PROSPECTUS DATED 14 JANUARY 2016

# INTESA SANPAOLO S.P.A.

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

## €1,250,000,000 7.0% Additional Tier 1 Notes

The €1,250,000,000 7.0% Additional Tier 1 Notes (the "**Notes**") are issued by Intesa Sanpaolo S.p.A. (the "**Issuer**") in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000. The Issue Price of the Notes is 100.0 per cent.

The Notes will bear interest at their Outstanding Principal Amount (as defined in Condition 2 (*Definitions and Interpretation*) of the terms and conditions of the Notes (the "**Conditions**" and, each of them, a "**Condition**"), on a non-cumulative basis subject to cancellation as described below, semi-annually in arrear on 19 January and 19 July in each year (each, an "**Interest Payment Date**"). The rate of interest through to (and excluding) 19 January 2021 (the "**First Reset Date**") will be 7.0 per cent. per annum. The rate of interest will be reset on the First Reset Date and on each 5-year anniversary thereafter (each, a "**Reset Date**").

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. In addition, the Issuer shall not make an interest payment of the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) in the circumstances described in Condition 6.2 (*Restriction on interest payments*). Any interest cancelled shall not be due and shall not accumulate or be payable at any time thereafter nor constitute a default for any purpose on the part of the Issuer, and holders of the Notes shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. See further Condition 6 (*Interest Cancellation*). Further, following a write-down of the Notes pursuant to Condition 7 (*Loss Absorption Mechanism*), holders of the Notes will not have any rights against the Issuer with respect to the repayment of interest on any principal amount that has been so written down (without prejudice to any rights as to reinstatement as may be applicable to the Notes); and interest - otherwise due and payable on an Interest Payment Date - on any principal amount that is to be written down on a date that falls after such Interest Payment Date as a result of a trigger event that has occurred prior to such Interest Payment Date will also be cancelled, all as described in Condition 6.5 (*Interest Amount in case of Write-Down*).

**If the Issuer determines that the CET1 Ratio (as defined in Condition 2 (*Definitions and Interpretation*)) of the Issuer on either a standalone or consolidated basis falls below 5.125%, then the Issuer shall write down the Outstanding Principal Amount of the Notes, on a *pro rata* basis with the write-down or conversion of other Loss Absorbing Instruments (as defined in Condition 2 (*Definitions and Interpretation*)), as described in Condition 7.1 (*Write-down*). Following any write-down of the Notes, the Issuer may, at its sole and absolute discretion, but subject to a positive net Income and Consolidated Net Income being recorded, reinstate and write up the Outstanding Principal Amount of the Notes on a *pro rata* basis with other Equal Trigger Loss Absorbing Instruments that have been written down, subject to compliance with the reinstatement limit pursuant to applicable banking regulations, on the terms and subject to the conditions set out in Condition 7.2 (*Reinstatement*). See Condition 7 (*Loss Absorption Mechanism*).**

The Notes are perpetual securities and have no fixed maturity date. The Notes will mature and be redeemed by the Issuer on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 14 January 2016 provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority, as described in Condition 8 (*Redemption and Purchase*). The Issuer may, at its option, redeem the Notes in whole, but not in part, on the First Reset

Date and on any Interest Payment Date thereafter at their Outstanding Principal Amount together with any accrued interest (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8.2 (*Redemption at the option of the Issuer*). In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part: (i) upon occurrence of a Regulatory Event or a Tax Event (in each case, as defined in the Conditions) at a redemption price equal to at their Outstanding Principal Amount together with any accrued interest (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*) and any additional amounts due pursuant to Condition 10 (*Taxation*), all as described in Conditions 8.3 (*Redemption due to a Regulatory Event*) and 8.4 (*Redemption for tax reasons*).

The Notes are expected, on issue, to be rated "Ba3" by Moody's Investors Service, Inc. ("**Moody's**"), "B+" by Standard & Poor's Rating Services, a division of The McGraw Hill Companies Inc., ("**S&P**"), "BB-" by Fitch Ratings Ltd ("**Fitch**") and "BB" by DBRS Ratings Limited ("**DBRS**"). Each of Moody's, S&P, Fitch and DBRS is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended (the "**CRA Regulation**"). As such, each of them appears on the latest update of the list of registered 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 the CRA Regulation. **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**

**An investment in Notes involves certain risks. For a discussion of these risks, see the section entitled "*Risk Factors*" on page 17.**

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Article 5 of Directive 2003/71/EC (the "**Prospectus Directive**"). Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the competent authority in Luxembourg for the purposes of the Prospectus Directive, to approve this document as a prospectus under the Luxembourg Law of 10 July 2005 on Prospectuses for Notes (the "**Luxembourg Prospectus Law**"), which implements the Prospectus Directive in Luxembourg. Application has also been made for the Notes to be admitted to the official list of the Luxembourg Stock Exchange and to trading on its Regulated Market, which is a regulated market for the purposes of the Market in Financial Instruments Directive 2004/39/EC.

**The Notes are not intended to be sold and should not be sold to retail clients in the European Economic Area, as defined in the PI Rules (as defined herein) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" on page 5 of this Prospectus for further information.**

*Joint Lead Managers*

| **Banca IMI** | **BofA Merrill Lynch** | **Deutsche Bank** | **HSBC** |
|---|---|---|---|
| | **Société Générale Corporate & Investment Banking** | **UBS Investment Bank** | |

*The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is true and in accordance with the facts and does not omit anything likely to affect the import of such information.*

*This Prospectus should be read and construed together with any documents incorporated by reference herein.*

*No person has been authorised to give any information or to make any representation not contained in, or not consistent with, this Prospectus or any other document entered into in relation to the Notes or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers (as defined in "*Subscription and Sale*" below).*

*No representation or warranty is made or implied by the Joint Lead Managers or any of their respective affiliates, and none of the Joint Lead Managers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) business or prospects of the Issuer or of the Intesa Sanpaolo Group (as defined below) since the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.*

*This Prospectus may only be used for the purposes for which it has been published. The distribution of this Prospectus and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part of it) comes are required by the Issuer and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions. Neither this Prospectus nor any part of it constitutes an offering, or may be used for the purpose of an offer to sell any of the Notes, or a solicitation of an offering to buy any of the Notes, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*" below. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act).*

*This Prospectus does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Joint Lead Managers or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes. Each recipient of this Prospectus shall be deemed to have made its own investigation and appraisal of the condition (financial or otherwise), business and prospects of the Issuer and of the Intesa Sanpaolo Group.*

*In this Prospectus, references to "***EUR***", "***euro***", "***Euro***" or "***€***" 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 Community, as amended. Unless otherwise specified or where the context requires, references to laws and regulations are to the laws and regulations of Italy.*

*Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category set out in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.*

## FORWARD LOOKING STATEMENTS

*This Prospectus includes forward looking statements. These include statements relating to, among other things, the future financial performance of the Intesa Sanpaolo Group (as defined in "*Certain Definitions*" below), plans and expectations regarding developments in the business, growth and profitability of the Intesa Sanpaolo Group and general industry and business conditions applicable to the Intesa Sanpaolo Group. The Issuer has based these forward looking statements on its current expectations, assumptions, estimates and projections about future events. These forward looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the Intesa Sanpaolo Group or those of its industry to be materially different from or worse than these forward looking statements. The Issuer does not assume any obligation to update such forward looking statements and to adapt them to future events or developments except to the extent required by law.*

## PRESENTATION OF FINANCIAL INFORMATION

The financial information set forth in this Prospectus is derived from (i) a set of unaudited interim consolidated financial statements which covers the most recent nine months financial period and the prior comparative period, prepared, in consolidated form, in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998, and in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002 (the "**Unaudited Interim Financial Statements**"); and (ii) two sets of annual consolidated financial statements, each of which include comparative information of the prior year, prepared in accordance with International Financial Reporting Standard (IFRS) as adopted by the European Union and in accordance with the instructions of the Bank of Italy set forth in Circular No. 262 of 22 December 2005, as amended (the "**Audited Annual Financial Statements**" and together with the Interim Financial Statements, the "**Financial Statements**").

These sets of Financial Statements are taken from (i) Intesa Sanpaolo's consolidated interim financial statements as of and for the nine-month period ended 30 September 2015 (the "**2015 3Q Interim Statement**"); (ii) Intesa Sanpaolo's audited consolidated financial statements as of and for the year ended 31 December 2014 (the "**2014 Annual Report**") and (iii) Intesa Sanpaolo's audited consolidated financial statements as of and for the year ended 31 December 2013 (the "**2013 Annual Report**").

The 2015 3Q Interim Statement includes: (i) the unaudited interim consolidated financial statements as of and for the nine-month period ended 30 September 2015 (the "**2015 3Q Unaudited Financial Statements**"); (ii) the comparative unaudited restated consolidated income statement figures for the nine-month period ended 30 September 2014 and the comparative unaudited consolidated balance sheet as of 31 December 2014. Certain comparative data related to the nine-month period ended 30 September 2014 has been restated with respect to the data previously presented in the unaudited interim consolidated financial statements as of and for the nine-month ended 30 September 2014 in order to account for changes in the application of IFRS 5 to take into account the economic impact of the sale of the subsidiary Pravex Bank..

The 2014 Annual Report includes (i) the audited consolidated financial statements as of and for the year ended 31 December 2014 (the "**2014 Audited Financial Statements**") and (ii) the comparative unaudited restated consolidated financial statements as of and for the year ended 31 December 2013 (the "**2013 Unaudited Financial Statements Restated in 2014**"). Certain comparative data related to 2013 has been restated with respect to the data previously presented in the audited consolidated financial statements as of and for the year ended 31 December 2013, in order to reflect the application of IFRS 10 and the application of IFRS 5 to take into account the economic impact of the sale of the subsidiary Pravex Bank, at that time anticipated to be finalised in 2015.

The 2013 Annual Report includes (i) the audited consolidated financial statements as of and for the year ended 31 December 2013 (the "**2013 Audited Financial Statements**") and (ii) the comparative unaudited restated consolidated financial statements as of and for the year ended 31 December 2012 (the "**2012 Unaudited Financial Statements Restated in 2013**"). Certain comparative data related to 2012 has been restated with respect to the data previously presented in the audited consolidated financial statements as of and for the year ended 31 December 2012, in order to reflect the application of IAS 19 and the application of IAS 12 to include among inventories of assets (within caption 150 "other assets"), certain property and other assets deriving from the enforcement of guarantees or purchases at auction, available for sale on the market in the near future and consequent income statement effect.

Except as otherwise indicated, the financial information contained in this Prospectus and in the section "*Description of Intesa Sanpaolo S.p.A.*" contained in the 2015 Base Prospectus that is incorporated by reference in this Prospectus is unaudited and different from the Financial Statements in as much as (i) in certain cases, it has been subject to restatements and/or adjustments to account for changes in accounting principles and/or changes in the scope of consolidation; and (ii) it has in all cases been subject to reclassification by aggregating and/or changing certain line items from the Financial Statements and, in some instances, by creating new line items or moving amounts to different line items. In particular, (i) certain comparative figures as of 30 September 2014 have been restated to reflect the line-by-line restatement of assets previously classified as held for sale and discontinued operations and the acquisition of control of certain shareholders (ii) certain comparative balance sheet figures as of 31 December 2014 have been restated to reflect the line-by-line restatement of assets previously classified as held for sale and discontinued operations and the acquisition of control of certain shareholders; and (iii) certain comparative balance sheet figures as of 31 December 2013 and 31 December 2012 have been further restated to reflect the sale of certain subsidiaries and associated companies, to allow a consistent comparison.

These restatements and reclassifications made to the financial information may make it difficult for prospective investors to make comparisons between the different sets of financial information. Prospective investors are therefore cautioned against placing undue reliance on these comparisons.

In making an investment decision, prospective investors must rely upon their own examination of the financial statements and financial information included elsewhere, or incorporated by reference, in this Prospectus and should consult their professional advisors for an understanding of: (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included, or incorporated by reference, in this Prospectus; and (ii) the impact that future additions to, or amendments of, IFRS principles may have on the Group's results of operations and/or financial condition, as well as on the comparability of prior periods.

## STABILISATION

***In connection with the issue of the Notes, Deutsche Bank AG, London Branch (the "*****Stabilising Manager*****") (or persons acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over allotment shall be conducted in accordance with all applicable laws and rules.***

## CERTAIN DEFINITIONS

*Intesa Sanpaolo is the surviving entity from the merger between Banca Intesa S.p.A. and Sanpaolo IMI S.p.A., which was completed with effect from 1 January 2007. Pursuant to the merger, Sanpaolo IMI S.p.A. merged by incorporation into Banca Intesa S.p.A. which, upon completion of the merger, changed its name to Intesa Sanpaolo S.p.A. Accordingly, in this Prospectus:*

(i) *references to "***Intesa Sanpaolo***" are to Intesa Sanpaolo S.p.A. in respect of the period since 1 January 2007 and references to the "***Group***" or to the "***Intesa Sanpaolo Group***" are to Intesa Sanpaolo and its subsidiaries in respect of the same period;*

(ii) *references to "***Banca Intesa***" or "***Intesa***" are to Banca Intesa S.p.A. in respect of the period prior to 1 January 2007 and references to the "***Banca Intesa Group***" or the "***Intesa Group***" are to Banca Intesa and its subsidiaries in respect of the same period; and*

(iii) *references to "***Sanpaolo IMI***" are to Sanpaolo IMI S.p.A. and references to "***Sanpaolo IMI Group***" are to Sanpaolo IMI and its subsidiaries.*

## RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes discussed in this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. See also "*Risk Factors—Risks related to the Notes*". In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors. In particular, in June 2015, the UK Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect 1 October 2015 (the "**PI Instrument**"). Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"), (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Notes, must not be sold to retail clients in the EEA and (ii) there must not be a communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or other beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Joint Lead Managers are required to comply with the applicable PI Rules. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

(i) it is not a retail client in the EEA (as defined in the applicable PI Rules);

(ii) whether or not it is subject to the PI Rules, it will not (a) sell or offer the Notes (or any beneficial interests therein) to retail clients in the EEA or (b) communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules), in any such case other than (x) in relation to any sale or offer to sell the Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (y) in relation to any sale or offer to sell the Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (A) it has conducted an

assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or any beneficial interests therein) and is able to bear the potential losses involved in an investment in the Notes (or any beneficial interests therein) and (B) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**") to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

(iii) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

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# GENERAL OVERVIEW

*This general overview must be read as an introduction to this Prospectus and is qualified in its entirety by reference to the more detailed information presented elsewhere in this Prospectus. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.*

*In this Prospectus, words and expressions defined in the "*Terms and Conditions of the Notes*" below or elsewhere have the same meanings when used in this general overview and references to a "*Condition*" is to such numbered condition in the Terms and Conditions of the Notes.*

| | |
|---|---|
| **Issuer:** | Intesa Sanpaolo S.p.A. |
| **Joint Lead Managers:** | Banca IMI S.p.A., Deutsche Bank AG, London Branch, HSBC Bank plc, Merrill Lynch International, Société Générale and UBS Limited |
| **Principal amount:** | €1,250,000,000 |
| **Issue price:** | 100.0 per cent. of the principal amount of the Notes. |
| **Issue date:** | 19 January 2016 |
| **Form and denomination:** | The Notes will be issued in bearer form in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000. |
| **Status of the Notes:** | The Notes constitute and will constitute unsecured, subordinated obligations of the Issuer.<br><br>In the event of the voluntary or involuntary liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, the rights of the holders of the Notes to payments of the then Outstanding Principal Amount (as reduced by any relevant Write-Down Amount in respect of a Trigger Event which has occurred but in respect of which the Write-Down Effective Date has not yet occurred, if any) of the Notes and any other amounts in respect of the Notes (including any accrued and uncancelled interest or damages awarded for breach of any obligations under the Conditions, if any are payable), will rank:<br><br>(A) *pari passu* without any preference among the Notes;<br><br>(B) at least *pari passu* with payments to holders of present or future outstanding Parity Securities of the Issuer;<br><br>(C) in priority to payments to holders of present or future outstanding Junior Securities of the Issuer; and<br><br>(D) junior in right of payment to the payment of any present or future claims of (x) depositors of the Issuer, (y) other unsubordinated creditors of the Issuer, and (z) subordinated creditors of the Issuer in respect of Subordinated Indebtedness (other than Parity Securities and Junior Securities) including, |

without limitation, any subordinated notes intended to qualify as Tier 2 Capital.

"**Parity Securities**" means (i) any subordinated and undated debt instruments or securities of the Issuer which are recognized as Additional Tier 1 capital of the Issuer, from time to time by the Relevant Authority and (ii) any securities or other obligations of the Issuer which rank, or are expressed to rank, on a voluntary or involuntary liquidation or bankruptcy of the Issuer, *pari passu* with the Notes.

"**Junior Securities**" means (i) the share capital of the Issuer including its *azioni privilegiate*, ordinary shares and *azioni di risparmio*, (ii) any securities, instruments or obligations of the Issuer (including *strumenti finanziari* issued under Article 2346 of the Italian Civil Code) ranking, or expressed to rank, *pari passu* with the claims described under (i) above and/or junior to the Notes, and (iii) any securities issued by an institution within the Group (excluding the Issuer) which have the benefit of a guarantee or similar instrument from the Issuer ranking, or expressed to rank, *pari passu* with the claims described under (i) and (ii) above, and/or junior to the Notes.

"**Tier 2 Capital**" has the meaning given to it (or, if no longer used, any equivalent or successor term) in the Applicable Banking Regulations.

**No fixed redemption:**

The Notes will mature and be redeemed by the Issuer on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 14 January 2016 provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority.

The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of Condition 8 (*Redemption and Purchase*). The Notes may not be redeemed at the option of the Noteholders.

**Interest:**

The Notes will bear interest at their Outstanding Principal Amount, on a non-cumulative basis subject to cancellation as described below, semi-annually in arrear on 19 January and 19 July in each year (each, an "**Interest Payment Date**"). The rate of interest through to (and excluding) 19 January 2021 (the "**First Reset Date**") will be 7.0 per cent. per annum. The rate of interest will be reset on the First Reset Date and on each 5-year anniversary thereafter (each, a "**Reset Date**").

"**Outstanding Principal Amount**" means, in respect of a Note on any date, the principal amount of such Note as of the Issue Date (the "**Original Principal Amount**") as reduced from time to time (on one or more occasions) pursuant to a write-down and/or reinstated from time to time (on one or more occasions) pursuant to a Reinstatement in each case on or prior to such date, in each case pursuant to Condition 7 (*Loss Absorption Mechanism*).

**Discretionary interest payments:**

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Any and all interest payments shall be paid out of Distributable Items.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

**Restriction on interest payments:**

Payment of interest on the Notes on any Interest Payment Date is furthermore subject to restrictions by reference to the amount of Distributable Items and to the Maximum Distributable Amount applicable to the Issuer and/or the Group. See further Condition 6.2 (*Restriction on interest payments*).

"**Distributable Items**" at any time, shall have the meaning assigned to such term in CRR as interpreted and applied in accordance with the Applicable Banking Regulations then applicable to the Issuer, where "before distributions to holders of own funds instruments" shall be read as a reference to "before distributions to holders of the Notes and to holders of any Parity Securities and Junior Securities constituting Own Funds instruments".

"**Maximum Distributable Amount**" means any maximum distributable amount relating either to the Issuer and/or the Group (as the case may be) required to be calculated in accordance with Article 141 of the CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285 of 17 December 2013, as amended) and in

accordance with the Applicable Banking Regulations.

**Non-cumulative interest:**

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with Condition 6.1 (*Discretionary interest payments*) or Condition 6.2 (*Restriction on interest payments*). Any interest cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter nor constitute an Event of Default under Condition 11 (*Enforcement Event*), and Noteholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

**Interest in case of Write-Down/Reinstatement:**

Following a write-down of the Notes pursuant to Condition 7 (*Loss Absorption Mechanism*), holders of the Notes will not have any rights against the Issuer with respect to the payment of interest on any principal amount that has been so written down (without prejudice to any rights as to reinstatement as may be applicable to the Notes), and interest on the Write-Down Amount for the Interest Period ending on the Interest Payment Date following such write-down shall be deemed to have been cancelled. Furthermore, interest - otherwise due and payable on an Interest Payment Date - on any principal amount that is to be written down on a date that falls after such Interest Payment Date as a result of a trigger event that has occurred prior to such Interest Payment Date will also be cancelled, all as described in Condition 6.5 (*Interest Amount in case of Write-Down*).

In the event that one or more Reinstatement(s) occur(s) during an Interest Period, any Interest Amount payable on the Interest Payment Date immediately following such Reinstatement(s) shall be calculated in a manner such that interest shall begin to accrue on the reinstated principal amount of the Notes from time to time, and shall become payable subject to the Conditions, as from the date of each such reinstatement. See further Condition 6.6 (*Interest Amount in case of Reinstatement*).

**Write-down upon Trigger Event:**

If the Issuer determines that a Trigger Event has occurred at any time, then the Issuer shall write down the Outstanding Principal Amount of the Notes, on a *pro rata* basis with the write-down or conversion of other Loss Absorbing Instruments, by the relevant Write-Down Amount, as described in Condition 7.1 (*Write-down*).

"**CET1 Ratio**" means at any time, the ratio of CET1 Capital of the Issuer or the Group (as the case may be) as of such date to the Risk Weighted Assets of the Issuer or the Group (as the case may be) as of the same date, expressed as a percentage and, for the avoidance of doubt, on the basis that, save as specified in the definition of "Risk

Weighted Assets", all measures used in such calculation shall be calculated applying the transitional provisions set out in Part Ten of CRR and applied in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be).

"**Loss Absorbing Instruments**" means at any time any instrument (other than the Notes) issued directly or indirectly by the Issuer which at such time (i) qualifies as Additional Tier 1 Capital of the Issuer and (ii) which is subject to utilization and conversion into equity or utilization and write-down (as applicable) of the Outstanding Principal Amount thereof (in accordance with its terms or otherwise) on the occurrence, or as a result, of the CET1 Ratio falling below a specified level.

A "**Trigger Event**" shall occur if the CET1 Ratio of the Issuer on a standalone, or the Group on a consolidated basis, is less than the Trigger Level, as applicable, on such date.

"**Trigger Level**" means 5.125%.

"**Write-Down Amount**" means the amount by which the Outstanding Principal Amount of each Note is to be written down on the Write-Down Effective Date, which shall be:

(i) the amount (together with the write-down on a *pro rata* basis of the other Notes of the same series and any utilization and conversion into equity or utilization and write-down, on a *pro rata* basis, of other Loss Absorbing Instruments that fell below the applicable trigger level of such instrument) that would be sufficient to restore the CET1 Ratio of both the Issuer and the Group to the Trigger Level, as applicable; or

(ii) if that write-down (together with the write-down on a *pro rata* basis of the other Notes of the same series and any utilization and conversion into equity or utilization and write-down, on a *pro rata* basis, of any other Loss Absorbing Instruments that fell below the applicable trigger level of such instrument) would be insufficient to restore the CET1 Ratio to the Trigger Level, or the CET1 Ratio is not capable of being so restored, the amount necessary to reduce the Outstanding Principal Amount of such Note to the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations,

provided that, for the avoidance of doubt, with respect to any other Higher Trigger Loss Absorbing Instruments, such *pro rata* write-down or conversion shall only be taken into account to the extent required to restore the CET1 Ratio to the Trigger Level.

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| **Reinstatement:** | If a positive Net Income and a positive Consolidated Net Income is recorded at any time while the Outstanding Principal Amount of the Notes is less than their Original Principal Amount, the Issuer may, at its sole and absolute discretion, reinstate and write up the Outstanding Principal Amount of the Notes on a *pro rata* basis with other Equal Trigger Temporary Written Instruments that have been written down, subject to compliance with the reinstatement limit pursuant to applicable banking regulations, on the terms and subject to the conditions set out in Condition 7.2 (*Reinstatement*).<br><br>In particular, any reinstatement of the Notes shall - when aggregated together with the reinstatement of the outstanding principal amount and payments on all instruments of the Issuer and/or the Group constituting Additional Tier 1 Capital and distributions of the kind referred to in Article 141(2) of CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285) - be limited to the extent necessary to ensure the Maximum Distributable Amount (if any) is not exceeded thereby in circumstances where Article 141 of CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285) applies. The amount by which the Outstanding Principal Amount of each Note is to be reinstated is furthermore subject to limitations by reference to the Maximum Reinstatement Amount. See further the paragraph headed "*Reinstatement Amount*" in Condition 7.2 (*Reinstatement*). |
| **Redemption at the option of the Issuer:** | The Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to the prior approval of the Relevant Authority, on any Optional Redemption Date (Call) at their Outstanding Principal Amount together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) up to, but excluding, the date fixed for redemption and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8.2 (*Redemption at the option of the Issuer*).<br><br>"**Optional Redemption Date (Call)**" means each of the First Reset Date and any Interest Payment Date thereafter. |
| **Redemption due to a Regulatory Event:** | The Issuer may, at its option, redeem the Notes in whole, but not in part, subject to the prior approval of the Relevant Authority, following the occurrence of a Regulatory Event, at their Outstanding Principal Amount together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) up to, but excluding, the date fixed for redemption and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8.3 (*Redemption due to a Regulatory Event*). |

"**Regulatory Event**" is deemed to have occurred if there is a change in the regulatory classification of the Notes from the classification as of the Issue Date that would be likely to result in their exclusion in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Additional Tier 1 capital of the Issuer and/or the Group and, prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations, both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as of the Issue Date.

**Redemption for tax reasons:**

The Issuer may, at its option, redeem the Notes in whole, but not in part (but subject to the prior approval of the Relevant Authority) at any time if:

(i) the Issuer (a) has or will become obliged to pay additional amounts on the occasion of the next payment of interest due in respect of the Notes as provided or referred to in Condition 10 (*Taxation*) or (b) has or will lose the ability to deduct the interest payable on the Notes from its taxable income, as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy, or any political subdivision or any authority or agency thereof or therein, or any change in the application or interpretation or administration of such laws or regulations, which change or amendment (such change or amendment, prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations, being material and not reasonably foreseeable at the Issue Date as shall be demonstrated by the Issuer to the satisfaction of the Relevant Authority) becomes effective on or after the Issue Date; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

at their Outstanding Principal Amount together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) up to, but excluding, the date fixed for redemption and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8.4 (*Redemption for tax reasons*).

**Conditions to redemption and purchase:**

Any redemption or purchase of the Notes is subject to the prior approval of the Relevant Authority. In accordance with Article 78(1) of the CRR, the Relevant Authority shall grant permission to redeem or purchase the Notes where either of the following conditions is met:

(a) on or before such redemption, the Issuer replaces the relevant Notes with own funds instruments of an equal or higher quality at terms that are sustainable for its income capacity; or

(b) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds would, following the redemption, exceed the capital ratios required under the CRD IV Package by a margin that the Relevant Authority may consider necessary on the basis set out in the CRD IV for it to determine the appropriate level of capital of an institution.

**Redemption and Trigger Event:** The Issuer shall not give any redemption notice in accordance with the provisions of Condition 8.2 (*Redemption at the option of the Issuer*), Condition 8.3 (*Redemption due to a Regulatory Event*) or Condition 8.4 (*Redemption for tax reasons*) after a Trigger Event occurs and has not been remedied. Furthermore, if the Issuer has elected to redeem the Notes in accordance with Condition 8.2 (*Redemption at the option of the Issuer*), Condition 8.3 (*Redemption due to a Regulatory Event*) or Condition 8.4 (*Redemption for tax reasons*) but prior to the payment of the redemption amount with respect to such redemption, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and write-down shall apply in accordance with Condition 7 (*Loss Absorption Mechanism*).

**Modification or Substitution following a Regulatory Event or a Tax Event:** If at any time a Tax Event or a Regulatory Event occurs, then the Issuer may (without any requirement for the consent or approval of Noteholders), subject to giving any notice required to, and receiving any consent required from, the Relevant Authority (if so required), substitute all (but not some only) of the Notes, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities, as described in Condition 15.3 (*Modification or Substitution following a Regulatory Event or a Tax Event*).

**Taxation:** All payments of principal and interest in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, taxes imposed by the Republic of Italy, unless such a withholding or deduction is required by law. In that event, the Issuer will (subject as provided in Condition 10 (*Taxation*)) pay Additional Amounts on interests, premium and other income from the Notes (but not principal or any other amount) as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required.

However, in certain circumstances and as more fully set out in Condition 10 (*Taxation*), the Issuer shall not be liable to pay any Additional Amounts to Noteholders, including in particular with respect to any payment, withholding or deduction pursuant to

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| | Legislative Decree No. 239 on account of Italian substitute tax (*imposta sostitutiva*). |
| **Governing Law:** | The Notes and any non-contractual obligations arising out of or in connection with them will be governed by English law, save that Condition 4 (*Status and Subordination of the Notes*) and any non-contractual obligations arising out of or in connection with such Condition are governed by Italian law. |
| **Listing and Trading:** | Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to admit the Notes to trading on its Regulated Market. |
| **Rating:** | The Notes are expected to be rated "Ba3" by Moody's, "B+" by S&P, "BB-" by Fitch and "BB" by DBRS. |
| | **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.** |
| **Selling restrictions:** | For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the United Kingdom, Italy, Luxembourg, Hong Kong, China, Singapore, Japan and France, see "*Subscription and Sale*" below. |
| **Clearing systems:** | Euroclear and Clearstream, Luxembourg. |
| **ISIN:** | XS1346815787 |
| **Common code:** | 134681578 |

# RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent to an investment in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it currently may not be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risk of holding any Notes are exhaustive.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined in the* "Terms and Conditions of the Notes" *below or elsewhere have the same meanings when used in this section. References to a* "Condition" *is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read the entire Prospectus.*

**Factors that may affect the Issuers' ability to fulfil their obligations under Notes**

**Risk factors relating to the Issuer**

*Risk management*

The Intesa Sanpaolo Group is subject to risks that are an inherent part of its business activity. These risks include credit risk, country risk, market risk, liquidity risk and operational risk, as well as business risk and risks specific to its insurance business. The Intesa Sanpaolo Group's profitability depends on its ability to identify, measure and continuously monitor these risks. As described below, the Intesa Sanpaolo Group attaches great importance to risk management and control as conditions to ensure reliable and sustainable value creation in a context of controlled risk.

The risk management strategy aims to achieve a complete and consistent overview of risks, considering both the macroeconomic scenario and the Intesa Sanpaolo Group's risk profile, by applying a culture of risk-awareness and enhancing the transparent, accurate representation of the risk level of the Group's portfolios.

Risk-acceptance strategies are summarised in the Group's Risk Appetite Framework (RAF), approved by the Management Board and the Supervisory Board. The RAF, introduced in 2011 to ensure that risk-acceptance activities remain in line with shareholders' expectations, is established by taking account of the Intesa Sanpaolo Group's risk position and the economic situation.

The general principles that govern the Group's risk-acceptance strategy may be summarised as follows:

– Intesa Sanpaolo is a banking group focused on a commercial business model in which domestic retail activity remains the Group's structural strength;
– the Group does not aim to eliminate risks, but rather attempts to understand and manage them so as to ensure an adequate return for the risks taken, while guaranteeing the Group's solidity and business continuity in the long term;
– Intesa Sanpaolo has a moderate risk profile in which capital adequacy, earnings stability, a sound liquidity position and a strong reputation are the key factors to protecting its current and prospective profitability;

- Intesa Sanpaolo aims for a capitalisation level in line with its main European peers (on average with ratings higher than those of the Italian government);
- Intesa Sanpaolo intends to maintain strong management of the main specific risks (not necessarily associated with macroeconomic shocks) to which the Group may be exposed;
- the Group attaches great importance to compliance and reputation risks: for compliance risk, the Group aims to achieve formal and substantive compliance with rules in order to avoid penalties and maintain a solid relationship of trust with all of its stakeholders and customers. For reputation risk, the Intesa Sanpaolo Group strives to actively manage its image in the eyes of all stakeholders and aims to prevent and contain any negative effects on said image.

The definition of the Risk Appetite Framework and the resulting operating limits for the main specific risks, the use of risk measurement instruments in loan management processes and controlling operational risk and the use of capital at risk measures for management reporting and assessment of capital adequacy within the Intesa Sanpaolo Group, represent fundamental milestones in the operational application of the risk strategy defined by the Supervisory Board and the Management Board along the Intesa Sanpaolo Group's entire decision-making chain, down to the single operating units and to the single desk.

Risk-acceptance policies are defined by the Intesa Sanpaolo's Supervisory Board and the Management Board. The Supervisory Board carries out its activity through specific internal Committees, among which mention should be made of the Internal Control Committee and Risk Committee. The Management Board relies on the action of managerial committees, among which mention should be made of the Intesa Sanpaolo Group Risk Governance Committee. Both corporate bodies receive support from the Chief Risk Officer, who is a member of the Management Board and reports directly to the Chief Executive Officer.

The Intesa Sanpaolo Group sets out these general principles in policies, limits and criteria applied to the various risk categories (described below) and business areas with specific risk tolerance sub-thresholds, in a comprehensive framework of governance, control limits and procedures.

Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures, including a form of stress test.

Particular attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at Intesa Sanpaolo Group level and operating sub-areas, in accordance with international regulations and the risk appetite approved at Intesa Sanpaolo Group level.

The Intesa Sanpaolo Group also intends to maintain adequate levels of protection against reputational risk so as to minimise the risk of negative events that might jeopardise its image. To that end, it has initiated an *ex-ante* risk management process to identify the major reputational and compliance risks for the Intesa Sanpaolo Group, to define prevention and mitigation tools and measures in advance and to implement specific, dedicated reporting flows.

Assessments of each single type of risk are integrated in a summary amount - the economic capital - defined as the maximum "unexpected" loss the Intesa Sanpaolo Group might incur over a year. This is a key measure for determining the Intesa Sanpaolo Group's financial structure and risk tolerance and guiding operations, ensuring the balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario under ordinary and stress conditions. The assessment of capital is included in business reporting and is

submitted quarterly to the Intesa Sanpaolo Group Risk Governance Committee, the Risk Committee and the Management Board, as part of the Intesa Sanpaolo Group's Risks *Tableau de Bord*.

Intesa Sanpaolo is in charge of overall direction, management and control of risks. Intesa Sanpaolo Group companies that generate credit and/or financial risks are assigned autonomy limits at Intesa Sanpaolo Group level and each has its own control structure. For the main Intesa Sanpaolo Group subsidiaries, these functions are performed, on the basis of an outsourcing contract, by the Parent Company's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiary.

With effect from 1 January 2014, the reforms of the accord by the Basel Committee (**Basel 3**) were implemented in the EU legal framework.

In preparing to comply with the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the *Banca dei Territori* Division and the main Italian product companies.

The scope of application has since been gradually extended to include the Retail Mortgages and SME Retail portfolios, as well as other Italian and international Group companies.

The Intesa Sanpaolo Group is also proceeding with development of the IRB systems for the other business segments and the extension of the scope of companies for their application in accordance with a plan presented to the supervisory authorities.

With reference to Intesa Sanpaolo and to Banca IMI, the Bank of Italy granted the authorisation to use the internal counterparty risk model for regulatory purposes, starting from the first quarter of 2014.

Regarding operational risk, as of 31 December 2009, the Intesa Sanpaolo Group was authorised by the Bank of Italy to use the advanced measurement approaches to determine capital requirements for operational risk with respect to an initial number of banks and companies. With effect from 31 December 2010, 31 December 2011 and 30 June 2013, the Intesa Sanpaolo Group was authorised to extend the use of advanced approaches to respectively a second, third and fourth set of companies, while the remaining Intesa Sanpaolo Group companies that currently use the standardised approach, are expected to gradually migrate to the advanced measurement approaches based on the roll-out plan submitted to management and presented to the supervisory authorities. Moreover, as of 30 June 2013 the Intesa Sanpaolo Group was authorised by the Bank of Italy to include the benefits of its internal model insurance mitigation component in the computation of its regulatory capital.

***Credit Risk***

Credit risk is the risk of losses due to the failure on the part of the Intesa Sanpaolo Group's counterparties (customers) to meet their payment obligations to the Intesa Sanpaolo Group. Credit risk refers to all claims against customers, mainly loans, but also liabilities in the form of other extended credits, guarantees, interest-bearing securities, approved and undrawn credits, as well as counter-party risk arising through derivatives and foreign exchange contracts. Credit risk also consists of concentration risk, country risk and residual risks, both from securitisations and uncertainty regarding credit recovery rates. Credit risk represents the chief risk category for the Intesa Sanpaolo Group.

Intesa Sanpaolo has developed a set of instruments which ensures analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.

Risk measurement uses rating models that are differentiated according to the borrower's segment (corporate, small business, mortgage loans, personal loans, sovereigns, Italian public sector entities, financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement (the rating), which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. In case of default, internal rating of loss given default (**LGD**) model measures losses on each facility, including any downturn effect related to the economic cycle.

Ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in the entire loan granting and monitoring process: they are used to set credit strategies and loan granting and monitoring rules as well as to determine decision-making powers.

The main characteristics of the *probability of default* (PD) and LGD models for Corporate, SME Retail segment and Retail Mortgages segment, which are validated for Basel II advanced approaches, are the following:

- PD model
  - Corporate segment models are based on financial, behavioural and qualitative data of the customers. They are differentiated according to the market in question (domestic or international) and the size bracket of the company. Specific models are implemented for specialised lending (real estate development initiatives, project finance transactions, leveraged buy-out acquisition finance and asset finance transactions).
  - For the Small Business segment, since the end of 2008 a rating model by counterparty has been used for the Intesa Sanpaolo Group, following a scheme similar to that of the Corporate segment, meaning that it is extremely decentralised and its quantitative-objective elements are supplemented by qualitative-subjective elements; in 2011, the service model for the Small Business segment was redefined, by introducing in particular a sub-segmentation of "Micro" and "Core" customers according to criteria of size and simplicity and a partial automation of the granting process.
  - The Intesa Sanpaolo Group model for the Retail Mortgages segment, adopted in late 2008, processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the application model is used, and the subsequent assessment during the lifetime of the mortgage (behavioural model), which takes into account behavioural information.
- LGD model
  - LGD model is determined according to differentiated models, specialised by operating segment and products (Corporate for Banking products, Corporate Factoring, Corporate Leasing, SME Retail, Retail Mortgages, Factoring, Leasing).
  - The LGD models, for which advanced internal rating base method has been approved, are: Retail Mortgages (effective from 30 June 2010), Corporate (these models are based on different types of financial assets: banking, effective from 31 December 2010; leasing and factoring, effective from 30 June 2012) and SME Retail (effective from 31 December 2012).

- The LGD estimation is made up of the actual recoveries achieved during the management of disputes, taking into account the (direct and indirect) costs and the recovery period, as required by the regulation. All the models have been developed on the basis of a workout approach, analysing the losses suffered by the Intesa Sanpaolo Group on historical defaults.

- For the Corporate segment, the following drivers were significant: geographical area, presence/absence of personal guarantee, presence/absence of real estate guarantee, facility type, and legal form. For the SME Retail segment, the following were significant: geographical area, facility type, presence/absence of personal guarantee, presence/absence of real estate guarantee, value to loan (amount of real estate coverage) and exposure level. For the Retail Mortgages segment, the geographical area and the value to loan were significant.

***Country risk***

Assessment of creditworthiness of countries is based on both an internal Sovereign Rating and Transfer risk Rating model.

Country risk for sovereign entities is assessed by a rating model that assigns creditworthiness ratings to over 260 countries. The model's structure includes a quantitative component for assessing country risk (which takes into account the structural rating assigned to a country by leading international rating agencies, implicit risk in market quotations of sovereign credit default swaps and bonds, and a macroeconomic model for more than 130 countries) and a qualitative component (which includes a qualitative opinion taking into consideration elements drawn from the broader scope of publicly available information concerning the political and economic structures of individual countries). Country risk for non-sovereign is measured through an internal model for transfer risk which takes into consideration both macroeconomic indicators and also the sovereign state's creditworthiness.

***Market Risks***

Market risk trading book

Market risk arises as a consequence of the Intesa Sanpaolo Group's trading and its open positions in the foreign exchange, interest rate and capital markets. The risk is derived from the fluctuation in the value of listed financial instruments whose value is linked to market variables. Market risk in the trading portfolio arises through trading activities in the interest rate, bonds, credit derivatives, commodities, foreign exchange and equity markets. Market risk in the banking portfolio arises from differences in fixed-rate periods.

The quantification of trading risks is based on daily value at risk ("**VaR**") of the trading portfolios of Intesa Sanpaolo and the subsidiary Banca IMI S.p.A., which represent the main portion of the Intesa Sanpaolo Group's market risks, to adverse market movements of the following risk factors:

– interest rates;

– equity and market indexes;

– investment funds;

– foreign exchange rates;

– implied volatilities;

- spreads in credit default swaps ("**CDS**");
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities ("**ABS**");
- commodities.

A number of the other Intesa Sanpaolo Group's subsidiaries hold smaller trading portfolios with a marginal risk (around 2 per cent. of the Intesa Sanpaolo Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were interest rates and foreign exchange rates, both relating to linear pay-offs.

For some of the risk factors indicated above, the Bank of Italy has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI S.p.A. In particular, the validated risk profiles for market risks are: (i) generic and specific risk on debt securities and on equities for Intesa Sanpaolo and Banca IMI S.p.A., (ii) position risk on quotas of funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI S.p.A., (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI S.p.A., the only legal entity in the Intesa Sanpaolo Group authorised to hold open positions in commodities. As of 1 April 2014, Internal model coverage includes hedge funds positions in Intesa Sanpaolo (look-through approach).

Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds). VaR estimates are calculated daily based on simulations of historical time-series, a 99 per cent. confidence level and 1-day holding period.

Market risk banking book

Market risk originated by the banking book arises primarily in Intesa Sanpaolo and in the main subsidiaries that carry out retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mostly held by Intesa Sanpaolo and by the subsidiaries Equiter and IMI Investimenti.

The methods used to measure market risks of the Intesa Sanpaolo Group's banking book are (i) VaR, and (ii) sensitivity analysis. VaR is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a ten day holding period with a statistical 99 per cent. confidence level (parametric VaR). Besides measuring the equity portfolio, VaR is also used to consolidate exposure to financial risks of the various Intesa Sanpaolo Group's companies which perform banking book activities, thereby taking into account diversification benefits.

Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer sight loans and deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity

representation model through equivalent deposits. Equity risk sensitivity is measured as the impact of a price shock of ±10 per cent.

Furthermore, the sensitivity of the interest margin is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of 100 basis points, over a period of 12 months. Hedging activity of interest rate risk is aimed (i) at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) at reducing the volatility of future cash flows related to a particular asset/liability.

The main types of derivative contracts used are interest rate swaps ("**IRS**"), overnight index swaps ("**OIS**"), cross currency swaps ("**CCS**") and options on interest rates stipulated by Intesa Sanpaolo with third parties or with other Intesa Sanpaolo Group companies (e.g. Banca IMI S.p.A.), which, in turn, cover the risk in the market so that the hedging transactions meet the criteria to qualify as IAS compliant for consolidated annual financial statements. Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (microhedging), mainly consisting of bonds issued or acquired by the Intesa Sanpaolo Group companies and loans to customers. Moreover, macro-hedging is carried out on the stable portion of on demand deposits in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. Intesa Sanpaolo is exposed to this risk in the period from the date on which the rate is set and the interest payment date. Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on both variable rate funding to the extent that the latter finances fixed-rate investments and on variable rate investments to cover fixed-rate funding (macro cash flow hedge).

The Financial and Market Risks Head Office Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting standards.

***Foreign exchange risk***

Currency risk positions are taken in both trading and non-trading books. As with market risk, the currency risk in the trading books is controlled using VaR limits (see the methodological approach described above), while the structural currency risk in the non-trading books is mitigated by the practice of raising funds in the same currency as the assets.

***Issuer and counterparty risk***

Issuer risk in the trading portfolio is analysed in terms of mark to market, by aggregating exposures in rating classes and is monitored using a system of operating limits based on both rating classes and concentration indices. A limit at legal entity level (for Intesa Sanpaolo and Banca IMI S.p.A.) is also defined and monitored in terms of Incremental Risk Charge (Credit VaR calculated over a one year time horizon at a confidence level of 99.9 per cent. on bonds, single name CDS and index CDS relating to the issuer trading book portfolio of each bank). Counterparty risk, measured in terms of potential future exposure, is monitored both in terms of individual and aggregate exposures by the credit department. In order for risk to be managed effectively within Intesa Sanpaolo, the risk measurement system is integrated into decision-making processes and the management of company operations. Starting from end of March 2014, the Bank of Italy authorised the use of the internal model for counterparty risk (EPE – Expected Positive Exposure) for regulatory purposes, with reference to the parent company Intesa Sanpaolo and Banca IMI.

Specifically, the following measures were defined and implemented:

- PFE (potential future exposure): evolution over time of the credit exposure (i.e. positive mark-to-market) with a 95% confidence level; this is a prudent measure used for credit monitoring purposes. PFE calculated for each counterparty is calculated every day by a risk management calculation engine and sent to credit monitoring engine.

- EPE (expected positive exposure): weighted average for the expected time of the credit exposure, where the weightings are the portions that each time step represents of the entire time period. This is a regulatory measure.

- CVA capital charge: sum of spread VaR calculated in current and stressed market conditions, of a CDS equivalent portfolios of sold protection with notional equal to the expected exposure of every counterparty. This is a regulatory measure.

***Liquidity risk***

Liquidity risk is defined as the risk that the Intesa Sanpaolo Group may not be able to meet its payment obligations due to the inability to procure funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk). These guidelines, annually updated, incorporate international best practices and regulatory developments in order to reflect Basel III liquidity requirements, as implemented by the CRD IV/CRR and the Commission Delegated Regulation (EU) 2015/61 with regard to the liquidity coverage requirement for Credit Institutions adopted by the Commission in October 2014 and published in the Official Journal of the European Union in January 2015 (the "**Liquidity Coverage Ratio Delegated Act**").

Specific rules, metrics, processes, limits, roles and responsibilities are defined in the Liquidity Risk Management Guidelines in order to ensure a prudent control of liquidity risk and guarantee an adequate, balanced level of liquidity for the whole Intesa Sanpaolo Group.

Intesa Sanpaolo directly manages its own liquidity, coordinates liquidity management at the Intesa Sanpaolo Group level, verifies the adoption of adequate control techniques and procedures, and provides complete and accurate information to the Operational Committees (Group Risk Governance Committee and Group Financial Risks Committee) and the relevant statutory bodies.

The internal short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows, in order to respond to periods of tension on the various funding sourcing markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. The internal structural Liquidity Policy incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of medium to long term maturities of the assets and liabilities, essential for the strategic planning of liquidity management.

The Intesa Sanpaolo Group Guidelines also call for the periodic estimation of liquidity risk position in acute combined stress scenarios (both stress specific and market-related ones) and the introduction of a target threshold aimed at establishing an overall level of reserves suitable to meet greater cash outflows to restore the Intesa Sanpaolo Group to balanced conditions.

Together with these policies, the Group Guidelines provide management methods to be used in a liquidity crisis scenario, defined as a situation wherein the Group has difficulty or is unable to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

Finally, the Intesa Sanpaolo Group has a contingency liquidity plan in place, which has the objective of safeguarding the Intesa Sanpaolo Group's asset value and enabling the continuity of operations under

conditions of a liquidity constriction, or even in the absence of liquidity in the market. The plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies.

***Operational risk***

Operational risk is defined as the risk of suffering losses due to inadequacy or failure of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, which is the risk of losses deriving from breaches of laws or regulations, contractual, out-of-contract responsibilities or other disputes, information and communication technology risk and model risk. Strategic and reputational risks are not included.

The Intesa Sanpaolo Group has long defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

The control of the Group's operational risk was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.

The tasks with which the Intesa Sanpaolo Group Internal Control Coordination and Operational Risk Committee is charged include periodically reviewing the Intesa Sanpaolo Group's overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Intesa Sanpaolo Group has a centralised function within the Enterprise Risk Management Department for the management of the Intesa Sanpaolo Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to top management.

In compliance with current requirements, the individual organisational units are responsible for identifying, assessing, managing and mitigating their own operational risks. Specific officers and departments have been identified within these business units to be responsible for operational risk management (structured collection of information relative to operational events, scenario analysis and business environment and internal control factors evaluation).

The integrated self-diagnosis process, which has been conducted on an annual basis, has allowed the Intesa Sanpaolo Group to:

- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions; and
- create significant synergies with the specialised functions of the organisation and security department that supervise the planning of operational processes and business continuity issues with the Adminsitrative and Financial Governance Department and with the internal control functions (in particular compliance and internal auditing) that supervise specific regulations and issues (such as Legislative Decree No. 231 of 2001 and Law No. 262 of 2005) or conduct tests of the effectiveness of controls of company processes.

The self-diagnosis process identified a good overall level of control of operational risks and contributed to enhancing the diffusion of a business culture focused on the ongoing control of these risks.

The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.

The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative and qualitative information (self-assessment).

The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (the *Operational Riskdata eXchange Association - ORX*).

The qualitative component (scenario analysis) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Intesa Sanpaolo's business areas, the corporate centre) with the objective of assessing the potential economic impact of particularly severe operational events.

Capital-at-risk is therefore identified as the minimum amount at the Intesa Sanpaolo Group level required to bear the maximum potential loss (worst case); capital-at-risk is estimated using a "Loss Distribution Approach" model (actuarial statistical model to calculate the VaR of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90 per cent; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk of the evaluation of the business environment (business environment assessment evaluation), to take account of the effectiveness of internal controls in the various organisational units.

Operational risks are monitored by an integrated reporting system, which provides Management with support information for the management and/or mitigation of the operational risk.

In order to support the operational risk management process on a continuous basis, a structured training programme has been implemented for employees actively involved in the process of managing and mitigating operational risk.

The Intesa Sanpaolo Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, cyber threats and third-party liability), which contributes to mitigating exposure to operational risk. Moreover, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits pursuant to applicable regulations, the Intesa Sanpaolo Group stipulated an insurance coverage policy named "**Operational Risk Insurance Programme**", which offers additional coverage to traditional policies, significantly increasing the limit of liability, transferring the risk of significant operational losses to the insurance market. The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013, with immediate effect of its benefits on operations and on the capital requirements.

***Strategic Risk***

Strategic risk is defined as the risk associated with a potential decrease in profits or capital due to changes in the operating environment of the Intesa Sanpaolo Group, misguided Intesa Sanpaolo Group's decisions,

inadequate implementation of decisions, or an inability to sufficiently react to competitive forces. The Intesa Sanpaolo Group is able to mitigate strategic risk by following the implemented policies and procedures that place strategic decision making responsibility with the Supervisory Board and the Management Board, who are supported by the Intesa Sanpaolo Group's departments and committees.

***Reputational Risk***

Reputational risk is defined as the current and prospective risk of a decrease in profits or capital due to a negative perception of Intesa Sanpaolo's image by customers, counterparties, shareholders, investors and supervisory authorities. The Intesa Sanpaolo Group actively manages its image in the eyes of all stakeholders and aims to prevent and contain any negative effects on its image, including through robust, sustainable growth capable of creating value for the Bank and all of its stakeholders, while also minimising possible adverse events through rigorous, stringent governance, control and guidance of the activity performed at the various service and function levels.

Reputational risk is managed and mitigated by:

- organizational units with specific tasks on reputational risk management in a systematic and autonomous way;
- across organizational units, through the Reputational Risk Management process, coordinated by the Enterprise Risk Management Department in cooperation with organizational units with specific tasks in reputational risk management.

The "**systematic**" protection system requires:

- identified organizational units that, under their area of responsibility, safeguard the Group reputation and manage the relationship with the various stakeholders;
- an integrated system for the management and control of primary risks;
- the respect of ethic and conduct standard requirements; and
- the definition and management of client's risk tolerance, by determining the risk tolerance profiles depending on the subjective and objective client characteristics.

The "**across**" protection system is based on the annual Reputational Risk Management (RRM) process, aimed at the integration and consolidation of the main results provided by the organizational units with specific tasks in reputational risk management; the goal of the RRM process is to identify and mitigate the more relevant reputational risk scenarios the Group may face and is based on the following steps:

- the Enterprise Risk Management Department identifies the main scenarios the Group may face with the cooperation of the other involved organizational units;
- the Top Management assesses the selected scenarios; and
- the definition and monitoring of adequate communication strategies and specific mitigation actions are set.

The Intesa Sanpaolo Group adopts a Code of Ethics that sets out the basic values to which it intends to commit itself and enunciates the voluntary principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with broader objectives than those required by mere compliance with the law. The Intesa Sanpaolo Group has also issued voluntary conduct policies (environmental policy and arms industry policy) and adopted

international principles (UN Global Compact, UNEP FI, Equator Principles) aimed at pursuing respect for the environment and human rights.

The Intesa Sanpaolo Group aims to achieve constant improvement of reputational risk governance also through an integrated compliance risk management system, as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.

***Risk on owned real estate assets***

The risk on owned real estate assets may be defined as a risk associated with the possibility of suffering financial losses due to an unfavourable change in the value of such assets.

***Risks specific to Intesa Sanpaolo Group's insurance business***

Life business

The typical risks of life insurance portfolios (managed by Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita) may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.

Premium risks are protected initially during the establishment of the technical features of the product and its pricing, and over the life of the instrument by means of periodic checks on the sustainability and profitability (both at product level and at portfolio level, including all liabilities). When preparing a product for market, profit testing is used to measure profitability and identify any weaknesses beforehand.

Actuarial and demographic risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of "reserves". This loss ratio refers not only to actuarial loss, but also to financial loss (guaranteed interest rate risk). Intesa Sanpaolo manages these risks by performing systematic statistical analysis of the evolution of liabilities in its own contract portfolio divided by risk type and through simulations of expected profitability of the assets hedging technical reserves.

Intesa Sanpaolo manages reserve risk through the calculation of mathematical reserves, with a series of checks as well as overall verifications performed by comparing results with the estimates produced on a monthly basis. The Intesa Sanpaolo Group places an emphasis on using the correct assumption for contracts by checking the relative portfolio against the movements during the period and the consistency of the amounts settled compared with the reserves' movements. The mathematical reserves are calculated in respect of the portfolio on a contract-by-contract basis taking all future commitments into account.

Non-life business

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura) are essentially premium and reserve risk. Premium risks are protected initially while the product's technical features and pricing are established, and over the life of the instrument by means of periodic checks on the sustainability and profitability (both at product level and at portfolio level, including all liabilities). Reserve risk is managed through the exact calculation of technical reserves. In particular, technical reserves may be divided into a premium reserve, a damage fund, a reserve for profits and reversals, other technical reserves and a reserve for equalisation.

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives have been launched to strengthen risk governance and manage and control risk-based capital. With regard to both investment portfolios for the coverage of obligations with the insured and free capital, an internal regulation was adopted in order to define the investment policy. The aim of the investment policy is the control and monitoring of market and credit risks. The policy defines the goals and operating limits to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, and market risks (in turn measured in terms of sensitivity to variations in risk factors and VaR). Investment decisions, portfolio growth and compliance with operating limits are reviewed on a monthly basis by specific investment committees.

Investment portfolios

The investments of the insurance subsidiaries of the Intesa Sanpaolo Group are aimed at covering free capital and obligations with customers, namely life policies with profit participation clauses, index linked and unit-linked policies, pension funds and casualty policies. Life policies with profit participation clauses offer the insured the ability to receive a share of the profit from the fund management (the segregated fund) and a minimum guaranteed level, and therefore generate proprietary market and credit risks for the insurance company. Index linked and unit-linked policies, which usually do not present direct risks, are monitored with regard to reputational risks.

***Competition***

In recent years the Italian banking sector has been characterised by ever increasing competition which, together with the level of interest rates, has caused a sharp reduction in the difference between lending and borrowing interest rates and subsequent difficulties in maintaining a positive growth trend in interest rate margin.

In particular, such competition has had two main effects:

– a progressive reduction in the differential between lending and borrowing interest rate, which may result in Intesa Sanpaolo facing difficulties in maintaining its actual rate of growth in interest rate margins; and

– a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to competition on prices.

Both of the above factors may adversely affect Intesa Sanpaolo's financial condition and result of operations.

In addition, downturns in the Italian economy could add to the competitive pressure through, for example, increased price pressure and lower business volumes for which to compete.

***Legal risks***

The Intesa Sanpaolo Group is involved in various legal proceedings. Management believes that such proceedings have been properly analysed by the Intesa Sanpaolo Group and its subsidiaries in order to decide upon, if necessary or opportune, any increase in provisions for litigation to an adequate extent according to the circumstances and, with respect to some specific issues, to refer to it in the explanatory notes to the consolidated annual financial statements in accordance with the applicable accounting standards. For more detailed information, see paragraph headed "*Description of Intesa Sanpaolo S.p.A. - Legal Risks*" in the 2015 Base Prospectus incorporated by reference into this Prospectus.

*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 and the European System of Central Banks. 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 banks, 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. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union that will affect 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**" or "**BCBS**") which aim to preserve stability and solidity and limit risk exposure of such entities. The Intesa Sanpaolo Group is also subject to regulations applicable to financial services that govern, among other things, the sale, placement and marketing of financial instruments as well as to those applicable to its bank-assurance activities. In particular, the Group is subject to the supervision of CONSOB and the Institute for the Supervision of Private Insurance. The Issuer is also subject to the rules applicable to it as an issuer of shares listed on the Milan Stock Exchange.

In accordance with the regulatory frameworks defined by the supervisory authorities mentioned 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.

In particular, in the wake of the global financial crisis that began in 2008, the Basel Committee approved, in the fourth quarter of 2010, revised global regulatory standards ("**Basel III**") on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards (Liquidity Coverage Ratio and Net Stable Funding Ratio). The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019.

*Basel III and CRD IV*

In December 2009, the Basel Committee proposed strengthening the global capital framework, and in December 2010, January 2011 and July 2011, the Basel Committee issued its final guidance on the proposed changes to capital adequacy and liquidity requirements ("**Basel III**"), which envisaged a substantial strengthening of capital rules existing at the time, including by, among other things, raising the quality and quantity of the Common Equity Tier 1 base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base), introducing requirements for Additional Tier 1 and Tier 2 capital instruments to have a mechanism that requires them to be written off or converted into ordinary

shares at the point of a bank's non-viability, strengthening the risk coverage of the capital framework, promoting the build-up of capital buffers and introducing a new leverage ratio and global minimum liquidity standards for the banking sector.

In January 2013 the BCBS revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio (the "**LCR**") as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the Net Stable Funding Ratio (the "**NSFR**"), the BCBS published the final rules in October 2014 which will take effect from 1 January 2018.

The Basel III framework has been implemented in the EU 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[1] on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**").

The implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws will be delayed. Additionally, it is possible that Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package.

In Italy the Government has approved the Legislative Decree No. 72 of 12 May 2015, implementing the CRD IV. Such decree entered into force on 27 June 2015. The new regulation impacts, *inter alia*, on:

(i). proposed acquirers of credit institutions' holdings, shareholders and Members of the management body requirements (Articles 22, 23 and 91 CRD IV);

(ii). competent authorities' powers to intervene in cases of crisis management (Articles 64, 65, 102 and 104 CRD IV);

(iii). reporting of potential or actual breaches of national provisions (so called whistleblowing, (Article 71 CRD IV); and

(iv). administrative penalties and measures (Article 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.

Between 1 January 2014 and 31 December 2014, Italian banks were required to comply with (i) a minimum CET1 Capital ratio of 4.5%[2], (ii) a minimum Tier I Capital ratio of 5.5[3]% and (iii) a Total Capital Ratio of 8%. Upon expiry of this transitional period Italian banks shall at all times satisfy the following own funds requirements: (i) a CET 1 capital ratio of 4.5%; (ii) a Tier 1 Capital ratio of 6%; and (iii) a Total Capital Ratio

[1] Final Corrigendum published on 30 November 2013.

[2] Bank of Italy Circular n. 285 of 17 December 2013 (Transitional Provisions).

[3] Bank of Italy Circular n. 285 of 17 December 2013 (Transitional Provisions).

of 8%. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: set at 2.5% of risk weighted assets and applies to Intesa Sanpaolo from 1 January 2014 (pursuant to Article 129 of the CRD IV and Title II, Chapter I, Section II of Circular No. 285);

- *Counter-cyclical capital buffer*: set by the relevant competent authority between 0% - 2.5% (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 Title II, Chapter I, Section III of Circular No. 285);

- *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 activity and complexity); to be phased in from 1 January 2016 (pursuant to Article 131 of the CRD IV and Title II, Chapter I, Section IV of Circular No. 285) becoming fully effective on 1 January 2019; and

- *Capital buffers for other systemically important banks at a domestic level*: up to 2.0% as set by the relevant competent authority (reviewed at least annually from 1 January 2016), 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).

In addition to the above listed capital buffers, under Article 133 of the CRD IV each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of the sector, in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks not covered by CRR, in the meaning of a risk of disruption in the financial system with the potential to have serious negative consequences to the financial system and the real economy in a specific Member State. The Member States setting the buffer will have to notify the Commission, the EBA, and the ESRB and the competent and designated authorities of the Member States concerned. For buffer rates between 3% and 5%, the Commission will provide an opinion on the measure decided and if this opinion is negative, the Member States will have to "comply or explain". Buffer rates above 5% will need to be authorized by the Commission through an implementing act, taking into account the opinions provided by the ESRB and by the EBA.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV). At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV as the Italian level-1 rules for the CRD IV implementation on this point have not yet been enacted.

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 I and Tier II capital instruments under the framework which the CRD IV Package has replaced (CRD III) that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is 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 new liquidity requirements introduced under the CRD IV Package are the LCR and the NSFR. The Liquidity Coverage Ratio Delegated Act was adopted in October 2014 and published in the Official Journal

of the European Union in January 2015. It shall be applicable from 1 October 2015, under a phase-in approach before it becomes fully applicable from 1 January 2018. On the NSFR, in the light of the reports to be prepared by the EBA by 31 December 2015, the Commission will prepare, if appropriate, a legislative proposal by the end of 2016, with aims to comply with NSFR implementation in 2018, as per the Basel rules approved in October 2014. In any case, Member States may maintain or introduce national provisions in the area of stable funding requirements before binding minimum standards for net stable funding requirements are specified and introduced in the European Union.

The CRD IV Package also introduces a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. The Leverage Ratio Delegated Act was published in the Official Journal of the European Union in January 2015. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation and European harmonisation, however, is not expected until 1 January 2018, following the European Commission's review in 2016 of whether or not the ratio should be introduced as a binding measure.

As a result of the changes described above, there is uncertainty as to regulatory requirements that the Issuer will be required to comply with. Furthermore, should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and limit the Issuer's growth opportunities.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity coverage ratio and leverage ratio in order to enhance regulatory harmonisation in Europe through the EBA Supervisory Handbook (as defined below). As regards liquidity, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity Coverage Ratio. In addition, the CRD IV Package states that the EBA shall report to the Commission on the operational requirements for the holdings of liquid assets. Furthermore, the CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending. The EBA has submitted a number of technical standards and guidelines on the subject to the European Commission and the Commission adopted its delegated act to implement the Liquidity Coverage Ratio (LCR) in the EU, on 10 October 2014 and published in the Official Journal of the European Union in January 2015.

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation, which entered into force on 2 July 2014 with implementation required at Member States level as from January 2017 subject to certain transitional arrangements, and the Bank Recovery and Resolution EU Directive which is required to be implemented by Member States by 1 January 2015 (with the bail-in provisions becoming applicable as of 1 January 2016). The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

One of the main proposed changes to the global regulatory framework is for G-SIBs to be required to have a minimum Total Loss Absorbing Capacity ("**TLAC**"). In November 2015, the Financial Stability Board (the "**FSB**") issued the final TLAC standard for global systemically important banks. The TLAC standard has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalisation capacity

available in resolution for authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions and avoids public funds to loss.

G-SIBs will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, they will be required to meet a Minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets as from 1 January 2019 and at least 18% as from 1 January 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator as from 1 January 2019, and at least 6.75% as from 1 January 2022. Instruments that are eligible for TLAC must be contractually, statutorily or structurally subordinated to certain "excluded liabilities" (including insured deposits and liabilities that are excluded from bail-in or cannot be written down or converted into equity by relevant authorities without giving rise to a material risk of successful legal challenges). The impact on G-SIBs may well come ahead of 2019, as markets may force earlier compliance and as banks will need to adapt their funding structure in advance.

Moreover, it is worth mentioning that the Basel Committee has embarked on a very significant RWA variability review. This includes the "*Fundamental Review of the Trading Book*", revised standardised approaches (credit, market, operational risk) and a consultation paper on a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new setup will have a revolutionary impact on risk modelling: directly on the exposures assessed via standardized approach, but also indirectly on internal ratings based approach ("**IRB**") RWA, due to the introduction of capital floors that, according to the new framework, will be calculated based on the revised standardized approach.

In addition, as mentioned above, the European Commission intends to develop the net stable funding ratio with the aim of introducing it from 1 January 2018.

Such changes in the regulatory framework and how they are implemented may have a material effect on all the European banks and on the Intesa Sanpaolo Group's business and operations. As the new framework of banking laws and regulations affecting the Intesa Sanpaolo Group is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Intesa Sanpaolo Group. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the application of the above regulations as implemented by each Member State.

***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**"). 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 systemic importance" in the eurozone. In this respect, "banks of systemic 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; (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; (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.

Notwithstanding the fulfilment of these criteria, the ECB, on its own initiative after consulting with national competent authorities 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 national competent authorities 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 conferred on the ECB by the SSM Regulation and the SSM Framework Regulation.

The relevant national competent authorities for the purposes of the SSM Regulation and the SSM Framework Regulation 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, on the other hand, is exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, *inter alia*, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Eurozone and in the Member States participating in the SSM; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks 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.

In order to foster consistency and efficiency of supervisory practices across the eurozone, the EBA is developing a single supervisory handbook applicable to EU Member States (the "**EBA Supervisory Handbook**").

***The Intesa Sanpaolo Group will be subject to the provisions of the EU Recovery and Resolution Directive, once finalised and implemented, in the future***

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 "**Bank Recovery and Resolution Directive**" or "**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 unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures 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 impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together

with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims (including the Notes) to shares or other instruments of ownership (i.e. shares, 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**), which could also be subject to any future application of the general bail-in tool.

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

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

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 equity capital instruments (including the Notes) at the point of non-viability and before any other resolution action is taken (**non-viability loss absorption**). Any equity capital instruments that may be issued to holders of the Notes upon any such conversion as a result of a decision by the competent resolution authority may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, 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 will no longer be viable unless the relevant capital instruments (including the Notes) are written-down/converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The BRRD provides that Member States should apply the new "crisis management" measures from 1 January 2015, except for the general bail-in tool which is to be applied by 1 January, 2016. In the context of these resolution tools, resolution authorities have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution, or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those liabilities which are subject to Article 44(2) of the BRRD (see further below).

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 Consolidated Law on Banking (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 those of individuals and SME's will apply from 1 January 2019.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) Article 44(3) of the BRRD provides that the resolution authority may partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, the Notes may be subject to write-down/conversion upon an application of the general bail-in tool while other *pari passu* ranking liabilities may be partially or fully excluded from such application of the general bail-in tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the bail-in tool than they would have incurred in a winding up under normal insolvency proceedings.

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

Pursuant to the BRRD, as of 2016, European banks will also have to comply with a Minimum Requirement for Eligible Liabilities (the "**MREL**"). The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the "**SRB**") for banks being part of the Banking Union. On 3 July 2015 the European Banking Authority ("**EBA**") has adopted and submitted to the Commission its final draft Regulatory Technical Standards (the "**RTS**") which shall further define the way in which resolution authorities or the SRB shall determine the MREL. The final draft RTS has been submitted to the European Commission for endorsement, following which they will be subject to scrutiny by the European Parliament and the Council of the European Union before being published in the Official Journal of the European Union.

The BRRD is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Note.

***As of 2016 the Intesa Sanpaolo Group will be 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 has become operational as of January 2016, while certain provisions including those concerning the preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board (the "**Board**") with national resolution authorities entered into force in January 2015.

The SRM Regulation, which will complement the SSM (as defined above), applies to all banks supervised by the SSM. It will mainly consist of the Board and a Single Resolution Fund (the "**Fund**").

A centralised decision-making process will be built around the Board and will involve the European Commission and the Council of the European Union – which will have the possibility to object to the Board's decisions – as well as the ECB and the national resolution authorities.

The Fund, which will back the SRM Regulation decisions mainly taken by the Board, will be divided into national compartments during an eight years transitional period, as set out by an intergovernmental agreement. Banks will start to pay contributions in 2015 to national resolution funds that will be transferred gradually into the Fund starting from 2016 (and will be additional to the contributions to the national deposit guarantee schemes).

This framework should be able to ensure that, instead of national resolution authorities, there will be a single authority – i.e. the Board – which will take all relevant decisions for the resolution of banks being supervised by the SSM and part of the Banking Union.

There are other benefits that will derive from the Banking Union. Such benefits are aimed at (a) breaking the negative feed loop between banks and their sovereigns; (b) providing a solution to home-host conflicts in resolution; and (c) a competitive advantage that Banking Union banks will have *vis-à-vis* non-Banking Union ones, due to the availability of a larger resolution fund.

***The Intesa Sanpaolo Group may be subject to a proposed EU regulation on mandatory separation of certain banking activities***

On 29 January 2014, the European Commission adopted a proposal for a new regulation on structural reform of the European banking sector following the recommendations released on 31 October 2012 by the High Level Expert Group (the Liikanen Group) on the mandatory separation of certain banking activities. The proposal is aimed at strengthening financial stability by protecting the deposit-taking business of the largest and most complex EU banks from potentially risky trading activities. Alongside this proposal, the Commission has adopted accompanying measures aimed at increasing transparency of certain transactions in the shadow banking sector. On 19 June 2015, the European Council agreed its negotiating stance on the proposed structural measures and published an updated version of the "Proposal for a Regulation of the European Parliament and of the Council on structural measures improving the resilience of EU credit institutions".

The proposed regulation provides for the mandatory separation of proprietary trading and related trading activities and establishes a framework for competent authorities to take measures to reduce excessive risk taking. Trading activities other than proprietary trading would be subject to a risk assessment. If a competent authority finds that an excessive risk exists, it could require trading activities to be separated from the core credit institution, or demand an increase in the core credit institution's own fund requirements, or impose other prudential measures. Trading entities would be prohibited from taking retail deposits eligible for deposit insurance.

According to the Council's text, which represents the position on the basis of which the Council will negotiate with the European Parliament (once the latter has adopted its own position), the regulation would apply to global systemically important institutions or to entities with total assets of at least €30 billion over the last three years and trading activities of at least €70 billion or 105 of their total assets. These banks would be allocated into two tiers, depending on whether the sum of their trading activities during the last three years exceeds €100 billion or not. Stricter reporting requirements, a more thorough risk assessment, and different supervisory actions would apply to banks exceeding the threshold. The regulation would not apply to institutions with total eligible deposits of less than 3% of their total assets, or total eligible retail deposits of less than €35 billion. The Council's text furthermore provides for two options to accommodate existing

national regimes for addressing excessive risk stemming from trading activities: either through national legislation requiring core retail activities to be ring-fenced, or through measures imposed by competent authorities in accordance with the regulation. In recognition of the time that will be required by core credit institutions to implement the relevant measures, the Council's text proposes that provisions on mandatory separation of proprietary trading, as well as the provisions that lead to a decision by the competent authority that other trading activities need to be separated, should apply from a date to fall 36 months after publication of the approved Regulation.

As of today, there is still no final legislative text.

Should a mandatory separation be imposed, additional costs at the Intesa Sanpaolo Group level are not ruled out, in terms of higher funding costs, additional capital requirements and operational costs due to the separation and lack of diversification benefits. Due to relatively limited trading activity, Italian banks could be penalized and put at a relative disadvantage in comparison with their main global and European competitors. As a result, the proposal could lead to the creation of an oligopoly where only the biggest players would be able to support the separation of the trading activities and the costs that will be incurred. An additional layer of complexity, leading to uncertainty, is the high risk of diverging approaches throughout Europe on this issue.

***The Intesa Sanpaolo Group may be affected by a proposed EU Financial Transactions Tax***

On 14 February 2013 the European Commission published a legislative proposal on a new Financial Transactions Tax (the "**FTT**"). The proposal followed the Council's authorisation to proceed with the adoption of the FTT through enhanced cooperation, i.e. adoption limited to 11 countries - among which Italy, France, Germany and Austria. Although implementation was originally envisaged for 1 January 2014, the process has been repeatedly delayed. Finance Ministers of the EU11 Member States are currently aiming to reach an agreement before the end of 2015, which means that entry into force of the tax, if agreed, could slip to 2017.

If adopted, the impact on the 'real economy' of the FTT as currently envisaged – especially for corporations – could be severe as many financial transactions are made on behalf of businesses that would bear the additional costs of the tax. For example, a transaction tax would raise the cost of the sale and purchase of corporate bonds in a time where it is widely acknowledged that access to capital markets by corporate issuers has to be incentivised.

Moreover, it is a matter of concern for the Intesa Sanpaolo Group that the proposal does not exempt the transfers of financial instruments within a group. Thus, if a financial instrument is not purchased for a client but only moved within a banking group, each transaction would be subject to taxation. Also, the inclusion of derivatives and repos/lending transactions in the taxation scope clashes with the efficiency of financial markets.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

***The Intesa Sanpaolo Group may be affected by new accounting standards***

Following the entry into force and subsequent application of new accounting standards, regulatory rules and/or the amendment of existing standards and rules (including the ECB's comprehensive assessment of European banks), the Intesa Sanpaolo Group may have to revise the accounting and regulatory treatment of certain transactions and the related income and expense.

In this regard, it should be pointed out that a relevant change is expected in future periods from the finalisation of IFRS 9. In particular, IFRS 9 which has been issued on 24 July 2014, will introduce significant changes with regard to classification, measurement, impairment and hedge accounting of financial instruments, replacing IAS 39. IASB decided that the mandatory effective date of IFRS 9 will be 1 January 2018. Application of this Standard to European Union entities will be subject to European Commission endorsement.

***The Intesa Sanpaolo Group's business is focused primarily on the Italian domestic market and therefore adverse economic conditions in Italy or a delayed recovery in the Italian market may have particularly negative effects on the Intesa Sanpaolo Group's financial condition and results of operations.***

Although the Intesa Sanpaolo Group operates in many countries, Italy is its primary market. Its business is therefore particularly sensitive to adverse macroeconomic conditions in Italy.

The persistence of adverse economic conditions in Italy, or a slower recovery in Italy compared to other OECD nations, could have a material adverse effect on the Intesa Sanpaolo Group's business, results of operations or financial condition.

In addition, any downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur, may destabilise the markets and have a material adverse effect on the Intesa Sanpaolo Group's operating results, liquidity position, financial condition and prospects as well as on the marketability of the Notes.

***Governmental and central banks' actions intended to support liquidity may be insufficient or discontinued***

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

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

**Risks related to the Notes**

***The Notes may not be a suitable investment for all investors***

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this 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 Notes and the impact the Notes 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 Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

***There are no events of default under the Notes***

Other than in the event of the voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer (otherwise than for the purpose of an Approved Reorganization or on terms previously approved in writing by the Noteholders) as provided for in Condition 11 (*Enforcement Event*), the Conditions do not provide for events of default allowing acceleration of the Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Notes, investors will not have the right to acceleration of principal. Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

***Notes are deeply subordinated obligations***

The Notes are unsecured, deeply subordinated obligations of the Issuer and are currently the most junior debt instruments of the Issuer, ranking behind claims of depositors of the Issuer, other unsubordinated creditors of the Issuer and subordinated creditors of the Issuer that are less subordinated than the Notes, at least *pari passu* with other securities of the Issuer which are recognized as "Additional Tier 1" capital of the Issuer from time to time by the Relevant Authority and in priority only to Junior Securities as more fully described Condition 4 (*Status and Subordination of the Notes*). In the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, the right of the holders of any Notes to payments will be subordinated in full to the payment in full of the unsubordinated creditors of the Issuer and any other subordinated creditors of the Issuer that are senior in priority of payment to the claims of the holders of the Notes.

Noteholders shall be responsible for taking all steps necessary for the orderly accomplishment of any collective proceedings or voluntary liquidation in relation to any claims they may have against the Issuer.

Although the Notes may pay a higher rate of interest than notes which are not subordinated, there is a substantial risk that investors in subordinated notes such as the Notes will lose all or some of their investment should the Issuer become insolvent. See also "*Risk Factors – Risk factors relating to the Issuer – The Intesa Sanpaolo Group will be subject to the provisions of the EU Recovery and Resolution Directive, once finalised and implemented in the future.*"

***The Issuer is not prohibited from issuing further debt which may rank pari passu with or senior to the Notes***

The Issuer reserves the right to issue securities counting as Additional Tier 1 capital in the future, provided, however, that any such obligations may not, in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer, rank prior to the Notes. The Conditions place no restriction on the amount of debt that the Issuer may issue that ranks senior to the Notes. The issue of any such debt or securities may reduce the amount recoverable by investors of the Notes should the Issuer become insolvent. If the Issuer's financial condition were to deteriorate, the holders of the Notes could suffer direct and materially adverse consequences, including cancellation of interest and reduction of principal and, if the Issuer were liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

***Interest payments on the Notes may be cancelled by the Issuer (in whole or in part) at any time and, in certain circumstances, the Issuer will be required to cancel such interest payments***

Interest on any Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. The Issuer may cancel (in whole or in part) any interest payment on any Notes at its discretion and may pay dividends on its ordinary or preference shares notwithstanding such cancellation. If the Issuer does not make an interest payment on the Notes on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. The Issuer may without restriction use funds that could have been used to make such cancelled payments to meet its other obligations as they become due.

Furthermore, in circumstances where Article 141 of CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such Article, including, without limitation, Circular No. 285) applies, no payments will be made on the Notes (whether by way of principal, interest or otherwise) if and to the extent that such payment – when aggregated with other distributions of the kind referred to in Article 141(2) of CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285) - would cause the Maximum Distributable Amount (if any) then applicable to either the Issuer and/or the Group (as the case may be) to be exceeded. See "—*CRD IV introduces capital requirements that are in addition to the minimum capital ratio*" below.

In addition to the "Pillar 1" capital requirements set out in CRD IV, CRD IV contemplates that competent authorities may require additional "Pillar 2" capital to be maintained by an institution relating to elements of risks which are not fully captured by the minimum "Own Funds" requirements ("**additional own funds requirements**") or to address macro-prudential requirements.

The European Banking Authority ("**EBA**") published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process ("**SREP**"), which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which is to be implemented by 1 January 2016. These guidelines contemplate that national supervisors should set by 1 January 2019 (or earlier, if they so decide at their discretion) a requirement to cover certain risks with additional own funds which is composed of at least 56% common equity tier 1 capital and at least 75% tier 1 capital and the remainder in tier 2 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements. The European Banking Authority issued an Opinion dated 16 December 2015 on the trigger, calculation and transparency of the Maximum Distributable Amount, clarifying that the CET1 capital to be taken into account for the Maximum Distributable Amount calculation is limited to the amount not used to meet the Pillar 1 and Pillar 2 requirements of an institution. On 5 January 2016, the European

Central Bank's Single Supervisory Mechanism published a document stating that it would follow EBA's Opinion for the application of the Maximum Distributable Amount. For completeness, SSM also stated that this approach might nonetheless be revisited, in relation to future regulatory developments or to the application of the EBA guidelines, in order to ensure consistency and harmonisation in the Single Market. The EBA Opinion is not immediately binding and needs to be adopted by the local banking authorities or the European Commission before it will be effective, and there can be no assurance as to whether, or when, this opinion will be adopted in Italy. There can accordingly be no assurance as to the relationship between "Pillar 2" additional own funds requirements and the restrictions on discretionary payments referred to herein and as to how and when binding effect will be given in Italy to the EBA's minimum guidelines and/or relating opinions, including as to the consequences for an institution of its capital levels falling below the minimum, buffer and additional requirements. There can, furthermore, be no assurance as to the applicable future "Pillar 2" additional own funds requirements (since such requirements may change from time to time), as to the manner in which "Pillar 2" additional own funds requirements may be disclosed publicly in the future or that such restrictions will not cease to apply. See further "*CRD IV introduces capital requirements that are in addition to the minimum capital ratio*" below.

The Issuer and the Group's capital requirements are, by their nature, calculated by reference to a number of factors, any one of which or combination of which may not be easily observable or capable of calculation by investors. Noteholders may not be able to predict accurately the proximity of the risk of discretionary payments (of interest and principal) on the Notes being prohibited from time to time as a result of the operation of Article 141(2) of CRD IV. Additionally, the Relevant Authority has the power under Article 104 of the CRD IV to restrict or prohibit payments of interest by the Issuer to holders of Additional Tier 1 instruments.

The Issuer shall not make an interest payment on any Notes on any Interest Payment Date if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on all other own funds instruments of the Issuer (including any Additional Amounts in respect thereof but excluding any such distributions or interest payments on Tier 2 Capital instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) paid or scheduled to be paid in the then current financial year. Although the Issuer may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, it may only do so to the extent that such partial interest payment may be made without breaching the restriction in the preceding paragraphs.

Cancelled interest on the Notes shall not be due and shall not accumulate or be payable at any time thereafter, and holders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Notes shall constitute a default in payment or otherwise under the Notes.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. Moreover, any indication or perceived indication, that the CET1 (Common Equity Tier 1 Capital ratio) of either the Issuer or the Group (as the case may be) is trending towards the minimum applicable combined buffer may have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

***The Rate of Interest applicable to the Notes will be reset on every Reset Date***

The Rate of Interest applicable to the Notes will be reset on every Reset Date. Such Rate of Interest will be determined two TARGET Settlement Days before the relevant Reset Date and as such is not pre-defined at

the date of issue of the Notes. The uncertainty regarding the future Rate of Interest of the Notes may adversely affect their yield.

***CRD IV introduces capital requirements that are in addition to the minimum capital ratio***

Under CRD IV, institutions will be required to hold a minimum amount of regulatory capital of 8.0% of risk-weighted assets. In addition to these so-called "own funds" requirements under CRD IV, supervisors may add extra capital to cover other risks (thereby increasing the regulatory minimum required under CRD IV) and the Group may also decide to hold an additional amount of capital. CRD IV also introduces capital buffer requirements that are in addition to the minimum capital requirement and required to be met with CET1 capital. See the risk factor headed " – *Interest payments on the Notes may be cancelled by the Issuer (in whole or in part) at any time and, in certain circumstances, the Issuer will be required to cancel such interest payments*". It introduces five new capital buffers, to be implemented in phases: (i) the capital conservation buffer, (ii) the institution-specific counter-cyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer, and (v) the systemic risk buffer. Some or all of these buffers may be applicable to the Group as determined by the Relevant Authority. The combined buffer represents an additional layer of capital which banks need to hold to counter systemic, macroprudential and other risks not covered by idiosyncratic Pillar 1 and Pillar 2 minimum capital requirements. The Bank of Italy exercised the option provided for in Article 160(6) of CRD IV to implement the capital conservation buffer without any further transitional period. As a result, as of 1 January 2014, Italian banks must maintain a level of Common Equity Tier 1 capital equal to 7 per cent. of risk-weighted assets, calculated in accordance with Article 92(3) of CRR, of which 4.5 per cent. as a minimum requirement and 2.5 per cent. as a capital conservation buffer requirement.

The ECB may also impose additional capital requirements. On 25 February 2015, the Issuer received notification from the ECB regarding the specific capital requirements that it must meet on a consolidated basis. These requirements establish an overall capital ratio equal to 9% in terms of Common Equity Tier 1 ratio and 11.5% in terms of Total Capital ratio. On 27 November 2015, the Issuer received a further notification from the ECB regarding its final decision on the capital requirements that it must meet on a consolidated basis as of 1 January 2016. The requirements establish a capital ratio equal to 9.5% in terms of Common Equity Tier 1 ratio.

Under Article 141 of CRD IV, EU Member States must require that institutions that fail to meet the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution specific counter-cyclical buffer and the higher of (depending on the institution), the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institution buffer, in each case as applicable to the institution), will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV as payments relating to CET1, variable remuneration and payments on Additional Tier 1 instruments). The restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment." Such calculation will result in a "maximum distributable amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement," no "discretionary distributions" will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce discretionary payments, including potentially exercising the Issuer's discretion to cancel (in whole or in part) interest payments in respect of the Notes or affecting the Issuer's right to redeem or purchase the Notes.

The European Banking Authority issued an opinion dated 16 December 2015 on the trigger, calculation and transparency of the maximum distributable amount, clarifying that the CET1 capital to be taken into account

for the maximum distributable amount calculation is limited to the amount not used to meet the Pillar 1 and Pillar 2 requirements of an institution. In addition, the opinion advises the European Commission (i) to review Article 141 of the CRD with a view to avoiding differing interpretations of Article 141(6) and thus ensuring greater consistency of the MDA framework with the stacking order described in the opinion and in the SREP Guidelines and (ii) to review the prohibition on distribution, notably in so far as it relates to AT1 instruments, in all circumstances when no profits are made in any given year.

On 5 January 2016, the European Central Bank's Single Supervisory Mechanism published a document stating that it would follow the EBA opinion for the application of the maximum distributable amount, although the document carried on to state that this approach might nonetheless be revisited, in relation to future regulatory developments or to the application of the EBA guidelines, in order to ensure consistency and harmonisation in the Single Market. The EBA opinion is not immediately binding and needs to be adopted by the local banking authorities or the European Commission before it will be effective, and there can accordingly be no assurance as to whether, or when, this opinion will be adopted in Italy.

***Many aspects of the manner in which CRD IV will be implemented remain uncertain***

Many of the provisions of the Notes depend on the final interpretation and implementation of CRD IV. Although CRR will be directly applicable in each Member State, CRD IV leaves a number of important interpretational issues to be resolved through binding technical standards that will be adopted in the future, and leaves certain other matters to the discretion of the Relevant Authority.

In particular, the determination of the Maximum Distributable Amount is complex. The Maximum Distributable Amount imposes a cap on the Issuer's ability to make payments on the Notes (whether by way of principal, interest or otherwise), on the Issuer's ability to reinstate the Outstanding Principal Amount following a Write-Down, and on its ability to redeem or repurchase Notes. There are a number of factors that render the application of the Maximum Distributable Amount particularly complex:

- It applies when certain capital buffers are not maintained. A "capital buffer" is an amount of CET1 capital that a financial institution is required to maintain beyond the minimum amount required by applicable regulations. If the institution fails to meet the capital buffer, it becomes subject to restrictions on payments and distributions on shares and other Tier 1 instruments (including its ability to make payments on and to redeem and purchase Additional Tier 1 capital instruments such as the Notes), and on the payment of certain bonuses to employees;

- The dates as of which the different capital buffers (and thus the Maximum Distributable Amount) will apply are uncertain. The Bank of Italy exercised the option provided for in Article 160(6) of CRD IV to implement the capital conservation buffer without any further transitional period. As a result, as of 1 January 2014, Italian banks must maintain a minimum level of Common Equity Tier 1 capital equal to 7 per cent. of risk-weighted assets, calculated in accordance with Article 92(3) of CRR, of which 4.5 per cent. as a minimum requirement and 2.5 per cent. as a capital conservation buffer requirement. The date of application of some other buffers (or even whether they will apply) has not yet been determined. As a result, it is difficult to predict when the Maximum Distributable Amount will apply to the Notes, and to what extent; and

- The Issuer will have the discretion to determine how to allocate the Maximum Distributable Amount among the different types of payments contemplated in Article 141(2) of the CRD IV subject to a further review by the Relevant Authority (within the capital conservation plan under Article 141). Additionally, the Maximum Distributable Amount will depend on the amount of net income earned during the course of the relevant period, which is difficult to predict.

These issues and other possible issues of interpretation make it difficult to determine how the Maximum Distributable Amount will apply as a practical matter to limit interest payments on the Notes, the reinstatement of the Outstanding Principal Amount following a Write-Down, and the ability of the Issuer to redeem and purchase the Notes. This uncertainty and the resulting complexity may adversely impact the trading price and the liquidity of the Notes.

***Notes may be subject to substitution and modification without Noteholder consent***

Subject as provided in the Conditions, if at any time a Tax Event or a Regulatory Event occurs, the Issuer may, subject to giving any notice required to, and receiving any consent required from, the Relevant Authority, if so required (without the consent or approval of the Noteholders which may otherwise be required under the Conditions), elect either (i) to substitute all (but not only some) of the Notes or (ii) modify the terms of all (but not only some) of such Notes so that they become or remain qualifying securities. The Relevant Authority has discretion as to whether or not it will approve any substitution or variation of the Notes. Any such substitution or variation which is considered by the Relevant Authority to be material may be treated by the Relevant Authority as the issuance of a new instrument and therefore, in order to be eligible as Additional Tier 1 capital in accordance with then prevailing Applicable Banking Regulations, the Notes (as so substituted or varied) may include a requirement that (save in certain prescribed circumstances) they may not be redeemed or repurchased prior to five years after the effective date of such substitution or variation.

Qualifying securities are securities issued directly or indirectly by the Issuer that have terms not materially less favourable to the Noteholders as a class than the terms of Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

***Additional Tier 1 Notes: loss absorption***

*Noteholders will bear the risk of changes in the CET1 ratio*

The market price of the Notes is expected to be affected by changes in the CET1 Ratio. Changes in the CET1 Ratio may be caused by changes in the amount of CET1 Capital and/or Risk Weighted Assets, as well as changes to their respective definition and interpretation under the Applicable Banking Regulations.

The Issuer only publicly reports the CET1 Ratio quarterly as of the period end, and therefore during the quarterly period there is no published updating of the CET1 Ratio and there may be no prior warning of adverse changes in the CET1 Ratio. However, any indication of an adverse change in the CET1 Ratio may have an adverse effect on the market price of the Notes. A decline or perceived decline in the CET1 Ratio may significantly affect the trading price of the Notes.

In addition, the Relevant Authority, as part of its supervisory activity, may instruct the Issuer to calculate such ratio as of any date, including if the Issuer and/or the Group is subject to recovery and resolution actions by the relevant resolution authority, or the Issuer might otherwise determine to calculate such ratio in its own discretion.

*The circumstances surrounding a Trigger Event are unpredictable, and there are a number of factors that could affect the CET1 ratio*

The occurrence of a Trigger Event (as defined in the Conditions) is inherently unpredictable and depends on a number of factors, some of which may be outside the Issuer's control. The CET1 ratio may fluctuate during a quarterly period. The calculation of such ratio could be affected by one or more factors, including, among other things, changes in the mix of the Group's business, major events affecting the Group's earnings, dividend payments by the Issuer, regulatory changes (including changes to definitions and calculations of regulatory capital ratios and their components, including CET1 Capital and Risk Weighted Assets (as defined in the Conditions)) and the Group's ability to manage Risk Weighted Assets in both its ongoing businesses and those which it may seek to exit. In addition, the Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the relevant currency equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the CET1 Ratio is exposed to foreign currency movements.

The calculation of the CET1 Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the Relevant Authority could require the Issuer to reflect such changes in any particular calculation of the CET1 Ratio.

Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Group's calculations of regulatory capital, including CET1 Capital and Risk Weighted Assets, and the CET1 Ratio. Because of the inherent uncertainty regarding whether a Trigger Event occurs, it will be difficult to predict when, if at all, a write-down may occur. Accordingly, the trading behaviour of the Notes is not necessarily expected to follow the trading behaviours of other types of security. Any indication that a Trigger Event may occur can be expected to have a material adverse effect on the market price of the Notes.

*The CET1 ratio will be affected by the Issuer's business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the holders*

The CET1 Ratio will also depend on the Group's decisions relating to its businesses and operations, as well as the management of its capital position. The Issuer will have no obligation to consider the interests of the holders in connection with the strategic decisions of the Group, including in respect of capital management. Noteholders will not have any claim against the Issuer or any other member of the Group relating to decisions that affect the business and operations of the Group, including its capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause holders to lose all or part of the value of their investment in the Notes.

***Write-Down***

*The principal amount of the Notes may be reduced to absorb losses*

If the Issuer determines that a Trigger Event has occurred, then it shall write down the Outstanding Principal Amount of each Note (in whole or in part, as applicable) by writing down such Outstanding Principal Amount (in whole or in part, as applicable) on the Write-Down Effective Date in accordance with the Write-Down Procedure (both as defined in the Conditions). Noteholders may lose all or some of their investment as a result of a write-down.

The Issuer's current and future outstanding Junior Securities or Parity Securities (as defined in the Conditions) might not include write-down or similar features with triggers comparable to those of the Notes. As a result, it is possible that the Notes will be subject to a write-down, while Junior Securities (including equity securities) and/or Parity Securities remain outstanding and continue to receive payments and, as

such, holders of the Notes may be subject to losses ahead of holders of Junior Securities (including equity securities) and/or Parity Securities.

The Issuer may determine that a Trigger Event has occurred on more than one occasion and the outstanding principal amount of each Note may be written down on more than one occasion, provided that the Outstanding Principal Amount of a Note may never be reduced to below zero, or below the smallest unit of the specified currency applicable to such Note (currently one cent).

In addition, in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer prior to the Notes being written up in full pursuant to a reinstatement, the Noteholders' claims for principal will be based on the reduced Outstanding Principal Amount of the Notes.

Reinstatement shall apply at the full discretion of the Issuer, provided that certain conditions are met. The Issuer's ability to write-up the Outstanding Principal Amount of the Notes will depend on there being positive net income, positive consolidated net income and a sufficient Maximum Distributable Amount (if applicable) (after taking into account other payments and distributions of the type contemplated in Article 141(2) of CRD IV). No assurance can be given that these conditions will be met. In addition, the Issuer will not in any circumstances be obliged to write up the Outstanding Principal Amount of the Notes, but, in accordance with the Applicable Banking Regulations, any write up must be undertaken on a *pro rata* basis with any other Tier 1 instruments providing for a similar trigger and reinstatement mechanism of its principal amount in similar circumstances. See further Condition 7.2 (*Reinstatement*).

***While the Notes are in global form, there may be a delay in reflecting any Write-Down or Reinstatement of the Notes in the clearing systems***

For as long as the Notes are in global form and in the event that any Write-Down or Reinstatement is required pursuant to the Conditions, the records of the clearing systems may not be immediately updated to reflect the amount of Write-Down or Reinstatement and may continue to reflect the Outstanding Principal Amount of the Notes prior to such Write-Down or Reinstatement, for a period of time. The update process of the relevant clearing system may only be completed after the date on which the Write-Down or Reinstatement will occur. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records. Further, the conveyance of notices and other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Notes in global form will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

***Notes are of perpetual nature***

The Notes have no fixed final redemption date and holders have no rights to call for the redemption of the Notes. Although the Issuer may redeem the Notes in certain circumstances there are limitations on its ability to do so. Therefore, holders of the Notes should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

***The Notes are subject to redemption***

If the Issuer redeems the Notes (i) on or after the First Reset Date at its option pursuant to Condition 8.2 (*Redemption at the option of the Issuer*), (ii) upon the occurrence of a Regulatory Event (as defined in Condition 8.3) pursuant to Condition 8.3 (*Redemption due to a Regulatory Event*), or (iii) upon the occurrence of a Tax Event (as defined in Condition 8.4) pursuant to Condition 8.4 (*Redemption for tax reasons*), the Notes will be redeemed at their Outstanding Principal Amount (as defined in Condition 2(a)), together with any accrued

but unpaid interest to the date fixed for redemption (excluding any interest cancelled in accordance with Condition 6 (*Interest cancellation*) and any additional amounts due pursuant to Condition 10 (*Taxation*), even if the principal amount of the Notes has been written down and not yet reinstated in full.

In addition, the terms of a redemption due to a Regulatory Event are not conditional on any change in, or amendment to, the laws or regulations of the Republic of Italy. The rules under CRD IV may be modified from time to time after the Issue Date of the Notes resulting thereby in a change in the regulatory classification of the Notes.

Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of the Notes. The optional redemption feature is likely to limit the market value of the Notes, as during any period when the Issuer may, or is perceived to be able to, elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which latter case Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Early redemption of the Notes may be restricted***

The rules under CRD IV prescribe certain conditions for the granting of permission by the Relevant Authority to a request by the Issuer to redeem or repurchase the Notes. In this respect, CRR provides that the Relevant Authority shall grant permission to a redemption or repurchase of the Notes, provided that either of the following conditions is met, as applicable to the Notes:

(i) on or before such redemption or repurchase of the Notes, the Issuer replaces the Notes with capital instruments of an equal or higher quality on terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Tier 1 Capital and Tier 2 Capital would, following such redemption or repurchase, exceed the capital ratios required under CRD IV by a margin that the Relevant Authority may consider necessary on the basis set out in CRD IV for it to determine the appropriate level of capital of an institution.

In addition, the rules under CRD IV and the Conditions provide that the Relevant Authority may only permit the Issuer to redeem the Notes if:

(i) the conditions listed in paragraphs (i) or (ii) above are met; and

(ii) in the case of redemption due to the occurrence of a Regulatory Event prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations, (a) the Relevant Authority considers such change to be sufficiently certain and (b) the Issuer demonstrates to the satisfaction of the Relevant Authority that the Regulatory Event was not reasonably foreseeable at the time of the issuance of the Notes; or

(iii) in the case of redemption due to the occurrence of a Tax Event prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations, the Issuer demonstrates to the satisfaction of the Relevant Authority that such tax reason is material and was not reasonably foreseeable at the time of issuance of the Notes.

***U.S. Foreign Account Tax Compliance Withholding***

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. On 10 January 2014, the United States entered into an IGA to facilitate the implementation of FATCA with Italy and then ratified this on 18 June 2015. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary or common or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

***EU Savings Tax Directive***

Under EC Council Directive 2003/48/EC (the "**EU Savings Tax Directive**") on the taxation of savings income in the form of interest payments, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity (as defined under Article 4.2 of the EU Savings Tax Directive) established in that other Member State. However, for a transitional period, Austria is required to (unless during that period it elects otherwise) operate a withholding system in relation to such payments.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 10 November 2015, the Council of the European Union adopted a Council Directive repealing the EU Savings Directive with effect from 1 January 2017, in the case of Austria and from 1 January 2016, in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic

exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Cooperation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Saving Directive, although it does not impose withholding taxes.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

*Change of law*

The conditions of the Notes are governed by English law in effect as at the date of this Prospectus, except for the subordination provisions of the Notes issued by Intesa Sanpaolo, which are based on Italian law. No assurance can be given as to the impact of any possible judicial decision or change to applicable law or administrative practice after the date of this Prospectus.

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors who hold Notes through interests in the Global Notes will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Notes will be represented by one or more Global Notes. Such Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes once the paying agent has paid Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

**Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*The secondary market generally*

There can be no assurance that a trading market for the Notes will develop or be maintained. If a market does develop, it may not be very liquid. Pricing information for the Notes may be difficult to obtain, which may make them less liquid than other investments. If investors decide to sell the Notes, there may be a limited number of buyers (if any) or there may be a surplus of debt securities of other issuers available with a similar credit maturity and other structural characteristics. Therefore, investors may not be able to sell their

Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes. The trading market for, and current market value of, the Notes may also be affected by the level, direction and volatility of market interest rates. These and other factors unrelated to the creditworthiness of the Issuer may affect the price holders receive for the Notes or their ability to sell them at all. Investors should not purchase the Notes unless they understand and know they can bear the related investment risks.

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

The Issuer will pay principal and interest on the Notes in Euro. 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 Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro 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 Euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Interest rate risks***

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect their value. See also "*Risks related to the Notes – The Rate of Interest applicable to the Notes will be reset on every Reset Date*" above.

***Credit ratings may not reflect all risks***

The Notes are rated by Moody's, S&P, Fitch and DBRS, each of which is established in the European Union and is registered under the CRA Regulation as set out in the list of registered 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 the CRA Regulation. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Any change in the credit ratings assigned to the Issuer and/or to the Notes may affect the market value of the Notes. Such change may, among other factors, be due to a change in the methodology applied by a rating agency to the rating securities with similar structures to the Notes, as opposed to any revaluation of the Issuer's financial strength or other factors such as conditions affecting the financial services industry generally.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

**The Issuer believes that the risks described above are the principal risks inherent to an investment in the Notes. The Issuer does not represent that the above statements of the risks of holding the Notes are exhaustive.**

# INFORMATION INCORPORATED BY REFERENCE

The following information, which has previously been published and filed with the CSSF, is incorporated in, and forms part of, this Prospectus:

(i) the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2013, as shown in the Intesa Sanpaolo Group 2013 Annual Report;

(ii) the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2014, as shown in the Intesa Sanpaolo Group 2014 Annual Report;

(iii) the unaudited condensed consolidated half-yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2015, as shown in the Intesa Sanpaolo Group 2015 Half-yearly Report as at 30 June 2015;

in each case together with the accompanying notes and auditor's reports; and

(iv) the press release issued by Intesa Sanpaolo on 3 November 2015 and entitled "Intesa Sanpaolo: consolidated results at 30 September 2015" announcing the approval by the Management Board of Intesa Sanpaolo of the unaudited consolidated interim statement for the third quarter of 2015 (the "**Third-Quarter-Results Press Release**");

(v) the €70,000,000,000 Euro Medium Term Note Programme prospectus dated 3 December 2015 (the "**2015 Base Prospectus**") to the extent specified in the cross-reference list below,

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

The Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein. Request for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. In addition such documents will be available, without charge, at the principal office of the Fiscal Agent in Luxembourg and on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

**Cross reference list**

The following table shows where the items of information, including those required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004, can be found in the above-mentioned documents.

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## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes While in Global Form*" below.*

### 1. INTRODUCTION

1.1 The issue of the €1,250,000,000 7.0% Additional Tier 1 Notes (the "**Notes**") issued by Intesa Sanpaolo S.p.A. (the "**Issuer**" or "**Intesa Sanpaolo**") was authorised by a resolution of the management board of the Issuer passed on 9 June 2015.

1.2 The Notes are the subject of a fiscal agency agreement dated 19 January 2016 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

1.3 The Issuer has appointed Deutsche Bank AG, London Branch to act as calculation agent (the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Notes).

1.4 Certain provisions of these Conditions are a summary of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) and talons for further Coupons ("**Talons**") which form part of each Coupon sheet of the Notes, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2. DEFINITIONS AND INTERPRETATION

#### 2.1 Definitions

In these Conditions the following expressions have the following meanings:

**"5-year Mid-Swap Rate"** means, in relation to a Reset Interest Period and the Reset Rate of Interest Determination Date in relation to such Reset Interest Period:

(i) the annual mid-swap rate for euro swap transactions with a term of five (5) years commencing on the relevant Reset Date, expressed as a percentage, which appears on the Screen Page as of 11:00 a.m. (Central European time) on such Reset Rate of Interest Determination Date; or

(ii) if such rate does not appear on the Screen Page at such time on such Reset Rate of Interest Determination Date, the Reset Reference Bank Rate on such Reset Rate of Interest Determination Date;

"**5-year Mid-Swap Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which:

(i) has a term of five (5) years commencing on the relevant Reset Date;

(ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

(iii) has a floating leg (calculated on an Actual/360 day count basis) equivalent to the six (6) month Euribor;

"**Actual/360**" means the actual number of days in the relevant period divided by 360;

"**Additional Amounts**" has the meaning given in Condition 10.1 (*Taxation - Gross up*);

"**Additional Tier 1**" has the meaning given to it (or, if no longer used, any equivalent or successor term) in the Applicable Banking Regulations;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Italy including, without limitation to the generality of the foregoing, the CRD IV Package and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the relevant Issuer) or of the European Parliament and Council;

"**Approved Reorganization**" means a solvent and voluntary reorganization 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 Notes;

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms;

"**Beneficial Owner**" means any Person owning any beneficial interest in the Notes; it being understood that the term "Beneficial Owner" shall not include any agent or financial intermediary holding an interest in the Notes solely to the extent such interest is held for or on behalf of any Beneficial Owner;

"**Business Day**" means a TARGET Settlement Day;

"**Calculation Agent**" shall have the meaning attributed thereto in Condition 1.3;

"**CET1 Capital**" means in respect of either the Issuer or the Group (as the case may be), at any time, the sum of all amounts that constitute common equity tier 1 capital of either the Issuer or the Group (as the case may be) as of such date, less any deductions from common equity tier 1 capital required to be made as of such date, in each case as calculated by the Issuer in accordance with the Applicable Banking Regulations applicable to either the Issuer on a standalone basis or the Group on a consolidated basis (as the case may be), which calculation shall be binding on the Noteholders. For the purposes of this definition, the term "common equity tier 1 capital" shall have the meaning assigned to such term in the CRD IV Package as interpreted and applied in accordance with the Applicable Banking Regulations then applicable to either the Issuer or the Group (as the case may be);

"**CET1 Ratio**" means, at any time, the ratio of CET1 Capital of the Issuer or the Group (as the case may be) as of such date to the Risk Weighted Assets of the Issuer or the Group (as the case may be) as of the same date, expressed as a percentage and, for the avoidance of doubt, on the basis that, save as specified in the definition of "Risk Weighted Assets", all measures used in such calculation shall be calculated applying the transitional provisions set out in Part Ten of CRR and applied in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be);

"**Consolidated Net Income**" means the consolidated net income of the Group as calculated on a statutory basis and as set out in the most recently published audited annual consolidated financial statements;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**CRD IV"** means 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, as amended or replaced from time to time;

"**CRD IV Capital Instruments Regulations**" means any regulatory capital rules or regulations introduced by the Relevant Authority or which are otherwise applicable to the Issuer (on a standalone or consolidated basis) or the Group, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer (on a non-consolidated or consolidated basis) to the extent required by (i) the CRD IV or (ii) the CRR;

"**CRD IV Package**" means, jointly, CRR, CRD IV, and CRD IV Capital Instruments Regulations;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 setting out prudential requirements for credit institutions and investment firms, as amended or replaced from time to time;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), "**Actual/Actual (ICMA)**" which means:

(i) 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

(ii) 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;

"**Deed of Covenant**" means the deed of covenant relating to the Notes to be executed by the Issuer on the Issue Date, as amended or supplemented from time to time;

"**Distributable Items**" at any time, shall have the meaning assigned to such term in CRR as interpreted and applied in accordance with the Applicable Banking Regulations then applicable to the Issuer, where "before distributions to holders of own funds instruments" shall be read as a reference to "before distributions to holders of the Notes and to holders of any Parity Securities and Junior Securities constituting Own Funds instruments";

"**Equal Trigger Loss Absorbing Instrument**" means a Loss Absorbing Instrument that is, or has been, subject to utilization and conversion or utilization and write-down at the Trigger Level;

"**Equal Trigger Temporary Written Down Instruments**" means an Equal Trigger Loss Absorbing Instrument that is, or has been, subject to utilization and write-down on a temporary basis and has an Outstanding Principal Amount that is lower than its Original Principal Amount;

"**Euro-zone**" means the region comprised of Member States of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Event of Default**" has the meaning specified in Condition 11 (*Enforcement Event*);

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**First Reset Date**" means 19 January 2021;

"**Group**" means the Issuer and its Subsidiaries;

"**Higher Trigger Loss Absorbing Instrument**" means a Loss Absorbing Instrument that is, or has been, subject to utilization and conversion into equity or utilization and write-down at a CET1 Ratio that is higher than the Trigger Level;

"**Initial Interest Period**" means the period starting on the Interest Commencement Date until (but excluding) the First Reset Date;

"**Initial Rate of Interest**" has the meaning given to such term in Condition 5.2 (*Interest to (but excluding) the First Reset Date*);

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date**" means the Issue Date of the Notes;

"**Interest Payment Date**" means 19 January and 19 July in each year from (and including) 19 July 2016;

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**Issue Date**" means 19 January 2016;

"**Italian Banking Act**" means Italian Legislative Decree number 385 of 1 September 1993, as amended and supplemented from time to time;

"**Junior Securities**" means (i) the share capital of the Issuer including its *azioni privilegiate*, ordinary shares and *azioni di risparmio*, (ii) any securities, instruments or obligations of the Issuer (including *strumenti finanziari* issued under Article 2346 of the Italian Civil Code) ranking, or expressed to rank,

*pari passu* with the claims described under (i) above and/or junior to the Notes, and (iii) any securities issued by an institution within the Group (excluding the Issuer) which have the benefit of a guarantee or similar instrument from the Issuer ranking, or expressed to rank, *pari passu* with the claims described under (i) and (ii) above, and/or junior to the Notes;

"***Liquidazione Coatta Amministrativa***" means *Liquidazione Coatta Amministrativa* as described in Articles 80 to 94 of the Italian Banking Act;

"**Loss Absorbing Instrument**" means at any time any instrument (other than the Notes) issued directly or indirectly by the Issuer which at such time (i) qualifies as Additional Tier 1 Capital of the Issuer and (ii) which is subject to utilization and conversion into equity or utilization and write-down (as applicable) of the Outstanding Principal Amount thereof (in accordance with its terms or otherwise) on the occurrence, or as a result, of the CET1 Ratio falling below a specified level;

**"Margin"** means 6.884%, being equal to the margin used to calculate the Initial Rate of Interest;

"**Maximum Distributable Amount**" means any maximum distributable amount relating either to the Issuer and/or the Group (as the case may be) required to be calculated in accordance with Article 141 of the CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285 of 17 December 2013, as amended) and in accordance with the Applicable Banking Regulations;

"**Maximum Reinstatement Amount**" has the meaning given to such term in Condition 7 (*Loss Absorption Mechanism*);

"**Net Income**" means the non-consolidated net income of the Issuer as calculated on a statutory basis and as set out in the most recently published audited annual financial statements;

"**Optional Redemption Date (Call)**" means each of the First Reset Date and any Interest Payment Date thereafter;

"**Original Principal Amount**" means, in respect of a Note, or as the case may be, a Loss Absorbing Instrument, the principal amount of such Note or Loss Absorbing Instrument as of the Issue Date or the issue date of the Loss Absorbing Instrument, as applicable;

"**Outstanding Principal Amount**" means, in respect of a Note or, as the case may be, a Loss Absorbing Instrument, on any date, the Original Principal Amount of such Note or, as the case may be, Loss Absorbing Instrument as reduced from time to time (on one or more occasions) pursuant to a write-down and/or reinstated from time to time (on one or more occasions) pursuant to a reinstatement in each case on or prior to such date;

"**Own Funds**" has the meaning given to it (or, if no longer used, any equivalent or successor term) in the Applicable Banking Regulations;

"**Parity Security**" means (i) any subordinated and undated debt instruments or securities of the Issuer which are recognized as Additional Tier 1 capital of the Issuer, from time to time by the Relevant Authority and (ii) any securities or other obligations of the Issuer which rank, or are expressed to rank, on a voluntary or involuntary liquidation or bankruptcy of the Issuer, *pari passu* with the Notes;

"**Payment Business Day**" means:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a TARGET Settlement Day;

"**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;

"**Rate of Interest**" means:

(a) in the case of each Interest Period falling in the Initial Period, the Initial Rate of Interest; or

(b) in the case of each Interest Period thereafter, the Reset Rate of Interest in respect of such Reset Interest Period,

all as determined by the Calculation Agent in accordance with Condition 5 (*Interest*);

"**Regular Period**" means 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 Interest Payment Date falls;

"**Regulatory Event**" has the meaning given to such term in Condition 8.3 (*Redemption due to a Regulatory Event*);

"**Reinstatement**" has the meaning given to such term in Condition 7.2(i) (*Reinstatement*);

"**Reinstatement Amount**" means the amount, subject to the Maximum Reinstatement Amount, by which the Outstanding Principal Amount of each Note in effect prior to the relevant Reinstatement, is to be reinstated and written up on the Reinstatement Effective Date on the balance sheet of the Issuer on such date, as specified in the Reinstatement Notice;

"**Reinstatement Effective Date**" means the date on which the Outstanding Principal Amount of each Note is reinstated and written up on the balance sheet of the Issuer (in whole or in part), as specified in the relevant Reinstatement Notice;

"**Reinstatement Notice**" means the notice to be delivered by the Issuer to the Noteholders in accordance with Condition 7.2 (*Loss Absorption Mechanism - Reinstatement*) specifying the Reinstatement Amount and the Reinstatement Effective Date;

"**Relevant Authority**" means the European Central Bank or the Bank of Italy or other governmental authority in Italy (or other country in which the Issuer is then domiciled) or in the European Union having primary responsibility for the prudential oversight and supervision of the Issuer in the framework of the Single Supervisory Mechanism set out under EU Regulation No. 1024/2013 and in accordance with the Applicable Banking Regulations and/or, as the context may require, the "resolution authority" or the "competent authority" as defined under BRRD and SRM Regulation;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (i) the date on which the payment in question first becomes due, and (ii) if the full amount payable has not been received by the Fiscal 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 Noteholders;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, to change the provisions contained in Condition 4 (*Status and Subordination of the Notes*) or to amend this definition;

"**Reset Date**" the First Reset Date and each 5-year anniversary date thereafter;

"**Reset Interest Period**" means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date;

"**Reset Rate of Interest**" means, in relation to a Reset Interest Period, the sum of (a) the 5-year Mid-Swap Rate in relation to that Reset Interest Period; and (b) the Margin; such sum converted from an annual basis to a semi-annual basis;

**"Reset Rate of Interest Determination Date**" means, in relation to a Reset Interest Period, the day falling two TARGET Settlement Days prior to the Reset Date on which such Reset Interest Period commences;

"**Reset Reference Bank Rate**" means, in relation to a Reset Interest Period and the Reset Rate of Interest Determination Date in relation to such Reset Interest Period, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (Central European time) on such Reset Rate of Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period will be (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period or (ii) in the case of the Reset Interest Period commencing on the First Reset Date, 0.239% per annum (being the Initial Rate of Interest less the Margin);

"**Reset Reference Banks**" means six leading swap dealers in the interbank market selected by the Issuer (excluding the Calculation Agent, the Paying Agents or any of their affiliates, the Issuer and any affiliate of the Issuer) in its discretion;

"**Risk Weighted Assets**" means, at any time, the aggregate amount of the risk weighted assets of either the Issuer or the Group (as the case may be), as of such date, as calculated by the Issuer, on a standalone basis in respect of the Issuer or on a consolidated basis in respect of the Group in accordance with the Applicable Banking Regulations applicable to either the Issuer and/or the Group (as the case may be), on such date (which calculation shall be binding on the Noteholders). For the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as calculated by the Issuer, in accordance with the Applicable Banking Regulations applicable to either the Issuer and/or the Group (as the case may be), and for avoidance of doubt, shall exclude the Basel 1 transitional calculation calculated in accordance with Article 500(1) of the CRR;

"**Screen Page**" means Reuters screen "ISDAFIX2" or such other page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the 5-year Mid-Swap Rate;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010;

"**Subordinated Indebtedness**" means any obligation of the Issuer whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of liquidation or bankruptcy of the Issuer to the claims of depositors and all other unsubordinated creditors of the Issuer;

"**Subsidiary**" means a *società controllata*, as defined in Article 2359, first and second paragraphs of the Italian Civil Code;

"**TARGET**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET is open for the settlement of payments in euro;

"**Tax Event**" has the meaning given to such term in Condition 8.4 (*Redemption for tax reasons*);

"**Tier 1 Capital**" has the meaning given to it (or, if no longer used, any equivalent or successor term) in the Applicable Banking Regulations;

"**Tier 2 Capital**" has the meaning given to it (or, if no longer used, any equivalent or successor term) in the Applicable Banking Regulations;

"**Treaty**" means the Treaty establishing the European Communities, as amended;

a "**Trigger Event**" shall occur if the CET1 Ratio of either the Issuer on a standalone basis, or the Group on a consolidated basis, is less than the Trigger Level, as applicable, on such date;

"**Trigger Level**" means 5.125%;

"**Write-Down Amount**" means the amount by which the Outstanding Principal Amount of each Note is to be written down on the Write-Down Effective Date, which shall be:

(i) the amount (together with the write-down on a *pro rata* basis of the other Notes of the same series and any utilization and conversion into equity or utilization and write-down, on a *pro rata* basis, of other Loss Absorbing Instruments that fell below the applicable trigger level of such instrument) that would be sufficient to restore the CET1 Ratio of both the Issuer and the Group to the Trigger Level, as applicable; or

(ii) if that write-down (together with the write-down on a *pro rata* basis of the other Notes of the same series and any utilization and conversion into equity or utilization and write-down, on a

*pro rata* basis, of any other Loss Absorbing Instruments that fell below the applicable trigger level of such instrument) would be insufficient to restore the CET1 Ratio to the Trigger Level, or the CET1 Ratio is not capable of being so restored, the amount necessary to reduce the Outstanding Principal Amount of such Note to the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations,

provided that, for the avoidance of doubt, with respect to any other Higher Trigger Loss Absorbing Instruments, such *pro rata* write-down or conversion shall only be taken into account to the extent required to restore the CET1 Ratio to the Trigger Level;

"**Write-Down Effective Date**" means the date on which the write-down shall take place, or has taken place, as applicable; and

"**Write-Down Procedure**" means the procedures set out in Condition 7 (*Loss Absorption Mechanism*).

2.2 **Interpretation**

In these Conditions:

(i) any reference to principal shall be deemed to include the Outstanding Principal Amount of the Notes, any Additional Amounts, and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) reference to interest shall be deemed to include any Additional Amounts and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement; and

(iv) references to "Coupons" shall, unless the context otherwise requires, be deemed to include a reference to Talons.

3. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000, with Coupons and Talons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

4. **STATUS AND SUBORDINATION OF THE NOTES**

4.1 **Status of the Notes**

(i) The Notes constitute and will constitute unsecured, subordinated obligations of the Issuer.

In the event of the voluntary or involuntary liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, the rights of the holders of the Notes to payments of the then Outstanding Principal Amount (as reduced by any relevant Write-Down Amount in respect of a Trigger Event which has occurred but in respect of which the Write-Down Effective Date has not

yet occurred, if any) of the Notes and any other amounts in respect of the Notes (including any accrued and uncancelled interest or damages awarded for breach of any obligations under these Conditions, if any are payable), will rank:

(A) *pari passu* without any preference among the Notes;

(B) at least *pari passu* with payments to holders of present or future outstanding Parity Securities of the Issuer;

(C) in priority to payments to holders of present or future outstanding Junior Securities of the Issuer; and

(D) junior in right of payment to the payment of any present or future claims of (x) depositors of the Issuer, (y) other unsubordinated creditors of the Issuer, and (z) subordinated creditors of the Issuer in respect of Subordinated Indebtedness (other than Parity Securities and Junior Securities) including, without limitation, any subordinated notes intended to qualify as Tier 2 Capital.

(ii) ***General***

No Noteholder to whom the Issuer is indebted in the event of the liquidation or bankruptcy of the Issuer shall be entitled to exercise any right of set-off or counterclaim against amounts owed to it by the Issuer in respect of the Notes held by it.

## 5. INTEREST

### 5.1 Accrual of interest

The Notes bear interest on their Outstanding Principal Amount, on a non-cumulative basis, at the relevant Rate of Interest from and including the Interest Commencement Date, payable, subject as provided in these Conditions, semi-annually in arrears on each Interest Payment Date. The first interest payment shall be made on 19 July 2016 in respect of the period from (and including) the Issue Date to (but excluding) 19 July 2016.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Outstanding Principal 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 judgement) until whichever is the earlier of:

(a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

(b) the day which is seven (7) days after the Fiscal Agent has notified the Noteholders in accordance with Condition 17 (*Notices*) that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

### 5.2 Interest to (but excluding) the First Reset Date

The Rate of Interest for each Interest Period falling in the Initial Interest Period will be 7.0% per annum (the "**Initial Rate of Interest**"), being the rate that is equal to the sum of the interpolated mid-

swap rate for euro swap transactions with a term of five (5) years commencing on the Issue Date plus the Margin.

5.3 **Interest from (and including) the First Reset Date**

The Rate of Interest for each Interest Period from (and including) the First Reset Date will be the relevant Reset Rate of Interest in respect of the Reset Interest Period in which such Interest Period falls, as determined by the Calculation Agent.

5.4 **Determination of Reset Rate of Interest in relation to a Reset Interest Period**

The Calculation Agent will, as soon as reasonably practicable after 11:00 a.m. (Central European time) on each Reset Rate of Interest Determination Date in relation to a Reset Interest Period, determine the Reset Rate of Interest for such Reset Interest Period.

5.5 **Publication of Reset Rate of Interest**

With respect to each Reset Interest Period, the Calculation Agent will cause the relevant Reset Rate of Interest to be notified to the Issuer, the Fiscal Agent (if not the Calculation Agent) and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and to be published in accordance with Condition 17 (*Notices*) as soon as reasonably practicable after such determination but in any event not later than the relevant Reset Date. The Reset Rate of Interest so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustments) in the event of manifest error.

5.6 **Calculation of Interest Amount**

Subject to Condition 6 (*Interest Cancellation*) and Condition 9 (*Payments*), the Interest Amount payable in respect of each Note for each Interest Period will be calculated by the Calculation Agent by applying the Rate of Interest to the Outstanding Principal Amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5.7 **Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6. **INTEREST CANCELLATION**

6.1 **Discretionary interest payments**

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer’s exercise of its discretion to cancel such interest payment (or the portion of such

interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Any and all interest payments shall be paid out of Distributable Items.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

6.2 **Restriction on interest payments**

(i) Subject to the extent permitted in sub-paragraph (iii) below, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts in respect of such interest payment, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on all other Own Funds instruments (including any Additional Amounts in respect thereof but excluding – for the avoidance of doubt – any such distributions or interest payments on Tier 2 Capital instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) paid and/or scheduled to be paid in the then current financial year.

(ii) Subject to the extent permitted in sub-paragraph (iii) below, in circumstances where Article 141 of CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285) applies, no payments will be made on the Notes (whether by way of principal, interest, or otherwise) if and to the extent that such payment – when aggregated with other distributions of the kind referred to in Article 141(2) of CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285) - would cause the Maximum Distributable Amount (if any), then applicable to the Issuer and/or the Group (as applicable or as required under the then Applicable Banking Regulations) to be exceeded.

(iii) The Issuer may, in its sole discretion, elect to make a partial or full interest payment on the Notes on any Interest Payment Date, only to the extent that such partial or full interest payment may be made without breaching the restriction set out in sub-paragraphs (i) and (ii) above.

6.3 **Effect of interest cancellation**

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with this Condition 6. Any interest cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter nor constitute an Event of Default under Condition 11 (*Enforcement Event*), and Noteholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

6.4 **Notice of interest cancellation**

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Noteholders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five (5) Business Days prior to the relevant Interest Payment

Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Noteholders any rights as a result of such failure.

6.5 **Interest Amount in case of Write-Down**

Subject to Condition 6.1 (*Discretionary interest payments*) and Condition 6.2 above (*Restriction on interest payments*), following a write-down, other than rights to Reinstatement as applicable to the Notes, no Noteholder will have any rights against the Issuer with respect to the payment of interest on any principal amount that has been so written down, and the interest on the Write-Down Amount for the Interest Period ending on the Interest Payment Date following such write-down shall be deemed to have been cancelled (without further action from the Issuer) and shall not be due and payable.

Furthermore, any interest on any principal amount that is to be written down on the relevant Write-Down Effective Date, in respect of an Interest Period ending on any Interest Payment Date falling between the date of a Trigger Event and the Write-Down Effective Date shall be cancelled (without further action from the Issuer) upon the occurrence of such Trigger Event and shall not be due and payable. To the extent it is not possible to determine, on such Interest Payment Date, the interest amount that is to be cancelled pursuant to this Condition 6.5 and therefore, the amount of interest due and payable (subject to these Conditions), if any, on such Interest Payment Date, the Issuer may, at its discretion, postpone the payment of interest to a date not later than the Write-Down Effective Date (and Noteholders shall not be entitled to any further interest or other payment in respect of such delay).

Following the Write-Down Effective Date, interest payments due on the next following Interest Payment Date, if any, shall be calculated based on the Outstanding Principal Amount on the last day of the Interest Period ending on (but excluding) such Interest Payment Date.

6.6 **Interest Amount in case of Reinstatement**

Subject to Condition 6.1 (*Discretionary interest payments*) and Condition 6.2 above (*Restriction on interest payments*), in the event that one or more Reinstatement(s) occur(s) during an Interest Period, any Interest Amount payable on the Interest Payment Date immediately following such Reinstatement(s) shall be calculated by determining the amount of interest accrued on the Notes for each period (ending on the date on which a Reinstatement occurs) within such Interest Period during which a different Outstanding Principal Amount subsists (for the purpose of this Condition 6.6, a "**Relevant Period**"), which shall be the product of (x) the applicable Rate of Interest, (y) the Outstanding Principal Amount before such Reinstatement, and (z) the Day Count Fraction (determined as if the Calculation Period ended on, but excluding, the date of such Reinstatement); and the Interest Amount payable – subject to these Conditions - for such Interest Period shall be the aggregate of the amounts of accrued interest calculated as aforesaid for all Relevant Periods.

## 7. LOSS ABSORPTION MECHANISM

7.1 **Write-down**

(i) *Write-down upon Trigger Event*

If the Issuer determines that a Trigger Event has occurred at any time, then the Issuer shall write down the Outstanding Principal Amount of each Note (in whole or in part, as applicable) on the

Write-Down Effective Date in accordance with the Write-Down Procedure. The write-down shall occur without delay (and within one month or such shorter period as the Relevant Authority may require at the latest) upon the occurrence of a Trigger Event.

On the Write-Down Effective Date, the Issuer shall write down the principal amount of each Note equal to the relevant Write-Down Amount of each Note by writing down the Outstanding Principal Amount of each Note by the relevant Write-Down Amount.

Upon the occurrence of a Trigger Event, the Issuer shall immediately inform the Relevant Authority and shall deliver to the Noteholders a notice in accordance with Condition 17 (*Notices*) specifying (x) that a Trigger Event has occurred and (y) the Write-Down Effective Date or expected Write-Down Effective Date. Following a write-down, other than rights to Reinstatement as applicable to the Notes in accordance with Condition 7.2 (*Reinstatement*) below, no Noteholder will have any rights against the Issuer with respect to the repayment of any principal amount to the extent so written down or any other amount on or in respect of any principal amount that has been so written down.

The Issuer may determine that a Trigger Event has occurred on more than one occasion and the Outstanding Principal Amount of each Note may be written down on more than one occasion provided that the Outstanding Principal Amount of a Note may never be reduced to below the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations.

The requirement in this Condition 7 that a write down of the Notes shall be effected *pro-rata* with the write-down or conversion into equity (as the case may be) of other Loss Absorbing Instruments shall not be construed as requiring the Notes to be written-down to one cent simply by virtue of the fact that other Loss Absorbing Instruments with terms prescribing full write-down (if any) will be written down or converted in full.

Any write-down of a Note shall not constitute an Event of Default or a breach of the Issuer's obligations or duties or a failure to perform by the Issuer in any manner whatsoever and shall not, of itself, entitle Noteholders to petition for the insolvency or dissolution of the Issuer or otherwise. To the extent the write-down or conversion into equity of any Loss Absorbing Instrument is not, or within one month (or such shorter period as the Relevant Authority may require) from the determination that the relevant Trigger Event has occurred will not be, effective for any reason (i) the ineffectiveness of such write-down or conversion into equity shall not prejudice the requirement to effect a write-down of the Notes pursuant to this Condition 7 and (ii) the write-down or conversion into equity of any Loss Absorbing Instrument which is not, or within one month (or such shorter period as the Relevant Authority may require) from the determination that the relevant trigger event has occurred will not be, effective shall not be taken into account in determining such write-down on the Notes.

(ii) *Write-Down Procedure*

Write-down notice

If the Issuer determines that a Trigger Event has occurred, the Issuer shall deliver a write-down notice to the Noteholders at the later of (a) 5 Business Days after the Trigger Event; and (b) as soon as commercially practicable after such Trigger Event.

The write-down notice shall be sufficient evidence of the occurrence of such Trigger Event and will be conclusive and binding on the Noteholders.

7.2 **Reinstatement**

(i) *Reinstatement after write-down*

If a positive Net Income and a positive Consolidated Net Income is recorded at any time while the Outstanding Principal Amount of the Notes is less than their Original Principal Amount, the Issuer may, at its sole and absolute discretion, reinstate and write up the Outstanding Principal Amount of the Notes in whole or in part in accordance with the reinstatement procedure (a "**Reinstatement**").

A Reinstatement may occur on more than one occasion provided that the Outstanding Principal Amount of a Note never exceeds its Original Principal Amount. No Reinstatement may take place if (x) a Trigger Event has occurred, but a write-down has not yet occurred with respect to such Trigger Event, (y) a Trigger Event has occurred in respect of which write-down has occurred but the CET1 Capital ratios of both the Issuer and the Group, as applicable, have not been restored to, or above, the Trigger Level or (z) the Reinstatement (either alone or together with all simultaneous reinstatements of other Loss Absorbing Instruments) would cause a Trigger Event to occur.

(ii) *Reinstatement on a pro rata basis*

The Issuer shall not reinstate any of the Outstanding Principal Amount of any Loss Absorbing Instruments which have been written down and that have terms permitting a reinstatement on a basis substantially similar to that set out in this Condition 7.2 unless (a) any reinstatement of Higher Trigger Loss Absorbing Instrument is simultaneous with, or preceded by, a Reinstatement of the Notes to their Original Principal Amount; and (b) any reinstatement of Equal Trigger Temporary Written Down Instruments is made on a *pro rata* basis with a Reinstatement of the Outstanding Principal Amount of each Note.

(iii) *Reinstatement procedure*

Reinstatement Notice

If the Issuer exercises such discretion to effect a Reinstatement it shall give notice thereof to Noteholders specifying the Reinstatement Amount and the Reinstatement Effective Date (the "**Reinstatement Notice**").

Reinstatement Amount

The Reinstatement Amount shall be set by the Issuer at its discretion, save that it is subject to limitations by reference to the Maximum Reinstatement Amount (as defined below) for the financial year in which such Reinstatement takes place, and any Reinstatement of the Notes shall - when aggregated together with the reinstatement of the outstanding principal amount and payments on all instruments of the Issuer and/or the Group constituting Additional Tier 1 Capital and distributions of the kind referred to in Article 141(2) of CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285) - be limited to the extent necessary to ensure the Maximum Distributable Amount (if any) is not exceeded thereby in circumstances where Article 141 of CRD IV (or, as the case may be, any provision of Italian law transposing or implementing such article, including Circular No. 285) applies.

Any reinstatement of the principal amount of the Additional Tier 1 instruments that have been subject to a write-down of the Issuer (including the Notes) or, in the case of any reinstatement by reference to the Consolidated Net Income, of the Group - together with the payment of interest payments or distributions in respect of such written down instruments that were calculated or paid on the basis of an outstanding principal amount that is lower than their principal amount upon issuance at any time

after the end of the previous financial year - may not exceed the reinstatement limit pursuant to the Applicable Banking Regulations (the "**Maximum Reinstatement Amount**"), which is calculated as the lower of:

(A) the Maximum Distributable Amount; and

(B) an amount equal to the lower of: (x) Net Income *multiplied* by the ratio of (i) the Original Principal Amount of all outstanding Additional Tier 1 instruments of the Issuer where the principal amount of such Additional Tier 1 instruments has been reduced, *divided* by (ii) the total Tier 1 Capital of the Issuer; and (y) Consolidated Net Income multiplied by (i) the Original Principal Amount of all outstanding Additional Tier 1 instruments of the Group where the principal amount of such Additional Tier 1 instruments has been reduced, *divided* by (ii) the total Tier 1 Capital of the Group, in each case, converted (where appropriate) in Euro and at the date of the relevant reinstatement.

Effecting the Reinstatement

On the Reinstatement Effective Date and subject to the prior consent of the Relevant Authority (to the extent such consent is required by the Applicable Banking Regulations), the Issuer shall (x) cause the Outstanding Principal Amount of each Note to be reinstated and written up by an amount equal to the relevant Reinstatement Amount on a *pro rata* basis with the other Notes and (y) procure that the Outstanding Principal Amount of each security forming part of a series of Equal Trigger Temporary Written Down Instruments is, or has been, reinstated and written up on a *pro rata* basis with the Outstanding Principal Amount of each Note.

## 8. REDEMPTION AND PURCHASE

### 8.1 No fixed redemption

The Notes will mature and be redeemed by the Issuer on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 14 January 2016 provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of this Condition 8. The Notes may not be redeemed at the option of the Noteholders.

### 8.2 Redemption at the option of the Issuer

The Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to the prior approval of the Relevant Authority, on any Optional Redemption Date (Call) at their Outstanding Principal Amount together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) up to, but excluding, the date fixed for redemption on the Issuer's giving not less than 15 but not more than 30 days' notice to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall - subject to the provisions of Condition 8.9 (*Trigger Event post redemption notice*) and Condition 8.10 (*No redemption notice post Trigger Event*) – be irrevocable).

8.3 **Redemption due to a Regulatory Event**

The Issuer may redeem the Notes, in whole but not in part (but subject to the prior approval of the Relevant Authority), at their Outstanding Principal Amount, together with any accrued but unpaid interest to the date fixed for redemption (excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)), at any time following the occurrence of a Regulatory Event provided that (to the extent required by applicable law or regulation):

(i) the Issuer has given not less than 30 nor more than 60 days' notice to the Noteholders (such notice shall - subject to the provisions of Condition 8.9 (*Trigger Event post redemption notice*) and Condition 8.10 (*No redemption notice post Trigger Event*) – be irrevocable) specifying the date fixed for such redemption; and

(ii) the circumstance that entitles the Issuer to exercise this right of redemption of the Notes was not reasonably foreseeable at the relevant Issue Date.

"**Regulatory Event**" is deemed to have occurred if there is a change in the regulatory classification of the Notes from the classification as of the Issue Date that would be likely to result in their exclusion in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Additional Tier 1 capital of the Issuer and/or the Group and, prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations, both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as of the Issue Date.

Upon the expiry of such notice period specified above, the Issuer shall - subject to the provisions of Condition 8.9 (*Trigger Event post redemption notice*) and Condition 8.10 (*No redemption notice post Trigger Event*) – be bound to redeem the Notes accordingly.

8.4 **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part (but subject to the prior approval of the Relevant Authority) at any time on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 17 (*Notices*), at their Outstanding Principal Amount, together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest*)) to the date fixed for redemption, if:

(i) the Issuer (a) has or will become obliged to pay additional amounts on the occasion of the next payment of interest due in respect of the Notes as provided or referred to in Condition 10 (*Taxation*) or (b) has or will lose the ability to deduct the interest payable on the Notes from its taxable income, as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy, or any political subdivision or any authority or agency thereof or therein, or any change in the application or interpretation or administration of such laws or regulations, which change or amendment (such change or amendment, prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations, being material and not reasonably foreseeable at the Issue Date as shall be demonstrated by the Issuer to the satisfaction of the Relevant Authority) becomes effective on or after the Issue Date (such occurrence, a "**Tax Event**"); and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided that* any such redemption is subject to the provisions of Condition 8.9 (*Trigger Event post redemption notice*) and Condition 8.10 (*No redemption notice post Trigger Event*).

At least 15 days prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorized 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 together with an opinion of independent legal advisers of recognized standing to the effect that such circumstances prevail (and such evidence and opinion shall be sufficient to the Fiscal Agent and conclusive and binding on the Noteholders).

Upon the expiry of any such notice as is referred to in this Condition 8.4, the Issuer shall - subject to the provisions of Condition 8.9 (*Trigger Event post redemption notice*) and Condition 8.10 (*No redemption notice post Trigger Event*) - be bound to redeem the Notes in accordance with this Condition 8.4.

8.5 **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 8.2 (*Redemption at the option of the Issuer*), 8.3 (*Redemption due to a Regulatory Event*) and 8.4 (*Redemption for tax reasons*) or upon maturity.

8.6 **Purchase**

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that: (A) all unmatured Coupons are purchased therewith; and (B) Notes shall be purchased before five years after the Issue Date only for market-making purposes, in accordance with the paragraph below. Such Notes may be held, resold or, at the option of the purchaser, surrendered for cancellation. Any such purchase of the Notes is subject to consent of the Relevant Authority and in compliance with Applicable Banking Regulations.

In particular, the Issuer or any agent on its behalf shall have the right at all times to purchase the Notes for market-making purposes, provided that: (a) prior written approval of the Relevant Authority shall be obtained where required; and (b) the total principal amount of the Notes so purchased does not exceed the amount permitted to be purchased for market-making purposes under Applicable Banking Regulations (such amount being, at the date of this Prospectus, the lower of (i) 10% of the aggregate Original Principal Amount of the Notes and any further Notes issued under Condition 16 (*Further Issues*) and (ii) 3% of the total amount of Additional Tier 1 instruments of the Issuer and the Group from time to time outstanding).

8.7 **Conditions to redemption and purchase**

Any redemption or purchase of the Notes is subject to the prior approval of the Relevant Authority. In accordance with Article 78(1) of the CRR, the Relevant Authority shall grant permission to redeem or purchase the Notes where either of the following conditions is met:

(a) on or before such redemption, the Issuer replaces the relevant Notes with own funds instruments of an equal or higher quality at terms that are sustainable for its income capacity; or

(b) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds would, following the redemption, exceed the capital ratios required under the CRD IV Package

by a margin that the Relevant Authority may consider necessary on the basis set out in the CRD IV for it to determine the appropriate level of capital of an institution.

8.8 **Cancellation**

All Notes redeemed or purchased and surrendered for cancellation as aforesaid will be cancelled forthwith, together with all unmatured Coupons attached thereto or surrendered or purchased therewith, and may not be resold or reissued.

8.9 **Trigger Event post redemption notice**

If the Issuer has elected to redeem the Notes in accordance with the aforementioned provisions of this Condition 8 but prior to the payment of the redemption amount with respect to such redemption, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and write-down shall apply in accordance with Condition 7 (*Loss Absorption Mechanism*).

8.10 **No redemption notice post Trigger Event**

The Issuer shall not give a redemption notice in accordance with the aforementioned provisions of this Condition 8 after a Trigger Event occurs and has not been remedied.

9. **PAYMENTS**

9.1 **Principal**

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of the Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in the Eurozone.

9.2 **Interest**

Payments of interest shall, subject to Condition 9.6 (*Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 9.1 (*Principal*).

9.3 **Payments subject to fiscal laws**

All payments in respect of the Notes 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 the Noteholders or Couponholders in respect of such payments.

9.4 **Unmatured Coupons void**

On the due date for redemption in whole of any Note pursuant to Condition 8.2 (*Redemption at the option of the Issuer*), Condition 8.3 (*Redemption due to a Regulatory Event*) or Condition 8.4 (*Redemption for tax reasons*), all unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

9.5 **Payments on business days**

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder 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.

9.6 **Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

9.7 **Partial payments**

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

9.8 **Exchange of Talons**

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

10. **TAXATION**

10.1 **Gross up**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatsoever 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 ("**Additional Amounts**") on interests, premium and other income from the Notes (but not principal or any other amount) as will result in receipt by the Noteholders and the Couponholders 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 Note or Coupon presented for payment:

(i) for or on account of *Imposta Sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended, (the "**Legislative Decree No. 239**") 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 Legislative 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 Notes or Coupons presented for payment:

(A) in the Republic of Italy; or

(B) by or on behalf of a Noteholder or Beneficial Owner who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or

(C) by or on behalf of a Noteholder or Beneficial Owner who is entitled to avoid such withholding or deduction in respect of such Note or Coupon 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 Relevant Date except to the extent that the Noteholder would have been entitled to an additional amount on presenting such Note or Coupon 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 country which does not allow for a satisfactory exchange of information with the Republic of Italy; or

(F) in respect of Notes classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September 1983, as amended and supplemented from time to time; or

(iii) where such withholding or deduction is imposed on a payment to an individual or to a residual entity (within the meaning of the EU Savings Tax Directive) and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to a Paying Agent in another Member State of the European Union.

10.2 **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.

The Issuer or any Paying Agent shall be entitled to make any withholding or deduction but will have no obligation to pay additional amounts in respect of the Notes for any such withholding or deduction imposed on or with respect to section 1471 through section 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, intergovernmental agreement, law, regulation or other official guidance implementing FATCA, or any agreement between the Issuer or any Paying Agent and the United States, the Republic of Italy or any authority of any of the foregoing implementing FATCA.

## 11. ENFORCEMENT EVENT

In the event of the voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, inter alia, *Liquidazione Coatta Amministrativa*) of the Issuer, otherwise than for the purpose of an Approved Reorganization or on terms previously approved by the Noteholders (an "**Event of Default**"), the Notes shall become immediately due and payable.

The rights of the Noteholders and the Couponholders in the event of a winding up, dissolution, liquidation or bankruptcy of the Issuer will be calculated on the basis of the Oustanding Principal Amount of the Notes, plus any accrued interest (excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) and any Additional Amounts due pursuant to Condition 10 (*Taxation*). No payments will be made to the Noteholders or Couponholders before all amounts due, but unpaid, to all other creditors of the Issuer ranking ahead of the Noteholders and the Couponholders as described in Condition 4.1 (*Status of the Notes*) have been paid by the Issuer, as ascertained by the liquidator.

## 12. PRESCRIPTION

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

## 13. REPLACEMENT OF NOTES AND COUPONS

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then 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 Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## 14. PAYING AGENTS

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or calculation agent and additional or successor paying agents, provided, however, that:

(a) the Issuer shall at all times maintain a fiscal agent;

(b) the Issuer undertakes that it will ensure that it maintains a paying agent (i) outside the Republic of Italy, and (ii) in a Member State of the European Union who is not obliged to

withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(c) the Issuer shall at all times maintain a calculation agent;

(d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system the rules of which require the appointment of a paying agent in any particular place, the Issuer shall maintain a paying agent having its Specified Office in the place required by the rules of such competent authority, stock exchange and/or quotation system; and

(e) there will at all times be a paying agent in a jurisdiction, other than the jurisdiction in which the Issuer is incorporated.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

## 15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

### 15.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than one half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however,* that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

### 15.2 Modification and waiver

The Conditions may not be amended without the prior approval of the Relevant Authority (if applicable). The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons or the Agency Agreement which is (a) to cure or correct any ambiguity or defective or inconsistent provision contained therein, or which is of a formal, minor or technical nature, or (b) in the sole opinion of the Issuer, not prejudicial to the interests of the Noteholders and/or Couponholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Noteholders were held to consider such modification) or (c) to correct a manifest error or (d) to

comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and Couponholders and shall be notified to the Noteholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

15.3 **Modification or Substitution following a Regulatory Event or a Tax Event**

If at any time a Tax Event or a Regulatory Event occurs, then the Issuer may, subject to giving any notice required to, and receiving any consent required from, the Relevant Authority, if so required, (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders (which notice shall be irrevocable, except if a Trigger Event occurs, the relevant notice shall be automatically rescinded and shall be of no force and effect and write-down shall apply in accordance with Condition 7 (*Loss Absorption Mechanism*)), at any time either substitute all (but not some only) of the Notes, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities or otherwise provide the Issuer with a right of redemption pursuant to the provisions of the Notes.

For the purpose of this Condition 15.3, "**Qualifying Securities**" means securities, whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

(i) have terms not materially less favourable to a Noteholder, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Notes, and they shall also (A) contain terms such that they comply with the minimum requirements under the Applicable Banking Regulations for inclusion in the Tier 1 Capital of the Issuer or the Group (as applicable); (B) provide for a ranking at least equal to that of the Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes; (D) are not at such time subject to a Tax Event; (E) have the same redemption rights as the Notes; (F) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation; and (G) are assigned (or maintain) the same credit ratings with the same outlook as were assigned to the Notes immediately prior to such variation or substitution; and

(ii) are listed on a recognized stock exchange if the Notes were listed immediately prior to such variation or substitution.

16. **FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

17. **NOTICES**

Notices to the Noteholders shall be valid if published (i) in a leading English language daily newspaper published in London (which is expected to be the Financial Times)(ii) if the Notes are at the relevant time listed or admitted to trading on the Luxembourg Stock Exchange and the rules of that exchange so require, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, in each of the above cases, if such publication is not practicable, in a leading English language daily

newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

## 18. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of: (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal, or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency, and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 19. ROUNDING

For the purposes of any calculations referred to in these Conditions, 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.).

## 20. GOVERNING LAW AND JURISDICTION

### 20.1 Governing law

The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save that the subordination provisions described in Condition 4 (*Status and Subordination of the Notes*) and any non-contractual obligations arising out of or in connection with such provisions, shall be governed by the laws of the Republic of Italy.

### 20.2 Jurisdiction

The Issuer agrees for the benefit of the Noteholders that the courts of England are to have jurisdiction to hear and determine any suit, action or proceedings and to hear and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with the Notes (including any non-contractual obligations arising out of or in connection with the foregoing) (respectively "**Proceedings**" and "**Disputes**") and for such purposes have irrevocably submitted to the non-exclusive jurisdiction of such courts.

20.3 **Appropriate forum**

The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

20.4 **Non-exclusivity**

The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether currently or not) if and to the extent permitted by law.

20.5 **Service of Process**

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Issuer at 90 Queen Street, Mansion House, London EC4N 1SA, United Kingdom, or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around 19 January 2016 (the "**Closing Date**") with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Notes will be issued in new global note ("**NGN**") form. The Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"), at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Fiscal Agent if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (b) any of the circumstances described in Condition 11 (Enforcement *Event*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the occurrence of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been delivered by 5:00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon (but excluding any interest cancelled or deemed to be cancelled in accordance with the Conditions) due and payable in accordance with the Conditions has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (London time) or such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the deed of covenant dated 19 January 2016 (the "**Deed of Covenant**") executed by the Issuer in relation to the Notes). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Permanent Global Note. The following is a summary of certain of those provisions:

(i) *Payments*: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the details of such payment shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

(ii) *Notices*: Notwithstanding Condition 17 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and such Permanent Global Note is (or such Permanent Global Note and/or such Temporary Global Note are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 17 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, provided however that so long as the Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notice shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or if such publication is not practicable, in a leading English daily newspaper having general circulation in Europe.

# USE OF PROCEEDS

The net proceeds from the issue of the Notes will be used by the Issuer for its general corporate purposes and to improve the regulatory capital structure of the Group.

# DESCRIPTION OF THE ISSUER

Please refer to the information on the Issuer and the Group in the documents incorporated by reference herein as set out in the "*Documents Incorporated by Reference*" section.

The following tables set forth certain key ratios of the Issuer as of and for the periods indicated.

**Ratios**

| | For the nine months ended 30 September | | For the year ended 31 December | | | |
|---|---|---|---|---|---|---|
| | **2015[(1)]** | **2014[(2)]** | **2014[(3)]** | **2013[(4)]** | **2013[(5)]** | **2012[(6)]** |
| **Profitability ratios** | | | | | | |
| Cost / Income ratio[(7)] | 46.5% | 49.2% | 50.6% | 51.1% | 51.3% | 49.8% |
| Net income / Average shareholders' equity (ROE)[(8)] | 7.9% | 3.6% | 2.8% | - | - | 3.3% |

| | As of 30 September | As of 31 December | | | | |
|---|---|---|---|---|---|---|
| | **2015[(1)]** | **2014[(2)]** | **2014[(3)]** | **2013[(4)]** | **2013[(5)]** | **2012[(6)]** |
| **Risk Ratios** | | | | | | |
| Net doubtful loans / Loans to customers | 4.2% | 4.2% | 4.2% | 3.8% | 3.8% | 3.0% |
| Cumulated adjustments on doubtful loans / Gross doubtful loans to customers | 62.8% | 62.8% | 62.7% | 62.5% | 62.5% | 60.5% |

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(1) Figures from 2015 3Q Interim Statement, as reclassified only (the "**2015 3Q Reclassified Financial Information**")
(2) Figures from the 2014 Audited Financial Statements, restated to include (x) on a line by line basis the subsidiary Pravex Bank (proposed sale aborted in 2015) previously classified as held for sale and discontinued operations, in a manner consistent with the restatement of the income statement; and (y) the acquisition of control of the Risanamento Group, to allow a consistent comparison (the 2014 Audited Financial Statements, as restated and reclassified, the "**2014 Unaudited Restated and Reclassified Financial Information Presented in 2015**")
(3) Figures from the 2014 Audited Financial Statements, as reclassified only (the "**2014 Unaudited Reclassified Financial Information**")
(4) Figures from the 2013 Unaudited Financial Statements Restated in 2014, further restated to reflect the sale of the subsidiary Pravex Bank (at the time anticipated to be finalized in 2015) and of the associate Laurosessantuno, to allow a consistent comparison (the 2013 Unaudited Financial Statements Restated in 2014, as further restated and reclassified, the "**2013 Unaudited Restated and Reclassified Financial Information Presented in 2014**")
(5) Figures from the 2013 Audited Financial Statements, as reclassified only (the "**2013 Unaudited Reclassified Financial Information**")
(6) Figures from the 2012 Unaudited Financial Statements Restated in 2013, further restated to reflect the sale of the associate company SIA S.p.A. (completed in 2014) to allow a consistent comparison (the 2012 Unaudited Financial Statements Restated in 2013, as further restated and reclassified, the "**2012 Unaudited Restated and Reclassified Financial Information Presented in 2013**").
(7) Cost to income ratio is defined as the ratio between operating cost (excluding impairment of goodwill) and operating income.
(8) Ratio between net income (loss) and average of share capital, share premium reserve, reserves and valuation reserves.

Own Funds, risk-weighted assets and the capital ratios as of 30 September 2015 and 31 December 2014 were calculated according to the harmonized rules and regulations for banks and investment companies contained in CRD IV and CRR, which transpose the banking supervision standards defined by the Basel III framework to European Union laws, and on the basis of the Bank of Italy's Circulars (Circular No. 285, Circular No. 286 of 17 December 2013 and the update to Circular No. 154). Regulatory provisions governing Own Funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from common equity when the framework is fully effective, will only have a partial percentage effect on Common Equity Tier 1 capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets. Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the

gradual exclusion of instruments no longer regarded as eligible from Own Funds (over a period of eight years). Accordingly, the prudential ratios take account of the adjustments envisaged by the transitional provisions for 2015.

The table below sets forth the Own Funds attributable to the Group as of 31 December 2014 and 30 September 2015 under the Basel III framework.

| | As of 30 September 2015 | As of 31 December 2014 |
|---|---|---|
| **Group Regulatory Capital Ratios** | | |
| Common Equity Tier 1 / Risk-weighted assets (CET1 Capital Ratio) | 13.4% | 13.6%[1] |
| Tier 1 Capital/ Risk-weighted assets (Tier 1 Capital Ratio) | 14.3% | 14.2% |
| Total Own Funds/ Risk-weighted assets (Total Capital Ratio) | 17.3% | 17.2% |
| Risk-weighted assets (in € million) | 281,768 | 269,790 |

(1) 13.5% not considering 2014 net income after dividends.

The table below sets forth the Own Funds attributable to the Issuer on a standalone basis as of 31 December 2014 under the Basel III framework.

| | As of 31 December 2014[1] |
|---|---|
| **Issuer Regulatory Capital Ratios** | |
| Common Equity Tier 1 / Risk-weighted assets (CET1 Capital Ratio) | 20.8% |
| Tier 1 Capital/ Risk-weighted assets (Tier 1 Capital Ratio) | 21.9% |
| Total Own Funds/ Risk-weighted assets (Total Capital Ratio) | 26.8% |
| Risk-weighted assets (in € million) | 181,288 |

(1) Figures from Intesa Sanpaolo's non-consolidated financial statements as of and for the year ended 31 December 2014.

The table below sets forth the Own Funds attributable to the Group and minority interest shareholders as of 31 December 2013 and 2012 under Basel II framework.

| | As of 31 December 2013[1] | As of 31 December 2012[2] |
|---|---|---|
| **Group Regulatory Capital Ratios** | | |
| Tier 1 Capital[3] net of ineligible instruments / Risk-weighted assets (Core Tier 1) | 11.3% | 11.2% |
| Tier 1 Capital[3] / Risk-weighted assets (Tier 1 capital ratio) | 12.2% | 12.1% |
| Regulatory capital including Tier 2[4] / Risk-weighted assets (Total capital ratio) | 14.8% | 13.6% |
| Risk-weighted assets (in € million) | 276,291 | 298,619 |

(1) Figures from the 2013 Audited Financial Statements.
(2) Figures from Intesa Sanpaolo's audited consolidated financial statements as of and for the year ended 31 December 2012 (the "**2012 Audited Financial Statements**").
(3) Paid-in share capital, share premium reserve and reserves and retained earnings minus treasury shares, goodwill, intangible assets and after the application of prudential filters set out by supervisory regulations.
(4) Tier 1 Capital plus eligible subordinated liabilities, valuation reserves, with the application of "prudential filters", net of equity investments as set out by supervisory regulations.

The table below sets forth the estimated fully loaded Total Capital ratio and the fully loaded leverage ratio of the Group as of 30 September 2015.

| | As of 30 September 2015 |
|---|---|
| **Group Fully Loaded Ratios** | |
| Estimated fully loaded Total Capital ratio | 16.7%[(1)] |
| Fully loaded leverage ratio | 6.5% |

(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2015 considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment, the expected absorption of DTAs on losses carried forward and the announced distribution of reserves of insurance companies; including an estimated nil benefit from the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital).

The table below sets forth the estimated CRD IV CET1 ratio of the Group and the distance to Maximum Distributable Amount ("**MDA**") restrictions as of 30 September 2015.

| | As of 30 September 2015 |
|---|---|
| Estimated Group CET1 Ratio | 13.4% |
| Group CET1 Ratio Distance to MDA[(1)(2)] | 3.9% |

(1) Distance to MDA restrictions reflects the amount of Common Equity Tier 1 capital above the capital conservation buffer and the Pillar 1 and Pillar 2 requirement levels applicable to the Issuer (currently 9.5%), assuming the same level of total risk exposure used in calculating the estimated phased CET1 ratio as of the relevant date.

(2) The distance to MDA restrictions is substantially equivalent both in phased-in and in fully loaded frameworks. This percentage assumes the fulfilment of the Additional Tier 1 regulatory bucket. The 2014-2017 Business Plan includes a management target of €4 billion in issuance of Additional Tier 1 instruments (of which US$ 1 billion was issued in September 2015).

Compliance with the capital buffer requirements is necessary in order to avoid the application of the Maximum Distributable Amount, which would restrict the Issuer's ability to (i) pay interest amounts due under the Notes, (ii) reinstate the Outstanding Principal Amount of the Notes after a Write-Down, or (iii) redeem or purchase any Notes.

The table below sets forth the estimated available Distributable Items (as defined in Article 4(128) of CRR) for the Issuer as of 31 December 2014.

| | **As of 31 December 2014** |
|---|---|
| **Distributable Items** | |
| Issuer's Distributable Items[(1)] | approximately €24.0 billion |

(1) This is an estimate based on the Issuer's current understanding of the Applicable Banking Regulations. The Issuer will not make an interest payment on any Notes on any Interest Payment Date if the Issuer has an amount of Distributable Items (as defined in the Conditions) on such Interest Payment Date that is less than the sum of all distributions or interest payments on all other Own Funds instruments of the Issuer (including any additional amounts in respect thereof but excluding any such distributions or interest payments on Tier 2 Capital instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) paid or scheduled to be paid in the then financial year. See further Condition 6.2 (*Restriction on interest payments*) of the Terms and Conditions of the Notes.

There can be no assurance that the Group's phased-in CET1 ratios will exceed the required capital buffer levels in 2015 or in any subsequent year. The CET1 ratios of the Issuer and the Group will depend on their respective levels of net income, their ability to limit their total risk exposure, and other factors, including those described under "*Risk Factors*" in this Prospectus. See "*Risk Factors—Risks related to the Notes — Additional Tier 1 Notes: loss absorption,*" "*— Risks related to the Notes — The circumstances surrounding a Trigger Event are unpredictable, and there are a number of factors that could affect the CET1 ratio*" and "*— Risks related to the Notes —Many aspects of the manner in which CRD IV will be implemented remain uncertain*".

## TAXATION

*The following is a general summary of certain tax consequences in Italy of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon tax laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.*

*Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.*

### *Tax treatment of Notes issued by the Issuer*

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") sets out the applicable tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks.

For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer 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 in the business in connection to which the securities were issued, nor to control the same.

The tax regime set forth by Decree No. 239 also applies , pursuant to Article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011 ("**Decree No. 138**")to interest, premium and other income from regulatory capital financial instruments complying with the EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

### *Italian Resident Noteholders*

Pursuant to Decree No. 239 and Decree No. 138, where the Italian resident holder of the Notes issued by Intesa Sanpaolo, who is the beneficial owner of such Notes, is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito*" (the “**Asset Management Regime**”) according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**"); or

(b) a partnership (other than a *societa 'in nome collettivo or societa' in accomandita semplice* or similar partnership), or a *de facto* partnership not carrying out commercial activities or professional association; or

(c) private or public institutions, other than companies, trusts 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 payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as "net recipients".

Where the resident holders of the Notes described above under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Pursuant to Decree No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *societa 'di intermediazione mobiliare* (so called "**SIMs**"), fiduciary companies, *società di gestione del risparmio* (**"SGRs"**), stock brokers and other qualified entities identified by a decree of the Ministry of Finance (together the "**Intermediaries**" and each an "**Intermediary**") resident in Italy, or by permanent establishments in Italy of a non-Italian resident Intermediary, that intervene, in any way, in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited.

Where the Notes and the relevant coupons are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that by the Issuer.

Payments of Interest in respect of Notes issued by Intesa Sanpaolo are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (ii) Italian resident partnerships carrying out commercial activities *('società in nome collettivo' or 'società in accomandita semplice'*); (iii) Italian resident open-ended or closed-ended collective investment funds (together the "**Funds**" and each a "**Fund**"), SICAVs, SICAFs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 ("**Decree No. 252**"), Italian resident real estate investment funds; and (iv) Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial Intermediary and have opted for the Asset Management Regime. Such categories are qualified as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, gross recipients indicated above under (i) to (iv) must: (a) be the beneficial owners of payments of Interest on the Notes and (b) deposit the Notes in due time, together with the coupons relating to such Notes, directly or indirectly with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary). Where the Notes and the relevant coupons are not deposited with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer. Gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes shall be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – "**IRAP**") of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have opted for the Asset Management Regime are subject to a 26 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

If the investor is resident in Italy and is a Fund, a SICAV or a SICAF and the relevant Notes are held by an authorised intermediary, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the financial results of the Fund, the SICAV or the SICAF. The Fund, SICAV or SICAF will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, 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, apply, Interest accrued on the Notes will be 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 of 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.

Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005 are subject, as of 1 January 2015, to a 20 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

As of 1 January 2015, Italian pension fund benefits from a tax credit equal to 9 per cent. of the increase in value of the managed assets accrued at the end of the tax period, provided that the pension fund invests in certain medium to long-term financial assets as identified with the Ministerial Decree of 19 June 2015.

***Non-Italian resident Noteholders***

According to Decree No. 239, payments of Interest in respect of the Notes issued by Intesa Sanpaolo will not be subject to *imposta sostitutiva* at the rate of 26 per cent. if made to beneficial owners who are non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected *provided that*:

(e) such beneficial owners are resident for tax purposes in a state or territory which allows an adequate exchange of information with the Italian tax authorities and listed in a Ministerial Decree to be issued under Article 11, para. 4, letter c) of Decree No. 239 (the "**White List**"). The White List will be updated every six months. In absence of the issuance of the White List, reference has to be made to the Italian Ministerial Decree dated 4 September 1996; and

(f) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors

established in countries which allow for an adequate exchange of information with Italy; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Notes;

(b) deposit the Notes in due time together with the coupons relating to such Notes, directly or indirectly, with an Italian Intermediary, or a permanent establishment in Italy of a non-Italian Intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and

(c) file, in due time, with the relevant depository a statement (*autocertificazione*) stating, *inter alia*, that he or she is resident, for tax purposes, in one of the above-mentioned states. Such statement (*autocertificazione*), which must comply with the requirements set forth by Ministerial Decree of 12 December 2001 (as amended and supplemented), shall be valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The statement (*autocertificazione*) is not required for non-Italian resident investors that are international entities or organisations established in accordance with international agreements ratified in Italy, and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident holder of the Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementing rules will result in the application of *imposta sostitutiva* on Interests payments to a non-resident holder of the Notes.

Non-resident holders of the Notes who are subject to substitute tax may, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant holder of the Notes.

**Fungible issues**

Pursuant to Article 11, paragraph 2 of Decree No. 239, where Intesa Sanpaolo issues further Notes (for the purposes hereof, a "**new Tranche**") forming a single series with the Notes (for the purposes hereof, the "**original Tranche**"), for the purposes of calculating the amount of Interest subject to *imposta sostitutiva* (if any), the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of the duration of the Notes.

**Capital Gains**

Pursuant to Decree No. 461, a 26 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by:

- an Italian resident individual not engaged in entrepreneurial activities to which the Notes issued by Intesa Sanpaolo are connected;
- an Italian resident partnership not carrying out commercial activities;

- an Italian private or public institution not carrying out mainly or exclusively commercial activities; or

on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called "*regime della dichiarazione*" ("**Tax Declaration Regime**"), which is the standard regime for taxation of capital gains, the 26 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities, and *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year. Pursuant to Law Decree No. 66 of 24 April, 2014 ("**Decree No. 66**"), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Alternatively to the Tax Declaration Regime, the holders of the Notes who are:

- Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected;
- Italian resident partnerships not carrying out commercial activities;
- Italian private or public institutions not carrying out mainly or exclusively commercial activities,

may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes under the so called "*regime del risparmio amministrato*" (the "**Administrative Savings Regime**"). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the Administrative Savings Regime being made in writing in due time by the relevant holder of the Notes. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the four succeeding tax years. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. Under the Administrative Savings Regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Special rules apply if the Notes are part of a portfolio managed under the Asset Management Regime by an Italian asset management company or an authorised intermediary. The capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 26 per cent. *imposta sostitutiva* on capital gains but will contribute to the determination of the annual accrued appreciation of the managed portfolio, subject to

the Asset Management Tax. Any depreciation of the managed portfolio at the year end may be carried forward against appreciation accrued in each of the four succeeding tax years. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. Also under the Asset Management Regime the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

In the case of Notes held by Funds, SICAVs and SICAFs, capital gains on the Notes contribute to the determination of the increase in value of the managed assets of the Funds, SICAVs or SICAFs accrued at the end of each tax year. The Funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders. A withholding tax of 20 per cent. is levied on proceeds accrued up to 30 June 2014 and received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares.

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, 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, apply, capital gains realised will be 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 investment fund or of 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 Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Italian 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, and will be subject to the Pension Fund Tax.

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23 of Presidential Decree No. 917 of 22 December 1986, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

(a) pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes: (a) in a state or

territory listed in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (b) as from the tax year in which the White List is effective, in a State or territory therein included. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State; and

(b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they promptly file with the Italian authorised financial intermediary a declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

**Inheritance and gift tax**

Pursuant to Law Decree No. 262 of 3 October 2006, as converted with amendments by Law No. 286 of 24 November 2006 effective from 29 November 2006, and Law No. 296 of 27 December 2006, the transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose, are taxed as follows:

(a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);

(b) 6 per cent. if the transfer is made to siblings; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);

(c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and

(d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

If the donee sells the Notes for consideration, having received the Notes as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

**Transfer tax**

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

**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 Notes issued by Intesa Sanpaolo held abroad during each tax year.

The requirement applies also where the persons above, being not the direct holders of the financial instruments, are the actual owners of the instrument.

Furthermore, it is not necessary to comply with the above reporting requirement with respect to: (i) the Notes deposited for management with qualified Italian financial intermediaries; (ii) the contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed of deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

**Stamp duty**

Pursuant to Article 13, para. 2-.ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to its clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the basis of face value or redemption value, or in the case the face or redemption values cannot be determined, on the basis of purchase value of the financial assets (including banking bonds, *obbligazioni* and capital adequacy financial instruments) held.

The statement is deemed to be sent at least once a year, including with respect to the instruments for which is not mandatory nor the deposit, nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

Pursuant to the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises a banking, financial or insurance activity in any form within the Italian territory.

**Wealth tax on financial assets deposited abroad**

According to Article 19 of Decree No. 201 of 6 December 2011, Italian resident individuals holding financial assets, including the Notes, outside of the Italian territory are required to declare in its own annual tax declaration and pay a wealth tax at the rate of 0.2 per cent. This tax is calculated on the market value at the end of the relevant year or, if no market value figure is available, on the nominal value or redemption value,

or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held abroad by Italian resident individuals. A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the wealth tax, if such financial assets are administered by Italian financial intermediaries pursuant to an administration agreement.

# SUBSCRIPTION AND SALE

Banca IMI S.p.A., Deutsche Bank AG, London Branch, HSBC Bank plc, Merrill Lynch International, Société Générale and UBS Limited (together the "**Joint Lead Managers**") have, in a subscription agreement dated 14 January 2016 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 100.0 per cent. of their principal amount, less commissions. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of the expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

**United States**

The Notes have not been, nor will they be, registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes, as certified to the Fiscal Agent or the Issuer by each Joint Lead Manager (whereupon the Fiscal Agent or the Issuer shall notify each Joint Lead Manager when all Joint Lead Managers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Joint Lead Manager will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

**Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive each, a "**Relevant Member State**", each Joint Lead Manager has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Qualified Investors:* at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(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 Directive) 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 3(2) of the Prospectus Directive.

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

**Luxembourg**

The Notes may not be offered or sold to the public within the territory of the Grand-Duchy of Luxembourg unless:

(a) a prospectus has been duly approved by the Commission de Surveillance du Secteur Financier (the "**CSSF**") pursuant to part II of the Luxembourg law dated 10 July 2005 on prospectuses for securities, as amended from time to time and implementing the Prospectus Directive, (the "**Luxembourg Prospectus Law**") if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or

(b) if Luxembourg is not the home Member State as defined under Luxembourg Prospectus Law, the CSSF and ESMA have been notified by the competent authority in the home Member State with a certificate of approval attesting that a prospectus in relation to the Notes has been duly approved in accordance with the Prospectus Directive and with a copy of that prospectus; or

(c) the offer of Notes benefits from an exemption from or constitutes a transaction not subject to, the requirement to publish a prospectus under the Luxembourg Prospectus Law, as amended from time to time.

**United Kingdom**

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act ("**FSMA**")) received by it in connection with the issue or the sale of any Notes in circumstances in which Section 21(1) of the FSMA does not or, would not if it were not an authorised person, apply to the Issuer; 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 the Notes in, from or otherwise involving the United Kingdom.

**Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999 (as amended from time to time) ("**Regulation No. 11971**"); or

(b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes 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 Services Act, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**");

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(c) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or any other Italian authority.

**Hong Kong**

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than (a) to "**professional investors**" as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under that Ordinance.

**People's Republic of China**

Each Joint Lead Manager has represented and agreed that the Notes will not be offered or sold directly or indirectly in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau

Special Administrative Region of the PRC and Taiwan) as part of the initial distribution of the Notes. This Prospectus or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

The Notes may only be invested by the PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

**Singapore**

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the applicable conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

2) where no consideration is or will be given for the transfer;

3) where the transfer is by operation of law;

4) as specified in Section 276(7) of the SFA; or

5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**Japan**

Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

**France**

Each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of 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 Prospectus, or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

**General**

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any related offering material, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or delivery and none of the Issuer and the other Joint Lead Managers shall have any responsibility therefor.

Other than with respect to the admission to listing and trading by the Luxembourg Stock Exchange, no action has been or will be taken in any country or jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering of Notes, 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 this Prospectus comes are required by the Issuer, and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

## GENERAL INFORMATION

**Authorisations**

The creation and the issue of the Notes has been authorised by a resolution of the Management Board of the Issuer dated 9 June 2015.

**Listing and admission to trading**

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

**Expenses related to admission to trading**

The total expenses related to admission to trading are estimated at €13,000 in listing and listing agent's fees.

**Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for the Notes are as follows:

| | |
|---|---|
| ISIN: | XS1346815787 |
| Common Code: | 134681578 |

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brusssels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

**Litigation**

Save as disclosed in "*Description of Intesa Sanpaolo S.p.A. – Legal Risks*" in the 2015 Base Prospectus (which is incorporated by reference in this Prospectus), neither the Issuer nor any member of the Intesa Sanpaolo Group is or has been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Intesa Sanpaolo Group's financial position or profitability and, so far as Intesa Sanpaolo is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

**No significant change and no material adverse change**

Save as disclosed "*Description of Intesa Sanpaolo S.p.A. – Recent Events*" in the 2015 Base Prospectus (which is incorporated by reference in this Prospectus), since 31 December 2014 there has been no material adverse change in the financial position or situation or the prospects of the Issuer and, since 30 June 2015, there has been no significant change in the financial position of the Intesa Sanpaolo Group.

**Material contracts**

Neither the Issuer nor any of its subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may reasonably be expected to be material to the Issuer's ability to meet its obligations to Noteholders.

**Documents on display**

For so long as the Notes are outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered office of the Issuer and at the specified office of the Fiscal Agent, namely:

(a) this Prospectus and any supplements to this Prospectus and any other information incorporated herein or therein by reference;

(b) the Agency Agreement;

(c) the Deed of Covenant; and

(d) the By-laws of the Issuer.

**Financial statements available**

For so long as the Notes are outstanding, copies and, where appropriate, English translations of the following financial information may be obtained during normal business hours at the registered office of the Issuer and at the specified office of the Fiscal Agent, namely:

(a) the audited consolidated annual financial statements of Intesa Sanpaolo as at and for the years ended 31 December 2013 and 2014;

(b) the most recent annual or unaudited interim consolidated financial information of Intesa Sanpaolo published from time to time (whether audited or unaudited), commencing with its unaudited consolidated half-yearly financial statements as at and for the six months ended 30 June 2015,

in each case, together with the accompanying notes and any auditors' report.

**Auditors**

From 28 May 2012 the auditors of Intesa Sanpaolo are KPMG S.p.A. for the period 2012-2020. KPMG S.p.A. have audited Intesa Sanpaolo's consolidated annual financial statements, in accordance with generally accepted auditing standards in Italy as at and for the years ended 31 December 2013 and 2014.

KPMG S.p.A., auditors to Intesa Sanpaolo S.p.A. from 1 January, 2012, has performed a limited review on the 2015 Half-Yearly Unaudited Financial Statements as at and for the six months ended 30 June 2015 in accordance with CONSOB Regulation No. 10867 of 31 July 1997.

KPMG S.p.A. are members of Assirevi, the Italian professional association of auditors and are registered under No. 13 in the special register (*albo speciale*) maintained by CONSOB and set out under Article 161 of Legislative Decree No. 58 of 24 February 1998 (as amended) and under No. 70623 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992.

**Yield**

There is no explicit yield to maturity. The Notes do not carry a fixed date for redemption and the Issuer is not obliged, and under certain circumstances is not permitted, to make payments on the Notes at the full stated rate. The interest rate is also subject to periodic resetting.

For information purposes only, the yield of the Notes calculated on the Issue Price and the Initial Rate of Interest from (and including) the Issue Date up to (and excluding) the First Reset Date and assuming no

write-down during such period, would be 7.123 per cent. per annum. It is not an indication of the actual yield for such period nor of any future yield.

**Potential conflicts of interest**

Save for the commissions payable to the Joint Lead Managers, so far the Issuer is aware, there are no interests, conflicting or otherwise, of natural and legal persons involved in the issue of the Notes that are material to the issue of the Notes. Banca IMI S.p.A. is a subsidiary of the Issuer.

Certain Joint Lead Managers 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 its affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its 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 Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or their affiliates. Certain of the Joint Lead Managers 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 Joint Lead Managers 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 long and/or short positions in securities, including potentially the Notes. Any such long and/or short positions could adversely affect future trading prices of Notes. The Joint Lead Managers 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.

**Legend**

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

**THE ISSUER**
**Intesa Sanpaolo S.p.A.**
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10121 Turin
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**JOINT LEAD MANAGERS**

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**Deutsche Bank AG, London Branch**
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**HSBC Bank plc**
8 Canada Square
London E14 5HQ
United Kingdom

**Merrill Lynch International**
2 King Edward Street
London EC1A 1HQ
United Kingdom

**Société Générale**
29, boulevard Haussmann
75009 Paris
France

**UBS LIMITED**
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

**FISCAL AND PAYING AGENT**
**Deutsche Bank AG, London Branch**
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1 Great Winchester Street
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*To the Issuer as to Italian Law*
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*To the Joint Lead Managers as to English and Italian law*
**Clifford Chance Studio Legale Associato**
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Via Vittor Pisani, 25
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**LISTING AGENT**
**Intesa Sanpaolo Bank Luxembourg S.A.**
19-21, Boulevard du Prince Henri
L-1724 Luxembourg
Grand Duchy of Luxembourg