in respect of the relevant Series of Covered Bond;

**Final Terms** means the specific final terms issued and published in accordance with the Conditions prior to the issue of each Series detailing certain relevant terms thereof which, for the purposes of that Series only, completes the Conditions and the Base Prospectus and must be read in conjunction with the Base Prospectus.

**Financial Law** (*Testo Unico della Finanza*) means the Legislative Decree of February 24, 1998, no. 58, as amended and supplemented from time to time.

**First CB Payment Date** means the date specified in the relevant Final Terms;

**Fixed Component of the Eligible Portfolio** has the meaning ascribed to such expression under the Section “Credit Structure”.

**Fixed Coupon Amount** has the meaning given in the relevant Final Terms;

**Floating Component of the Eligible Portfolio** has the meaning ascribed to such expression under the Section “Credit Structure”.

**General Criteria** means the general criteria contained in Schedule 1 to the Master Transfer Agreement, as amended and supplemented from time to time in accordance with the provisions of the Master Transfer Agreement and described under Section “*Description of the Portfolio*”.

**Guarantee** (*Garanzia*) means any guarantee valid in order to mitigate the credit risk (*garanzie valide ai fini della mitigazione del rischio di credito*), pursuant to article 4 of the MEF Decree and any other

guarantee of any type, including personal guarantee and security over asset, irrevocable payment delegation (*delegazione di pagamento*) given pursuant to Article 206, of Legislative Decree no. 267 of 18 August 2000 (or any other provision existing before the Legislative Decree no. 267 of 18 August 2000 was in force) and orders of payment (*mandati di pagamento*) or irrevocable payment delegations given in accordance with regional laws, guaranteed in favour of Intesa Sanpaolo, as well as irrevocable payment delegations or debit delegations given in favour of the Seller in accordance with articles 1268 and following of Italian Civil Code and collection delegations (*deleghe all'incasso*) in favour of the Seller or any other existing event in order to ensure or guarantee (i) payments of Receivables and Securities and (ii) the fulfilment of the obligations arising from Loan Agreements and Securities.

**Guaranteed Amounts** means (i) prior to the service of a Covered Bonds Guarantor Acceleration Notice, with respect to any Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Due for Payment Date, or (ii) after the service of a Covered Bonds Guarantor Acceleration Notice, an amount equal to the relevant Early Redemption Amount (as defined and specified in the Conditions) *plus* all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Covered Bonds Guarantor under the Transaction Documents, provided that any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was timely paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the **Clawed Back Amounts**). In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 10(a) (*Gross up*);

**Guarantor** means any person, entity or subject, different from the Debtor, who has granted a Guarantee in relation to a Receivable or Security, and successor thereof.

**Guarantor Interest Period** means the period starting from (and including) the date of transfer of the Initial Portfolio and ending on the immediately following the Guarantor Payment Date (excluded) and, thereafter, each period starting from a Guarantor Payment Date (included) and ending on the following Guarantor Payment Date (excluded).

**Guarantor Payment Date** means 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Covered Bonds Guarantor Event of Default, the earlier of (i) each Business Day falling 10 Business Days after the Business Day on which an amount at least equal to 10 per cent. of the aggregate Outstanding Principal Balance of all Series of Covered Bonds is standing to the credit of the Transaction Account and the Investment Account, and (ii) 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day, provided that the first Guarantor Payment Date shall be 31 March 2010.

**Hard Bullet Covered Bonds** means the Series of Covered Bonds in relation to which no Extended Maturity Date is specified in the relevant Final Terms, and the Final Redemption Amount in respect to such Series will be due for payment on the Maturity Date and the Pre-Maturity Liquidity Test shall apply;

**Hedging Counterparties** (*Controparti dei Derivati*) means collectively the CB Hedging Counterparty and TBG Hedging Counterparty.

**Hedging Senior Payment** means, on any relevant date, any interest and/or principal payment due under any CB Swap or TBG Swap, as the case may be, including any termination payment arising out of a termination event, other than termination payments where the relevant Hedging Counterparty is the defaulting party or the sole affected party, but including, in any event, the amount of any termination payment due and payable to the relevant Hedging Counterparty in relation to the termination of the relevant swap transactions to the extent of any premium received (net of any costs

reasonably incurred by the Covered Bonds Guarantor to find a replacement swap counterparty), if any, by the Covered Bonds Guarantor from a replacement swap counterparty in consideration for entering into swap transactions with the Covered Bonds Guarantor on the same terms as the relevant CB Swaps or TBG Swaps. With respect to the *Additional Provisions* “Mark to Market Payment” in the TBG Swaps, any payment under this clause will be part of the Hedging Senior Payments for an amount up to the difference on each Guarantor Payment Date between the purchase price paid by any purchaser/s of the Selected Asset and the Outstanding Principal Balance of the Public Assets and Integration Assets sold to such purchaser/s.

**Independent Adviser** has the meaning given in the Conditions.

**Initial Issue Date** means the date on which the Issuer will issue the first Series of Covered Bonds.

**Initial Portfolio** means the first portfolio of Public Assets transferred to the Covered Bonds Guarantor under the Master Transfer Agreement.

**Insolvency Event** means, in respect of any company or corporation, that:

- (i) such company or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, *fallimento*, *liquidazione coatta amministrativa*, *concordato preventivo* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than, in the case of the Covered Bonds Guarantor, any portfolio of assets purchased by the Covered Bonds Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (iii) such company or corporation takes any action for a re-adjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Covered Bonds Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments; or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation or any of the events under Article 2448 of the Italian Civil Code occurs with respect to such company or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders); or
- (v) such company or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business;

**Integration Assets** means the assets having the characteristics set forth under article 2 para. 3, point 2 and 3 of the MEF Decree.

**Integration Assets Limit** means the limit of 15 per cent. of the aggregate Outstanding Principal Balance of the assets comprised in the Portfolio, set forth under article 2, para. 4, of the MEF Decree,

as amended and supplemented from time to time, to the integration through Integrations Assets.

**Integration Assets Rating Requirements** means (a) in respect of Integration Assets consisting of bank securities having a remaining maturity date of 364 days or less, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity equal to or higher than “P-3” by Moody's and (b) in respect of Integration Assets consisting of deposits with bank, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the entity with which the demand or time deposits are made equal to or higher than “P-3” by Moody's.

**Integration Assignment** means the assignments of Public Assets or Integration Assets made in order to restore the respect of the Tests for which a breach has been verified or in order to prevent such breach maintaining the relation between the OBG issued and the assigned assets.

**Intercreditor Agreement** means the agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Seller, the Issuer, the Calculation Agent, the Representative of the Covered Bondholders and the other Secured Creditors, as amended and supplemented from time to time;

**Interest Accumulation Amount** means an amount equal to the interest amounts due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into.

**Interest Amount** means, in relation to any Series of Covered Bonds and a CB Interest Period, the amount of interest payable in respect of that Series for that CB Interest Period;

**Interest Arrears** means in relation to any loan, bond or other asset at any date, the amount of (or the Euro Equivalent amount of) interest and expenses which are due and payable and are unpaid as of such date.

**Interest Available Funds** means, with reference to each Guarantor Payment Date, the sum of (a) any interest or other amounts (other than principal amounts) received from the Portfolio (net of any Interest Component of the Purchase Price) during the Collection Period immediately preceding such Guarantor Payment Date, (b) any amount received by the Covered Bonds Guarantor as remuneration of the Accounts (other than the Quota Capital Account), Eligible Investments and the Authorised Investments (without any double counting) during the Collection Period immediately preceding such Guarantor Payment Date, (c) any interest amount received by the Covered Bonds Guarantor as payments under the Swaps Agreements with the exception of any Delivery Amounts (as defined therein) on or prior to the relevant Guarantor Payment Date (d) any amount (other than amounts already allocated under items (a), (b), (c) and (d) of the Principal Available Funds, as defined below) received by the Covered Bonds Guarantor from any party to the Transaction Documents during the Collection Period immediately preceding such Guarantor Payment Date, (e) the Reserve Fund Required Amount, (f) the ATI Commingling Reserve Amount, (g) the Interest Accumulation Amount, (h) any amount credited (and not used) in the Investment Account on the previous Guarantor Payment Date under items (viii) and (ix) of the Pre-Issuer Default Interest Priority of Payments or item (v) of the Post-Issuer Default Priority of Payments, and (i) any amount of Interest Available Funds retained in the Transaction Account on the immediately preceding Guarantor Payment Date (if not already calculated under the items above).

**Interest Commencement Date** means, in relation to any Series of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**Interest Component of the Purchase Price** means, in respect of each Public Assets or Integration Assets, the amount of interests which were considered, from time to time, in order to calculate the relevant purchase price in accordance with the Master Transfer Agreement.

**Interest Coverage Test** has the meaning ascribed to such expression under the Section “*Credit Structure*”.

**Interest Determination Date** has the meaning given in the relevant Final Terms;

**Interest Payments** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Interest Receivables Collection Account** (*Conto Incassi Interessi sui Crediti*) means the interest collection account opened in the name of the Covered Bonds Guarantor with the Receivables Collection Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Interest Securities Collection Account** (*Conto Incassi Interessi sui Titoli*) means the interest securities collection account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Intesa Sanpaolo** means Intesa Sanpaolo S.p.A., a bank organized as a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazza San Carlo 156, Turin, Italy and secondary office at Via Monte di Pietà 8, Milan, Italy, incorporated with Fiscal Code number and registration number with the Turin Register of Enterprises 00799960158, VAT number 10810700152, registered with the Bank of Italy pursuant to article 13 of the Banking Law under number 5361, head of Gruppo Bancario Intesa Sanpaolo, agreed into the Fondo Interbancario di Tutela dei Depositi and into the Fondo Nazionale di Garanzia.

**Intesa Sanpaolo Group** means Intesa Sanpaolo and each of its consolidated subsidiaries.

**Investment Account** means the investment account opened in the name of the Covered Bonds Guarantor with the Account Bank and operating in accordance with the Cash Management and Agency Agreement.

**Investors Report** has the meaning ascribed to such expression in the Cash Management and Agency Agreement.

**Investors Report Date** means 10 Business Days following each Guarantor Payment Date.

**ISDA Definitions** means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Series of Covered Bonds (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.;

**ISDA Master Agreement** means the 1992 ISDA Master Agreement together with the relevant Schedule and Credit Support Annex, as amended and supplemented from time to time.

**ISP Mandate Agreement** means the mandate agreement entered into on 28 February 2014 between Intesa Sanpaolo, as Swap Service Provider, and the Covered Bonds Guarantor, as amended and supplemented from time to time, for the performance of certain service to be provided under the Swap Agreements further to the approval of the EMIR Regulation.

**Issuance Collateralisation Assignment** means any assignment of Public Assets to the Covered Bonds Guarantor made in order to collateralise and allow the issue of further series of Covered Bonds by the Issuer, subject to the Limits to the Assignment.

**Issue Date** the date of issue of a Series pursuant to and in accordance with the Dealer Agreement as specified in the relevant Final Terms.

**Issue Price** means the price specified in the relevant Final Terms to which Covered Bonds of each Series may be issued.

**Issuer** means Intesa Sanpaolo in its capacity as issuer of the Covered Bonds.

**Issuer Downgrading Event** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Issuer Event of Default** has the meaning given to it in Condition 11(c) (*Issuer Event of Default*);

**Law 130** means Law no. 130 of 30 April 1999, as amended and supplemented from time to time.

**Limits to the Assignment** means the limits to the assignment of further Assets set forth by the BoI OBG Regulations (*Limiti alla cessione*; see Section II, Para. 2 of the BoI OBG Regulations).

**Loan Agreement** means any loan agreement and other arrangements having the characteristics set forth under article 2, para. 1, lett. c) of the MEF Decree.

**Loans** means the loans extended to, or guaranteed by the public entities set forth under article 2, paragraph 1, letter (c) of the MEF Decree or guaranteed (on the basis of “guarantees valid for the purpose of credit risk mitigation” (*garanzie valide ai fini della mitigazione del rischio di credito*), as defined by article 1, para. 1, lett. h) of the MEF Decree), by such public entities.

**Long Date Due For Payment Date** means the CB Payment Date immediately following the tenth anniversary of the last Maturity Date of the Public Asset or Integration Asset contained in the Portfolio;

**Long Dated Covered Bonds** means any Covered Bond issued by the Issuer in respect of which the Extended Maturity Date is set at the Long Date Due for Payment Date and identified as such in the relevant Final Terms;

**Luxembourg Listing Agent** means Deutsche Bank Luxembourg S.A. a bank incorporated under the laws of Luxembourg, whose registered office is at 2 Boulevard Konrad Adenauer, Luxembourg L-1115, in its capacity as Luxembourg listing agent under the Cash Management and Agency Agreement appointed as Luxembourg listing agent in accordance with Cash Management and Agency Agreement and any successor thereof.

**Mandatory Tests** means the tests to be carried out pursuant to article 3 of the MEF Decree

**Margin** has the meaning given in the relevant Final Terms;

**Master Agreements** means the CB Master Agreement and the TBG Master Agreement.

**Master Definition Agreement** means the master definition agreement executed on or about the Initial Issue Date by, *inter alios*, the Issuer, the Seller, the Covered Bonds Guarantor, the Representative of the Covered Bondholders, as amended and supplemented from time to time.

**Master Loan Agreement** means the framework agreements, Multi-tranche Agreements or plafond agreements under which certain Loans have been disbursed.

**Master Transfer Agreement** means the master transfer agreement entered into on 20 May 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time;

**Maturity Date** means, with reference to each Series of Covered Bonds, the CB Payments Date, indicated in the relevant Final Terms, on which such Series of Covered Bonds will be redeemed at their Outstanding Principal Balance, unless otherwise extended in accordance with the Conditions.

**Maximum Amount** means, with reference to the Subordinated Loan, the maximum amount equal to Euro 20,000,000,000 or such other amount which will be notified by the Seller, as subordinated loan provider, to the Covered Bonds Guarantor in accordance with the terms of the Subordinated Loan Agreement.

**Maximum Redemption Amount** has the meaning given in the relevant Final Terms;

**MEF Decree** (*Decreto del MEF*) means the Decree of the Ministry of economy and finance no. 310 of 14 December 2006, concerning the implementation of the provisions set forth in Article 7-*bis* of Law 130 about covered bonds.

**Member State** means a member State of the European Economic Area.

**Minimum Interest Amount** means 0.50 per cent. per annum.

**Minimum Redemption Amount** has the meaning given in the relevant Final Terms;

**Minimum Required Account Bank Rating** means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as Account Bank and which is at least equal to "P-3" from the Rating Agency.

**Minimum Required Paying Agent Rating** means the short term rating required by the Rating

Agency with reference to the entity which acts in its capacity as Paying Agent and which is at least equal to "P-3" from the Rating Agency.

**Minimum Required Pre-Maturity Liquidity Guarantor Rating** means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as guarantor in order to cure a breach of the Pre-Maturity Liquidity Test and which is at least equal to "P-1" from the Rating Agency.

**Minimum Required Ratings** means, in respect of the Receivables Collection Account Bank, the Cash Manager, the Account Bank and the Paying Agent, respectively Minimum Required Receivables Collection Account Bank Ratings, the Minimum Required Account Bank Ratings and the Minimum Required Paying Agent Ratings.

**Minimum Required Receivables Collection Account Bank Rating** means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as Receivables Collection Account Bank (or any institution guaranteeing its obligations on the basis of a guarantee satisfying the Rating Agency's criteria) and which is at least equal to "P-3" from the Rating Agency.

**Modified Business Day Convention**, has the meaning ascribed to such expression in the Conditions.

**Modified Following Business Day Convention**, has the meaning ascribed to such expression in the Conditions.

**Monte Titoli** means Monte Titoli S.p.A. a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazza Affari 6, Milan, Italy, incorporated with Fiscal Code and VAT number 03638780159, registered with the Milan Register of Enterprises under number 03638780159.

**Monte Titoli Account Holders** means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by the Relevant Clearing System;

**Monte Titoli Mandate Agreement** means the mandate agreement dated on or about the Initial Issue Date under which Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds.

**Moody's** means Moody's Investors Service Ltd.

**N Paying Agent** means any institution appointed from time to time by the Issuer to act as paying agent in respect of the Registered Covered Bonds issued under the Programme.

**Negative Carry Factor** has the meaning ascribed to such expression under the Section "*Credit Structure*".

**Net Interest Collections from the Eligible Portfolio** has the meaning ascribed to such expression under the Section "*Credit Structure*".

**Net Present Value** has the meaning ascribed to such expression under the Section "*Credit Structure*".

**Net Present Value of the Eligible Portfolio** has the meaning ascribed to such expression under the Section "*Credit Structure*".

**Net Present Value of the Outstanding Covered Bonds** has the meaning ascribed to such expression under the Section "*Credit Structure*".

**New Capital Accord** means the New Basel Capital Accord.

**New Portfolio** means any portfolio of Public Assets and Integration Assets which, further to the sale of the Initial Portfolio, the Seller will assign to the Covered Bonds Guarantor in accordance with the Master Transfer Agreement.

**No Adjustment** has the meaning ascribed to such expression in the Conditions.

**Notice to Pay** means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Issuer



Event of Default;

**NPV Test** has the meaning ascribed to such expression under the Section “*Credit Structure*”.

**OBG Regulations** means, collectively, Law 130, the MEF Decree and the BoI OBG Regulations.

**OC Adjusted Eligible Portfolio** has the meaning ascribed to such expression under the Section “*Credit Structure*”.

**Official Gazette** means *La Gazzetta Ufficiale della Repubblica Italiana*;

**Optional Redemption Amount (Call)** means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**Optional Redemption Amount (Put)** means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**Optional Redemption Date (Call)** has the meaning given in the relevant Final Terms;

**Optional Redemption Date (Put)** has the meaning given in the relevant Final Terms;

**Organisation of the Covered Bondholders** means the association of the Covered Bondholders, organised pursuant to the Rules of the Organisation of the Covered Bondholders;

**Other Accounts** means the Securities Collection Accounts, the Securities Account, the Investment Account, the Eligible Investments Account, the Transaction Account, the Expenses Account, the Corporate Account and the Quota Capital Account

**Outstanding Principal Balance** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Outstanding Principal Balance of the Covered Bonds** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Paying Agent** means Deutsche Bank S.p.A. a bank incorporated under the laws of the Republic of Italy, whose registered office is at Piazza del Calendario no. 3, Milan, Italy, in its capacity as paying agent of the Covered Bonds under the Cash Management and Agency Agreement and any successor thereof.

**Payment Business Day** means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

- (i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**Payments Report** means the payments report which will set out the Available Funds and the payments to be made on the following Guarantor Payment Date to be delivered by the Calculation Agent to, *inter alia*, the Covered Bonds Guarantor.

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Place of Payment** means, in respect of any Covered Bondholders, the place at which such Covered Bondholder receives payment of interest or principal on the Covered Bonds;

**Portfolio** means the whole portfolio of Receivables and Securities owned by the Covered Bonds Guarantor, which include the Initial Portfolio and any New Portfolio, and any other Integration Assets and Eligible Investments purchased by the Covered Bonds Guarantor.

**Portfolio Administration Agreement** means the portfolio administration agreement entered into on or about the Initial Issue Date between, *inter alios*, the Issuer, the Seller, the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, as amended and supplemented from time to time;

**Portfolio Manager** means the company appointed as portfolio manager in accordance with the Portfolio Administration Agreement and any successor thereof.

**Post-Guarantor Default Priority of Payments** means the priority of payments applicable to the Available Funds after the delivery of a Covered Bonds Guarantor Acceleration Notice as described under the Section “*Account and Cashflows*”.

**Post-Issuer Default Priority of Payments** means the priority of payments applicable to the Available Funds after the delivery of a Notice to Pay or an Article 74 Notice to Pay and prior to the delivery of a Covered Bonds Guarantor Acceleration Notice as described under the Section “*Account and Cashflows*”.

**Potential Claw-Back Amount** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Potential Set-Off Amount** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Preceding Business Day Convention** has the meaning ascribed to such expression in the Conditions.

**Pre-Issuer Default Interest Priority of Payments** means the priority of payments applicable to the Interest Available Funds prior to the delivery of a Notice to Pay or an Article 74 Notice to Pay as described under the Section “*Account and Cashflows*”.

**Pre-Issuer Default Principal Priority of Payments** means the priority of payments applicable to the Principal Available Funds prior to the delivery of a Notice to Pay or an Article 74 Notice to Pay as described under the Section “*Account and Cashflows*”.

**Pre-Maturity Liquidity Required Ratings** means, with reference to the Issuer a short-term credit rating from the Rating Agency of at least P-1.

**Pre-Maturity Liquidity Test** has the meaning ascribed to such expression under Condition 8 (*Redemption and Purchase*).

**Pre-Maturity Liquidity Test Date** each Business Day falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default

**Pre-Maturity Rating Period** means the period of 12 months preceding the Maturity Date of any Hard Bullet Series of the Covered Bonds.

**Pre-Maturity Test Account** means the account or the accounts to be opened by the Issuer for making deposits in any form in order to remedy a breach of the Pre-Maturity Liquidity Test.

**Premium Interest Amount** (*Compenso Aggiuntivo*) means:

- (a) prior to the occurrence of an Issuer Event of Default, an amount equal to the algebraic sum of:
  - (i) (+) the amount of Interest Available Funds;
  - (ii) (-) the sum of any amount paid under items from (i) to (xii) of the Pre-Issuer Default Interest Priority of Payment

or

- (b) following to the occurrence of an Issuer Event of Default, an amount equal to the algebraic sum of:
  - (i) (+) the amount of Available Funds;
  - (ii) (-) the sum of any amount paid under items from under items (i) to (ix) of the Post-Issuer Default Priority of Payments.

or

- (c) following the occurrence of a Guarantor Event of Default an amount equal to the algebraic sum of:
- (i) (+) the amount of Available Funds;
  - (ii) (-) the sum of any amount paid under items from under items (i) to (viii) of the Post-Guarantor Default Priority of Payments.

**Principal Available Funds** means, with reference to each Guarantor Payment Date, the sum of: (a) any principal payment and any Interest Component of the Purchase Price received during the Collection Period immediately preceding such Guarantor Payment Date and (b) any amounts deriving from sale of the Public Assets, Integration Assets, Eligible Investments and Authorised Investments (without any double counting) received during the Collection Period immediately preceding such Guarantor Payment Date, (c) any principal amount received by the Covered Bonds Guarantor as payments under the Swap Agreements with the exception of any Delivery Amounts (as defined therein) on or prior to the relevant Guarantor Payment Date, (d) any principal amount received by the Covered Bonds Guarantor from any party to the Transaction Documents during the Collection Period immediately preceding such Guarantor Payment Date, (e) the Purchase Price Accumulation Amount, (f) any amount credited (and not used) in the Investment Account on the previous Guarantor Payment Date under items (iv), (v) and (vi) of the Pre-Issuer Default Principal Priority of Payments or item (v) of the Post-Issuer Default Priority of Payments, and (g) any amount of Principal Available Funds retained in the Transaction Account on the immediately preceding Guarantor Payment Date.

**Principal Financial Centre** means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Paying Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Paying Agent;

**Principal Receivables Collection Account** (*Conto Incassi Capitale sui Crediti*) means the principal collection account opened in the name of the Covered Bonds Guarantor with the Receivables Collection Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Principal Securities Collection Account** (*Conto Incassi Capitale sui Titoli*) means the principal securities collection account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Priorities of Payments** means, collectively, the Pre-Issuer Default Principal Priority of Payment, the Pre-Issuer Default Interest Priority of Payment, the Post-Issuer Default Priority of Payments and the Post-Guarantor Default Priority of Payments.

**Privacy Law** means the Legislative Decree no. 196 of 30 June 2003 entitled *Codice in materia di protezione dei dati personali*, as amended and supplemented from time to time.

**Programme** means the Euro 20,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme established by the Issuer.

**Programme Limit** means the amount equal to Euro 20,000,000,000 or the other amount indicated as *programme limit* in accordance with the Dealer Agreement.

**Prospectus Directive** means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended from time to time.

**Provisional Purchase Price of the New Portfolio** has the meaning ascribe to such expression under the Master Transfer Agreement.

**Public Assets** means (i) Loans and (ii) Public Securities.

**Public Securities** means securities satisfying the requirements set forth under article 2, paragraph 1, letter c) of the MEF Decree.

**Purchase Price Accumulation Amount** means, on any Guarantor Payment Date, an amount equal to (A) the Provisional Purchase Price of the New Portfolio – as determined with reference to a New Portfolio under the relevant Offer of Transfer – to be used for any payment of the relevant Definitive Purchase Price of the New Portfolio or the Rectified Purchase Price of the New Portfolio during the following Guarantor Interest Period or (B) with reference to the mechanism provided for under Clause 7.1 (*Offerta di Cessione*) letter (b) of the Master Transfer Agreement, the Definitive Purchase Price of the New Portfolio – as determined with reference to a New Portfolio under the relevant Offer of Transfer – to be used for any payment of the relevant Definitive Purchase Price of the New Portfolio or the Rectified Purchase Price of the New Portfolio during the following Guarantor Interest Period.

**Put Option Notice** means a notice which must be delivered to the Paying Agent, the Calculation Agent and the Asset Monitor by the Representative of the Covered Bondholders on behalf of any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

**Put Option Receipt** means a receipt issued by the Paying Agent to a depositing Covered Bondholder upon deposit of Covered Bonds with such Paying Agent by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

**Quota Capital Account** means the quota capital account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Quotaholders' Agreement** means the quotaholder agreement executed on or about the Initial Issue Date by, *inter alia*, the Issuer and Stichting Viridis 2, as amended and supplemented from time to time;

**Random Basis** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Rate of Interest** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**Rating Agency** means Moody's.

**Receivables** means the monetary claims arising out of Public Assets and Integration Assets.

**Receivables Collection Account Bank** means the bank appointed as Receivables Collection Account Bank in accordance with the Cash Management and Agency Agreement and any successor thereof.

**Receivables Collection Accounts** means together the Interest Receivables Collection Account and the Principal Receivables Collection Account.

**Rectified Purchase Price of the New Portfolio** has the meaning ascribed to such expression under the Master Transfer Agreement.

**Redemption Amount** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

**Reference Banks** has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Paying Agent in the market that is most closely connected with the Reference Rate;

**Reference Price** has the meaning given in the relevant Final Terms;

**Reference Rate** has the meaning given in the relevant Final Terms;

**Registered Covered Bonds** means Covered Bonds issued in registered form also as German governed

registered covered bonds (*Gedekte Namensschuldverschreibung*).

**Registered Covered Bond Conditions** means the terms and conditions of the Registered Covered Bonds.

**Registered Covered Bondholder** means the registered holder for the time being of a Registered Covered Bond.

**Registrar** means any institution which may be appointed from time to time by the Issuer to act as registrar in respect of the Registered Covered Bonds issued under the Programme, provided that if the Issuer will keep the register and will not delegate such activity, any reference to the Registrar will be construed as a reference to the Issuer.

**Regulation 13 August 2018** means the regulation issued by the Bank of Italy and CONSOB on 13 August 2018, as published on the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 201 of 30 August 2018, as amended and/or supplemented from time to time.

**Regular Period** means:

- (i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first CB Payment Date and each successive period from and including one CB Payment Date to but excluding the next CB Payment Date;
- (ii) in the case of Covered Bonds where, apart from the first CB Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any CB Payment Date falls; and
- (iii) in the case of Covered Bonds where, apart from one CB Interest Period other than the first CB Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any CB Payment Date falls other than the CB Payment Date falling at the end of the irregular CB Interest Period;

**Relevant Clearing System** means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made;

**Relevant Date** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Covered Bondholders;

**Relevant Dealer(s)** means, in relation to a Series, the Dealer(s) which is/are party to any agreement (whether oral or in writing) entered into with the Issuer and the Covered Bonds Guarantor for the issue by the Issuer and the subscription by such Dealer(s) of such Series pursuant to the Dealer Agreement;

**Relevant Financial Centre** has the meaning given in the relevant Final Terms;

**Relevant Nominating Body** has the meaning given in the Conditions.

**Relevant Screen Page** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**Relevant Securities Documents** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Relevant Time** has the meaning given in the relevant Final Terms;

**Representative of the Covered Bondholders** FISG S.r.l., a joint stock company with a sole quotaholder under the laws of the Republic of Italy, whose registered office is at Via Vittorio Alfieri No. 1, Conegliano (TV), Italy, incorporated with Fiscal Code number and registration number with the Treviso Register of Enterprises No. 04796740266, VAT No. 04796740266, in its own capacity and as representative of the Organisation of the Covered Bondholders.

**Required Redemption Amount** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Reserve Fund Required Amount** means an amount equal to (a) if a Servicer Downgrading Event has occurred and is continuing, the maximum amount of the Collections expected to be received during the following Collection Periods, or (b) if an Issuer Downgrading Event has occurred and is continuing, the aggregate of items (i), (ii), (iii) and (iv) of the Pre-Issuer Default Interest Priority of Payments expected to be paid on the second Guarantor Payment Date following the Calculation Date on which the set up of such reserve is triggered, or (c) if both a Servicer Downgrading Event and an Issuer Downgrading Event have occurred and are continuing, the higher of (a) and (b) above or (d) if a Servicer Downgrading Event or Issuer Downgrading Event has not occurred, but the Issuer has voluntarily resolved to accumulate the reserve, an amount equal to (a) or (b) above as resolved by the Issuer.

**Revolving Assignment** means any assignment of Public Assets to the Covered Bonds Guarantor made in order to invest the Principal Available Funds, subject to the Limits to the Assignment, provided that no Issuer Event of Default or Covered Bonds Guarantor Event of Default have occurred.

**Rules of Organisation of the Covered Bondholders** (*Regolamento dell’Organizzazione dei Portatori delle OBG*) means the rules governing the Organisation of the Covered Bondholders which are attached to the Conditions under Schedule 1.

**Scheduled Due for Payment Date** means:

- (a) (A) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (B) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Article 74 Event or an Issuer Event of Default, the day which is two Business Days following service, respectively, of the Article 74 Notice to Pay (which has not been withdrawn) or the Notice to Pay on the Covered Bonds Guarantor in respect of such Guaranteed Amounts, if such Article 74 Notice to Pay or Notice to Pay has not been served more than two Business Days prior to the relevant Scheduled Payment Date; or
- (b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

**Scheduled Interest** means an amount equal to the amount in respect of interest which would have been due and payable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the **Excluded Scheduled Interest Amounts**), but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, *less* any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

**Scheduled Payment Date** means each CB Payment Date.

**Scheduled Principal** means an amount equal to the amount in respect of principal which would have

been due and repayable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, or premiums: the **Excluded Scheduled Principal Amounts**), but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or, if in accordance with the Final Terms an Extended Maturity Date is applied to such Series, the Extended Maturity Date of such Series.

**Secured Creditors** means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Seller, the Subordinated Loan Provider, the Servicer, the Administrative Services Provider, the Receivables Collection Account Bank, the Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Hedging Counterparties, the Cash Manager, the Asset Monitor, the Calculation Agent, the Swap Service Providers together with any other entity acceding to the Intercreditor Agreement.

**Securities** (*Titoli*) means jointly the Public Securities and the securities mentioned under article, 2, para. 3, point 3, of the MEF Decree and any ancillary right thereto.

**Securities Account** means the securities account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Securities Act** means the United States Securities Act of 1933, as amended.

**Securities Collection Account** means the Interest Securities Collection Account and the Principal Securities Collection Account.

**Security Trustee** means the Representative of the Covered Bondholders acting in its capacity as security trustee for itself and on trust for the Covered Bondholders and the Secured Creditors under the Deed of Charge.

**Selected Assets** means the Public Assets to be sold by the Covered Bonds Guarantor (through the Servicer), following the delivery of an Article 74 Notice to Pay (which has not been withdrawn), a Notice to Pay (and prior to the occurrence of any Covered Bonds Guarantor Events of Default), a Covered Bonds Guarantor Acceleration Notice or upon breach of the Pre-Maturity Liquidity Test, pursuant to the Portfolio Administration Agreement.

**Seller** means Intesa Sanpaolo in its capacity as such pursuant to the Master Transfer Agreement;

**Series** has the meaning ascribed to such expression in the Conditions. Notwithstanding the foregoing, the term “Series” shall mean, in case of Registered Covered Bonds, each Registered Covered Bonds made out in the name of a specific Registered Covered Bondholder.

**Servicer** means Intesa Sanpaolo in its capacity as such pursuant to the Servicing Agreement;

**Servicer Downgrading Event** means the Servicer being downgraded to “Ba1”, or below, by Moody’s.

**Servicing Agreement** means the agreement entered into on 20 May 2009 between the Covered Bonds Guarantor and the Servicer, as amended and supplemented from time to time.

**Specific Criteria** means the criteria for the selection of the Securities to be included in the portfolios to which such criteria are applied, set forth in Annex 2 to the Master Transfer Agreement, for the Initial Portfolio and in the relevant offer for the New Portfolios.

**Specified Currency** has the meaning given in the relevant Final Terms.

**Specified Denomination(s)** has the meaning given in the relevant Final Terms;

**Specified Office** means with reference to the Paying Agent, Piazza del Calendario no. 3, 20126, Milan, Italy, or such other office in the same city or town as the Paying Agent may specify by notice

to the Issuer and the other parties to the Cash Management and Agency Agreement in the manner provided therein;

**Specified Period** has the meaning given in the relevant Final Terms;

**Stabilising Manager** means, in connection with the issue of any Series under the Programme, the Dealer or the Dealers (if any) which is specified in the relevant Final Terms as the stabilising manager.

**Subordinated Loan** means the subordinated loan granted by the Subordinated Loan Provider to the Covered Bonds Guarantor according to the Subordinated Loan Agreement.

**Subordinated Loan Agreement** means the subordinated loan agreement entered into on 20 May 2009 between the Subordinated Loan Provider and the Covered Bonds Guarantor, as amended and supplemented from time to time;

**Subordinated Loan Interest Amount** means, collectively, the Minimum Interest Amount, and the Premium Interest Amount.

**Subordinated Loan Provider** means Intesa Sanpaolo, and any successor thereof, appointed as subordinated loan provider in accordance with the Subordinated Loan Agreement;

**Subscription Agreement** means each subscription agreement to be entered into on or about the Issue Date among the Issuer and the Dealers, as amended and supplemented from time to time.

**Subsidiary** has the meaning given to it in Article 2359 of the Italian Civil Code;

**Substitute Obligor** has the meaning ascribed to such expression in the Conditions.

**Successor Servicer** means the party or parties which will be appointed in order to perform, *inter alia*, the servicing activities performed by the Servicer, and any successor or replacing entity thereto following the occurrence of a Servicer Termination Event.

**Swap Agreements** means collectively the CB Swaps and the TBG Swaps, including the ISDA Master Agreement, as amended and supplemented from time to time.

**Swap Collateral** means the collateral which may be transferred by any Hedging Counterparty to the Covered Bonds Guarantor in support of its obligations under the Swap Agreements.

**Swap Confirmations** means the TBG Swap Confirmation and the CB Swap Confirmations.

**Swap Curve** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Swap Margin** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Swap Service Providers** means Intesa Sanpaolo and any other entity appointed as such under the Programme.

**TARGET Settlement Day** means any day on which TARGET2 (the Trans-European Automated Real-Time Gross Settlement Express Transfer system) is open.

**TBG 1 Hedging Counterparty** means Intesa Sanpaolo and any other party appointed as hedging counterparty in accordance with the TBG 1 Swap and any successor thereof;

**TBG 2 Hedging Counterparty** means Intesa Sanpaolo and any other party appointed as hedging counterparty in accordance with the TBG 2 Swap and any successor thereof.

**TBG Hedging Counterparties** means jointly the TBG 1 Hedging Counterparty and the TBG 2 Hedging Counterparty.

**TBG 1 Swap** means any swap agreement entered into between the Covered Bonds Guarantor and the TBG 1 Hedging Counterparty with respect to any Portfolio of fixed rate Receivables and Securities.

**TBG 2 Swap** means any swap agreement entered into between the Covered Bonds Guarantor and the TBG 2 Hedging Counterparty with respect to any Portfolio of floating rate Receivables and Securities.

**TBG Swaps** means jointly the TBG 1 Swap and the TBG 2 Swap.



**TBG Master Agreement** means a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) entered into between a TBG Hedging Counterparty and the Covered Bonds Guarantor.

**TBG Swaps** means jointly the TBG 1 Swap and the TBG 2 Swap.

**TBG Swap Confirmation** means the written confirmation of any TBG Swap evidencing the terms of any such transaction.

**Tests** means jointly the Asset Coverage Test, the Amortisation Test, the NPV Test and the Interest Coverage Test as respectively defined under the Portfolio Administration Agreement;

**Transaction Account** means the transaction account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

**Transaction Documents** means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Intercreditor Agreement, the Portfolio Administration Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bonds Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Dealer Agreement, the Subscription Agreements, the Quotaholders' Agreement, the Deed of Pledge, the Deed of Charge, the Swap Agreements, the Master Definition Agreement, the Conditions, the Final Terms, the ISP Mandate Agreement and any document or agreement which supplement, amend or restate the content of any of the above mentioned documents and any other documents designated as such by the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders.

**Usury Law** means Law no. 108 of 7 March 1996, as amended and supplemented from time to time.

**WA CB Margin** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**WA Swap Margin** has the meaning ascribed to such expression under Section “*Credit Structure*”.

**Warranty and Indemnity Agreement** means the warranty and indemnity agreement entered into on 20 May 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time; and

**Zero Coupon Covered Bond** means a Covered Bond specified as such in the relevant Final Terms.

**ISSUER and SELLER**  
**Intesa Sanpaolo S.p.A.**  
Piazza San Carlo, 156  
10121 – Turin  
Italy

**COVERED BONDS GUARANTOR**  
**ISP CB Pubblico S.r.l.**  
Via Monte di Pietà, 8  
20121 – Milan  
Italy

**REPRESENTATIVE OF THE COVERED BONDHOLDERS**  
**Finanziaria Internazionale Securitisation Group S.p.A.**  
Via Vittorio Alfieri, 1  
31015 – Conegliano (TV)  
Italy

**CALCULATION AGENT**  
**Securitisation Services S.p.A.**  
Via Vittorio Alfieri, 1  
31015 – Conegliano (TV)  
Italy

**ACCOUNT BANK and RECEIVABLES COLLECTION ACCOUNT**  
**BANK**  
**Intesa Sanpaolo S.p.A.**  
Via Verdi, 8  
20121 Milan  
Italy

**ASSET MONITOR**  
**BDO Italia S.p.A.**  
Viale Abruzzi 94  
20131 Milan  
Italy

**PAYING AGENT**  
**Deutsche Bank S.p.A.**  
Via Santa Sofia, 10  
20122 Milan  
Italy

**LUXEMBOURG LISTING AGENT**  
**Deutsche Bank Luxembourg S.A.**  
2 Boulevard Konrad Adenauer  
Luxembourg L-1115

**LEGAL ADVISERS**

**To the Arrangers and the Dealer**  
As to Italian law  
**CHIOMENTI**  
Via G. Verdi, 2  
20121 Milan  
Italy

**To the Issuer**  
**Allen & Overy**

**Studio Legale Associato**

Via Nino Bixio

31

20129 Milan

Italy

**ARRANGER and DEALER**

**Banca IMI S.p.A.**

Largo Mattioli, 3

20121 Milan

Italy

**AUDITORS**

*To the Issuer and the Covered Bond Guarantor*

**KPMG S.p.A.**

Via Vittor Pisani, 25

20124 Milan

Italy