Programme Information

Intesa Sanpaolo S.p.A.
Intesa Sanpaolo Bank Ireland p.l.c.
Intesa Sanpaolo Bank Luxembourg S.A.

PROGRAMME INFORMATION

Type of Information:	Programme Information
Date of Announcement:	16 February 2018
Issuer Name:	(1) Intesa Sanpaolo S.p.A. ("**Intesa Sanpaolo**") (2) Intesa Sanpaolo Bank Ireland p.l.c. ("**INSPIRE**") (3) Intesa Sanpaolo Bank Luxembourg S.A. ("**Intesa Luxembourg**")
Name and Title of Representative:	(1) Intesa Sanpaolo: Fabio Francesco Ferrari, Head of MLT Finance Division (2) INSPIRE: Davide De Marco, Deputy General Manager (3) Intesa Luxembourg: Ferdinando Angeletti, Managing Director and CEO Georges Hilbert, Deputy Head of Operations
Address of Head Office:	(1) Intesa Sanpaolo: Piazza San Carlo, 156, 10121 Turin, Italy (2) INSPIRE: 2nd Floor, International House, 3 Harbourmaster Place, IFSC, Dublin 1, Ireland (3) Intesa Luxembourg: 19-21, Boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg
Telephone:	(1) Intesa Sanpaolo: +39-011-5551 (2) INSPIRE: +353-1672-6720 (3) Intesa Luxembourg: +352-461-411-388
Contact Person:	Attorneys-in-Fact: Eiichi Kanda, Attorney-at-law Chihiro Ashizawa, Attorney-at-law Yuri Higashi, Attorney-at-law Clifford Chance Law Office (Gaikokuho Kyodo Jigyo) Address: Palace Building, 3rd floor 1-1, Marunouchi 1-chome Chiyoda-ku, Tokyo 100-0005 Japan Telephone: +81-3-6632-6600
Type of Securities:	Notes (the "**Notes**")
Scheduled Issuance Period:	17 February 2018 to 16 February 2019
Maximum Outstanding Issuance Amount:	€70,000,000,000
Address of Website for Announcement:	http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html
Guarantor Name (for issues by INSPIRE and Intesa Luxembourg):	Intesa Sanpaolo S.p.A.

Name of the Main Dealer that is Expected to Subscribe for the Notes to be Drawn Down from this Programme:	Nomura International plc
Status of Submission of Annual Securities Reports or Issuer Filing Information:	None

Notes to Investors:

1. The TOKYO PRO-BOND Market is a market for professional investors, etc. (*Tokutei Toushika tou*) as defined in Article 2, Paragraph 3, Item 2(b)(2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") (the "**Professional Investors, Etc.**"). Notes listed on the market ("**Listed Notes**") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Notes on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions after having carefully considered the contents of this Programme Information.

2. The regulatory framework for the TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the website of Japan Exchange Group, Inc.

3. Tokyo Stock Exchange, Inc. ("**Tokyo Stock Exchange**") does not express opinions or issue guarantees, etc. regarding the content of this Programme Information (including but not limited to, whether this Programme Information (a) contains a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss.

4. This Programme Information is prepared pursuant to Rule 206, Paragraph 2 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities (hereinafter referred to as the "**Special Regulations**") as information prescribed in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities, et. Accordingly, this Programme Information shall constitute Specified Securities Information stipulated in Article 27-31, Paragraph 1 of the FIEA.

5. All prospective investors who purchase the Notes listed or to be listed on the TOKYO PRO-BOND Market should be aware that when they offer to purchase the Notes, they shall be required to (i) enter into and agree the terms of a transfer restriction agreement with the Issuer and/or the person making a solicitation, or (ii) (in the case of a solicitation of an offer to acquire the Notes to be newly issued) agree to comply with the terms of a transfer restriction. The terms of such transfer restriction agreement or transfer restriction provide that prospective investors agree not to sell, transfer or otherwise dispose of the Notes to be held by them to any person other than the Professional Investors, Etc., except for the transfer of the Notes to the following:

   (a) the Issuer or the Officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the "**Voting Rights Held by All the Shareholders, Etc.**" (*Sou Kabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, Paragraph 2 of the FIEA) of the Issuer under his/her own name or another person's name (the "**Specified Officer**" (*Tokutei Yakuin*)), or a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc., are held by the Specified Officer (the "**Controlled Juridical Person, Etc.**" (*Hi-Shihai Houjin Tou*)) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% in total of the Voting Rights Held by All the Shareholders, Etc. are held by the Specified Officer and/or the Controlled Juridical Person, Etc. under its own name or another person's name (as prescribed in Article 11-2, Paragraph 1, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No. 14 of 1993, as amended)); or

(b) a company that holds shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.

6. When (i) a solicitation of an offer to acquire the Notes or (ii) an offer to sell or a solicitation of an offer to purchase the Notes (collectively, "**Solicitation of the Note Trade**") is made, the following matters shall be notified from the person who makes such Solicitation of the Note Trade to the person to whom such Solicitation of the Note Trade is made:

(a) no securities registration statement (pursuant to Article 4, Paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Note Trade;

(b) the Notes fall, or will fall, under the Securities for Professional Investors (*Tokutei Toushika Muke Yukashoken*) (as defined in Article 4, Paragraph 3 of the FIEA);

(c) any acquisition or purchase of the Notes by such person pursuant to any Solicitation of the Note Trade is conditional upon such person (i) entering into an agreement providing for the restriction on transfer of the Notes as set forth in note 6 above, (x) with each of the Issuer and the person making such Solicitation of the Note Trade (in the case of a solicitation of an offer to acquire the Notes to be newly issued), or (y) with the person making such Solicitation of the Note Trade (in the case of an offer to sell or a solicitation of an offer to purchase the Notes already issued), or (ii) agreeing to comply with the restriction on transfer of the Notes as set forth in note 5 above (in the case of a solicitation of an offer to acquire the Notes to be newly issued);

(d) Article 4, Paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Notes as provided in Article 4, Paragraph 2 of the FIEA;

(e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-33 of the FIEA) with respect to the Notes and the Issuer Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-34 of the FIEA) with respect to the Issuer have been or will be made available for the Professional Investors, Etc. by way of such information being posted on the website maintained by the TOKYO PRO-BOND Market (http://www.jpx.co.jp/english/equities/products/ tpbm/index.html or any successor website), in accordance with Rules 210 and 217 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities of the Tokyo Stock Exchange; and

(f) the Issuer Information, Etc. will be provided to the Noteholders or made public pursuant to Article 27-32 of the FIEA.

7. In respect of this Programme, a rating of (P)Baa1 was assigned from Moody's Investors Service Ltd. ("**Moody's**") on 14 December 2017, a rating of BBB- was assigned from Standard & Poor's Credit Market Services Italy Srl ("**S&P**") on 19 December 2017 and a rating of BBB+ was assigned from Fitch Ratings Limited ("**Fitch**") on 15 December 2017. Those credit rating firms have not been registered under Article 66-27 of the FIEA.

Unregistered credit rating firms are not subject to any supervision of the Financial Services Agency of Japan or regulations applicable to credit rating firms, including obligations to disclose information, nor obligated to publicise information regarding such matters as listed in Article 313, Paragraph 3, Item 3 of the Ordinance of the Cabinet Office Concerning Financial Instruments Business, Etc. (the "**Cabinet Office Ordinance**").

Moody's has Moody's Japan K.K. (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 2) ("**Moody's Japan**") and S&P has S&P Global Ratings Japan Inc. (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 5) ("**S&P Japan**") and Fitch has Fitch Ratings Japan Limited (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 7) ("**Fitch Japan**") within their respective groups as registered credit rating firms under Article 66-27 of the FIEA ("**Registered Credit Rating Firms**"), and Moody's, S&P and Fitch are specified affiliated corporations (as defined in Article 116-3, Paragraph 2 of the Cabinet Office Ordinance) of the respective Registered Credit Rating Firms referred to above. The assumptions, significance and limits of the credit ratings given by Moody's, S&P and Fitch are made available in the Japanese language on the respective websites of (i) Moody's Japan, at "Assumptions, Significance and Limits of Credit Ratings" posted under "Related to Explanations of Unregistered Credit Ratings" in the column entitled "Use of Ratings by Unregistered Firm" on the page entitled "Credit Rating Business" on its website

(https://www.moodys.com/pages/default_ja.aspx) and (ii) S&P Japan, at "Assumptions, Significance and Limitations of Credit Ratings" posted under "Information on Unregistered Credit Ratings" on its website (http://www.standardandpoors.com/ja_JP/web/guest/regulatory/unregistered) and (iii) Fitch Japan, at "Assumptions, Significance and Limits of Credit Ratings" posted under "Overview of Policies, etc. for Credit Rating" in the section entitled "Regulatory Affairs" in the column entitled "About Credit Rating Business of Fitch" on the left bar on its website (http://www.fitchratings.co.jp/web/ja/index), which are made available for the public on the Internet.

8. The selling restrictions set forth in notes 5 and 6 above shall prevail over those set forth in the section entitled "SUBSCRIPTION AND SALE — Japan" in the Base Prospectus dated 18 December 2017 included in this Programme Information.

PROSPECTUS

INTESA SANPAOLO S.p.A.

(incorporated as a società per azioni in the Republic of Italy)
as Issuer and, in respect of Notes issued by Intesa Sanpaolo Bank Ireland p.l.c. and Intesa Sanpaolo Bank Luxembourg S.A., as Guarantor (where indicated in the relevant Final Terms)
and

INTESA SANPAOLO BANK IRELAND P.L.C.

(incorporated with limited liability in Ireland under registered number 125216)
as Issuer
and

INTESA SANPAOLO BANK LUXEMBOURG S.A.

(a public limited liability company (société anonyme) incorporated in the Grand Duchy of Luxembourg as a credit institution and registered with the register of trade and companies of Luxembourg under number B13859)
as Issuer

€ 70,000,000,000
Euro Medium Term Note Programme

Under the €70,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this prospectus (the "**Prospectus**"), Intesa Sanpaolo S.p.A. ("**Intesa Sanpaolo**" or the "**Bank**"), Intesa Sanpaolo Bank Ireland p.l.c. ("**INSPIRE**") and Intesa Sanpaolo Bank Luxembourg S.A. (previously known as Société Européenne de Banque S.A.) ("**Intesa Luxembourg**") (together, the "**Issuers**" and, each of them, an "**Issuer**") may issue notes ("**Notes**") on a continuing basis to one or more of the Dealers named on page 36 and any additional Dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"). References in this Prospectus to the "**relevant Dealer**" shall be, in the case of an issue of Notes to more than one Dealer, to the lead manager of such issue and, in the case of an issue of Notes to one Dealer, to such Dealer.

The Notes will be constituted by an amended and restated trust deed dated 18 December 2017 (as amended, supplemented and/or restated from time to time, the "**Trust Deed**") between the Issuers and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**"). The payments of all amounts due in respect of the Notes issued by INSPIRE and Intesa Luxembourg ("**Guaranteed Notes**") will be unconditionally and irrevocably guaranteed by Intesa Sanpaolo pursuant to the Trust Deed and the relevant Deed of Guarantee (as defined herein).

Pursuant to the Programme, the Issuers may issue Notes denominated in any currency agreed with the relevant Dealer. The minimum denomination of all Notes issued under the Programme shall be €100,000 and integral multiples of €1,000 in excess thereof (or its equivalent in any other currency as at the date of issue of the Notes). The aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €70,000,000,000 (or its equivalent in other currencies calculated as described herein).

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "*Risk Factors*" below.

This Prospectus has been approved as a base prospectus issued in compliance with Directive 2003/71/EC, as amended, (the "**Prospectus Directive**"). Application has been made by the Issuers for Notes during the period of twelve months after the date hereof to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. In addition, pursuant to Article 18 of the Prospectus Directive, the Issuers have requested the CSSF (as defined below) to issue a certificate of approval of this Prospectus, together with a copy of this Prospectus, to the Central Bank of Ireland in its capacity as competent authority in Ireland. Under the Luxembourg law of 10th July, 2005, on prospectuses for securities, as amended from time to time, which implements the Prospectus Directive, (the "**Luxembourg Prospectus Law**") prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law. By approving this Prospectus the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") assumes no responsibility with regards to the economic and financial soundness of any transaction under this Programme or the quality and solvency of the Issuer in accordance with the provisions of Article 7(7) of the Luxembourg Prospectus Law.

The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer. Notes issued pursuant to the Programme may also be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**") will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the Regulation) unless (1) the rating is provided by a credit rating agency not established in the EEA but endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. The European Securities and Markets Authority (the "**ESMA**") is obliged to maintain on its website, *www.esma.europa.eu/page/List-registered-and-certified-CRAs*, a list of credit rating agencies registered and certified in accordance with the CRA Regulation.

Joint Arrangers

Banca IMI
Deutsche Bank

Dealers

Banca IMI
BNP PARIBAS
Citigroup
Crédit Agricole CIB
Deutsche Bank
HSBC
J.P. Morgan
Natixis
Société Générale Corporate & Investment Banking

Barclays
BofA Merrill Lynch
Commerzbank
Credit Suisse
Goldman Sachs International
Intesa Sanpaolo S.p.A.
Morgan Stanley
NatWest Markets
UBS Investment Bank

The date of this Prospectus is 18 December 2017

IMPORTANT INFORMATION

This Prospectus comprises a base prospectus for each Issuer for the purposes of Article 5.4 of the Prospectus Directive.

Any person (an "**Investor**") intending to acquire or acquiring any securities from any person (an "**Offeror**") should be aware that, in the context of an offer to the public as defined in the Prospectus Directive, the Issuer may be responsible to the Investor for the Prospectus only if the Issuer is acting in association with that Offeror to make the offer to the Investor. Each Investor should therefore verify with the Offeror whether or not the Offeror is acting in association with the Issuer. If the Offeror is not acting in association with the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Prospectus for the purposes of Article 6 of the Prospectus Directive as implemented by the national legislation of each EEA Member State in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Prospectus and/or who is responsible for its contents it should seek legal advice.

Intesa Sanpaolo, INSPIRE and Intesa Luxembourg accept responsibility for the information contained in this document. To the best of the knowledge of each of Intesa Sanpaolo, INSPIRE and Intesa Luxembourg, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The previous paragraph should be read in conjunction with the second paragraph above. Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with the issue of any Tranche of Notes are the persons named in the applicable Final Terms as the relevant Dealer(s).

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE NOTES AND, ACCORDINGLY, THIS PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

This Prospectus should be read and construed together with any supplements hereto and with any other information incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein).

Intesa Sanpaolo, INSPIRE and Intesa Luxembourg have confirmed to the Dealers that this Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the Guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the Guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

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 Programme or any information supplied by Intesa Sanpaolo, INSPIRE and Intesa Luxembourg 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 Intesa Sanpaolo, INSPIRE, Intesa Luxembourg, the Trustee or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and none of the Dealers or 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 any Final Terms, 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 the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Intesa Sanpaolo, INSPIRE, Intesa Luxembourg and Intesa Sanpaolo's other consolidated subsidiaries (the "**Intesa Sanpaolo Group**") since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme 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.

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by each of Intesa Sanpaolo, INSPIRE, Intesa Luxembourg and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, neither the Notes nor the guarantee thereof have been or will be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are both subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. Notes may be offered and sold outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**").

Neither this Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and neither should they be considered as a recommendation by Intesa Sanpaolo, INSPIRE, Intesa Luxembourg, the Trustee, the Dealers or any of them that any recipient of this Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of Intesa Sanpaolo, INSPIRE, Intesa Luxembourg and the Intesa Sanpaolo Group.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed €70,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement as defined under "*Subscription and Sale*")). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

This Prospectus has been prepared on the basis that, except to the extent that sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuers or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable and the Issuers have consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an

obligation arises for the relevant Issuer or any Dealer to publish or supplement a prospectus for such offer.

Renminbi is currently not freely convertible and conversion of Renminbi through banks outside the PRC is subject to certain restrictions. Investors should be reminded of the conversion risk with Renminbi-denominated products. In addition, there is a liquidity risk associated with Renminbi-denominated products, particularly if such investments do not have an active secondary market and their prices have large bid/offer spreads. Renminbi-denominated products are denominated and settled in Renminbi available outside the PRC, which represents a market which is different from that of Renminbi available in the PRC.

In this Prospectus, references to "**U.S.**" or "**USD**" are to United States dollars, references to "**STG**" or "**£**" are to the lawful currency of the United Kingdom, references to "**EUR**", "**euro**", "**euros**" or "**€**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3rd May, 1998 on the introduction of the euro, as amended, references to "**Renminbi**" and "**CNY**" are to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) (the "**PRC**") and references to "**S$**" are to the lawful currency of Singapore. References to a "regulated market" have the meaning given to that expression by Article 14 of the Markets in Financial Instruments Directive 2004/39/EC.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented 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.

IMPORTANT – EEA RETAIL INVESTORS – if the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes,, from 1 January 2018 are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a "retail investor" means a person who is one (or more) of: (a) a retail client as defined in point (11) of Article 4(I) of Directive 2014/65/EU ("**MiFID II"**); (b) a customer within the meaning of Directive 2002/92/EC (the "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(I) of MiFID II; or (c) not a qualified investor as defined in Directive 2003/71/EC (as amended (including by Directive 2010/73/EU), the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

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

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise

neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

STABILISATION

In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms 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, stabilisation may not necessarily occur. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) 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 1st 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 1st January, 2007 and references 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 1st January, 2007 and references to the "**Banca 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. in respect of the period from 1st January, 2007 and references to "**Sanpaolo IMI Group**" are to Sanpaolo IMI and its subsidiaries in respect of the same period.

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RISK FACTORS

The Issuers believe that the following risk factors may affect their ability to fulfil their obligations under Notes issued under the Programme. Most of these risk factors are contingencies which may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring.

In addition, risk factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuers believe that the risk factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuers based on information currently available to them or which they may not currently be able to anticipate. Accordingly, the Issuers do not represent that the statements below regarding the risk of holding any Notes are exhaustive.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meaning in this section. Prospective investors should read the entire Prospectus.

Risk factors relating to the Issuers

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 our 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 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 fostering a culture of risk-awareness and enhancing the transparent and accurate representation of the risk level of the Intesa Sanpaolo Group's portfolios.

Risk-acceptance strategies are summarised in the Intesa Sanpaolo Group's Risk Appetite Framework ("**RAF**"), approved by the Board of Directors.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 framework establishes the general risk appetite principles, together with the controls for the overall risk profile and the main specific risks

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

– the Intesa Sanpaolo Group is focused on a commercial business model in which domestic retail activity remains the Intesa Sanpaolo Group's structural strength;

– the Intesa Sanpaolo 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 Intesa Sanpaolo 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;

– Intesa Sanpaolo intends to maintain strong management of the main specific risks (not necessarily associated with macroeconomic shocks) to which the Intesa Sanpaolo Group may be exposed;

– the Intesa Sanpaolo Group attaches great importance to the monitoring of non-financial risks, and in particular:

- it adopts an operational risk assumption and management strategy geared towards prudent management and, also by establishing specific limits and early warnings, it focuses on achieving an optimal balance between growth and earnings objectives and the consequent risks;

- for compliance risk, it 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;

- it works to ensure formal and substantive compliance with the provisions in terms of legal liability with the aim of minimising claims and proceedings that it is exposed to and that result in outlays;

- with regard to reputational risk, it actively manages its image in the eyes of all stakeholders and seeks to prevent and contain any negative effects on its image, including through robust, sustainable growth capable of creating value for all stakeholders.

The general principles apply both at Intesa Sanpaolo Group level and business unit or company level. In the event of external growth, these general principles must be applied, by adapting them to the specific characteristics of the market and the competitive scenario.
The Risk Appetite Framework thus represents the overall framework in which the risks assumed by the Intesa Sanpaolo Group are managed, with the establishment of general principles of risk appetite and the resulting structuring of the management of:

- the overall risk profile; and

- the Intesa Sanpaolo Group's main specific risks.

Management of the overall risk profile is based on the general principles laid down in the form of a framework of limits aimed at ensuring that the Intesa Sanpaolo Group complies with minimum solvency, liquidity and profitability levels even in case of severe stress. In addition, it aims to ensure the desired reputational and compliance risk profiles.

Management of the main specific risks is aimed at determining the risk appetite that the Intesa Sanpaolo Group intends to assume with regard to exposures that may represent especially significant concentrations. Such management is implemented by establishing specific limits, management processes and mitigation measures to be taken in order to limit the impact of especially severe scenarios on the Intesa Sanpaolo Group. These risks are assessed also considering stress scenarios and periodically monitored within the Risk Management systems.

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 Board of Directors 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 Board of Directors and the Management Control Committee, with management and control functions. The Board of Directors carries out its activity through specific internal committees, among which the Risk Committee. The corporate bodies are assisted by the action of management committees, among which mention should be made of the Steering Committee, and receive support of the Chief Risk Officer, reporting 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 , 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 in the form of stress tests.

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 attached great importance to management of reputational risk , which it pursues not only through organisational units with specific duties of promotion and protection of the company image, but also through *ex-ante* risk management processes (for example, defining prevention and mitigation tools and measures in advance and implementing specific, dedicated communication and reporting flows.

Assessments of each single type of risk for the Intesa Sanpaolo Group 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 return. 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 Board of Directors, as part of the Intesa Sanpaolo Group's Risks *Tableau de Bord*.

Intesa Sanpaolo S.p.A. performs a steering and coordination role with respect to the Group Companies, aimed at ensuring effective and efficient risk management at Intesa Sanpaolo Group level. For the corporate control functions in particular, there are two different types of models within the Intesa Sanpaolo Group: (i) the centralised management model based on the centralisation of the activities at Intesa Sanpaolo S.p.A. and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of Intesa Sanpaolo S.p.A., to which they report in functional terms.

Irrespective of the control model adopted within their company, the corporate bodies of the Intesa Sanpaolo Group companies are aware of the choices made by Intesa Sanpaolo S.p.A. and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Intesa Sanpaolo Group controls.

In view of compliance with the reforms of the previous accord by Basel Committee (**Basel 3**) the Intesa Sanpaolo 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 Intesa Sanpaolo Group received authorisation to use internal ratings-based approaches since 31 December 2008 starting with the corporate portfolio. Progressively, the scope of application has been gradually extended to include other portfolios, as well as other Italian and international Intesa Sanpaolo Group companies in accordance with the plan presented to the supervisory authorities.

The last update of the roll-out plan has been approved by the Board of Directors on its meeting held on 25 July 2017 and submitted to the Supervisor on 2 August 2017.

As far as estimation of regulatory capital for counterparty risk is concerned, Banca IMI, Intesa Sanpaolo and banks belonging to Banca dei Territori Division, are authorized for the use of internal models both for derivative instruments and for securities financing transactions. An

advanced methodology is also in place for managerial purposes - definition and measurement of credit lines for substitution risk.

With regard to Operational Risk, the Intesa Sanpaolo Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009.

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 allows analytical control over the quality of the loans to customers and financial institutions.

Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, SME Retail, Retail, Sovereign, 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 long run average default rate in order to consider an entire 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, Banks and Public Sector Entities, SME Retail and Retail Mortgages, which are validated for Basel II advanced approaches, are the following:

- PD model
  - Corporate and Banks and Public Sector Entities 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). On 18 April 2017, the Intesa Sanpaolo Group also received the authorisation from the ECB to use the new internal rating systems for the Corporate portfolio, effective after 31 March 2017. With regard to the re-estimation of rating models, steps were taken, on the one hand, to broaden the information set used for counterparty evaluation and, on the other hand, efforts were made to simplify their framework. Finally, various measures have been adopted that are aimed at favouring a through-the-cycle profile of the probabilities of default produced by the models, consistently with the relational-type commercial approach adopted by the Intesa Sanpaolo Group.
  - Banks and Public Sector Entities model, authorised on 9 March 2017 and effective after 31 March 2017. The model is different for banks in mature economies and banks in emerging countries. In short, the model consists of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, a country rating component representing systemic risk, a component relating to specific country risk for banks most closely correlated with country risk, and finally, a module (the relationship manager's judgement) that

allows the rating to be modified in certain conditions. In the Public Sector Entities portfolio, the reference models have been differentiated according to the type of counterparty. Accordingly, default models have been developed for municipalities and provinces and shadow rating models for regions. An approach to extend the rating of the regulatory Entity (e.g.: Region) has been adopted for local healthcare authorities and other sector entities, with possible changes on the basis of financial statement assessments (notching).

– 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 with a validity of one year, 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 borrower's segment and products (Corporate for Banking products, Corporate Factoring, Corporate Leasing, Banks and Public Sector Entities, SME Retail, Retail, 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) and Banks and Public Sector Entities (effective after 31 March 2017).

– 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. As regards the LGD model for the Corporate segment authorized on 18 April 2017, the most significant change is represented by the development of the model dedicated to non-performing loans. 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. For Banks, the LGD calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models.

Furthermore, on 28 August 2017 the Intesa Sanpaolo Group received authorisation from the ECB, starting with Supervisory reporting as at 30 September 2017, to use internal estimates of the credit conversion factor (CCF) to calculate EAD for the Corporate segment. The credit conversion factor (CCF) is the percentage of the margin on a given credit line that will become an exposure over a given time horizon. When multiplied by the credit line's available undrawn

margin, it generates exposure at default (EAD). The estimation model is based on an analysis of drawdowns over the 12 months prior to the event of default and yields a grid specific to each type of business ("International" and "Domestic"), portfolio ("Corporate" and "Large Corporate"), product macro-aggregate ("On-Balance Sheet Portfolio" and "Medium-/Long-term Products"), type of credit line ("Revocable" and "Irrevocable"), percent margin bracket on agreed amounts (thresholds of 15%, 30% and 55%), borrower's turnover (thresholds of 0.5 and 2 million euro) and business sector ("Industrial" and "Non-industrial"). The EAD of credit products without margins has been determined by multiplying the drawdown by the "K-Factor" calculated as the ratio of drawn amounts at default to performing drawn amounts. The statistical analysis supported the choice of a K-Factor of 100% (exposure at default equivalent to drawdowns).

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).

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;
– equities 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.

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 are local government bonds, positions in 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.

Effective from the report as at 30 September 2012, both banks have received authorisation from the supervisory authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks.

Effective from June 2014, market risks are to be reported according to the internal model for capital requirements for the Intesa Sanpaolo's hedge fund portfolios (the full look-through approach).

The risk profiles validated are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI S.p.A., (ii) position risk on quotas of UCI 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.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators of which VaR is the most important.

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 other main subsidiaries involved in 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 IMI Investimenti.

The following methods are used to measure financial risks of the Intesa Sanpaolo Group's banking book are:

-Shift sensitivity analysis of economic value (**EVE**)

-VaR, and

-Shift sensitivity of net interest income (**NII**).

The sensitivity of EVE measures the change in the economic value of the Intesa Sanpaolo Group's commercial portfolio following shocks in the market rates curves. The sensitivity of EVE is calculated by adopting various interest rate shock scenarios that consider not only parallel shifts in market curves, but also a range of potential scenarios that include conditions of severe stress with regard to the shape of the curve, the level of the current maturity structure of interest rates and historic and implicit rate volatility. The standard stock is defined as a parallel, uniform shift in the curve of +100 basis points. The measurements include an estimate of the prepayment effect and of the risk originated by on demand customer 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%.

VaR is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10 day holding period with a 99 per cent. confidence level (parametric VaR).
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. Furthermore, the sensitivity of net income focuses the analysis on the impact that changes in interest rates can have on the Intesa Sanpaolo Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between

the net interest income of generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and assesses the impact that the institution is able to continue with its activity (the going concern approach).

To determine changes in net interest income (NII), standard scenarios of parallel rate shocks of +- 50 basis points are applied, in reference to a time horizon of twelve months.

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) 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 entered into with third parties or with other Intesa Sanpaolo Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS compliant for consolidated 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 or liabilities (micro hedging), mainly consisting of bonds issued or acquired by the Intesa Sanpaolo Group companies and loans to customers. On the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macro hedging of the stable portion of demand deposits (core deposits) and on the already fixed portion of floating-rate loans.

Moreover, in 2016, the Intesa Sanpaolo Group has extended the use of macro-hedging to a portion of fixed-rate loans, adopting an open-portfolio macro hedging model for a portion of fixed-rate loans according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics.

Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on both floating-rate funding, to the extent that the latter finances fixed-rate investments, and on floating rate investments to cover fixed-rate funding (macro cash flow hedges).

The Financial and Market Risks Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.

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 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

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 to manage effectively risk, the risk measurement system is integrated into decision-making processes and the management of company operations. Bank of Italy has authorised the use of the internal model for counterparty risk (EPE – Expected Positive Exposure) for regulatory purposes, with reference to Intesa Sanpaolo, banks belonging to Banche dei Territori division and Banca IMI for OTC derivatives. The same model has been authorized for Securities Financing Transactions. Moreover a stress programme has been implemented in order to check the impact of extreme market movements on

the counterparty risk measures. Back testing analysis is in place in order to assess the model reliability.

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).

Intesa Sanpaolo directly manages its own liquidity, coordinates liquidity management at 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.

Specific rules, metrics, processes, limits, roles and responsibilities are defined in the Group's 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.

These Guidelines, annually updated, incorporate the latest international regulatory developments in order to reflect international standards to the specificities of the liquidity requirements for EU credit institutions, as implemented by the CRD IV/CRR, Delegated Regulation (EU) 2015/61 and the Implementing Regulation (EU) adopted in the European Union.

In addition to the regulatory indicators, the Guidelines provide internal metrics and limits aimed at ensuring an adequate, balanced level of cash inflows and outflows, in order to respond to periods of tension on the various funding markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. Specific metrics and limits measure risks deriving from the mismatch of medium/long term maturities of the assets and liabilities, giving rise to excessive imbalances to be financed in the short-term essential for the strategic planning of liquidity management.

The Intesa Sanpaolo Group Liquidity Risk Management Guidelines also call for periodic estimation of a more stressed liquidity risk position in acute combined stress scenarios (both stress specific and market-related ones) by setting 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 indicators, Intesa Sanpaolo Group Guidelines provide management methods to be used in a liquidity crisis scenario, defined as a situation wherein the Intesa Sanpaolo 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.

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 failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, compliance risk, model risk, ICT risk, and financial reporting 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 Intesa Sanpaolo Group policy and organisational processes for measuring, managing and controlling operational risk.

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

Moreover ,the tasks of the Intesa Sanpaolo Group Internal Control Coordination and Operational Risk Committee 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 risks. Specific officers and departments have been identified within these organisational units to be responsible for operational risk management (structured collection of information relative to operational events, scenario analyses and business environment and internal control factors evaluation).

The self-diagnosis process, conducted on an annual basis, allows 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;

– analyse exposure to ICT risk;

– create significant synergies with the Information Security Governance and Business Continuity Sub-department that supervises the planning of operational processes, IT security and business continuity issues, with the Administrative and Financial Governance and with the control functions (Compliance and Internal Auditing) that supervise specific regulations and issues (such as Legislative Decree No. 231 /01 Law No. 262/) or conduct tests of the effectiveness of controls of company processes.

The self-diagnosis process for 2016 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. During the self-diagnosis process, the organisational units also analysed their exposure to ICT risk. This assessment is in addition to that conducted by the technical functions (ISGS - ICT Head Office Department, Market Risk IT Infrastructure Office of the ISP Financial and Market Risks Head Office Department and the IT functions of the main Italian and international subsidiaries) and the other functions with control duties (Information Security Governance and Business Continuity Sub-Department and the IT Security functions of the main Italian and international subsidiaries).

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 (operational losses) and qualitative (self-diagnosis) information.

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.p.A.'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 Value at Risk 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 level of the business environment (**Business Environment 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 managing and/or mitigating 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 this process.

The Intesa Sanpaolo Group has a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, cyber-crimes and third-party liability), which contributes to mitigating exposure to operational risk. Moreover, at the end of June 2013, 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. In addition, with respect to risks relating to real property and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Intesa Sanpaolo Group may activate its business continuity solutions.

Strategic Risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as risk associated with a potential decrease in profits or capital due to changes in the operating context, misguided Intesa Sanpaolo Group's decisions, inadequate implementation of decisions, or an inability to sufficiently react to changes in the competitive scenario.

The Intesa Sanpaolo Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Board of Directors, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions ensures that strategic risk is mitigated.

Strategic risk is also assessed as part of stress tests based on a multiple-factor model that describes the relationship between changes in the economic scenario and the business mix resulting from planning hypotheses, with analysis to assess the impacts on both interest income and margins from the performance of net fees and commissions.

Reputational Risk

The Intesa Sanpaolo Group attaches great importance to reputational risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Intesa Sanpaolo S.p.A.'s image by customers, counterparties, shareholders, investors and supervisory authorities.

The reputational risk governance model of Intesa Sanpaolo S.p.A. envisages that management and mitigation of reputational risks is pursued:

- systematically and independently by the corporate structures with specific tasksaimed at preserving corporate reputation, through a structured system of organisational monitoring measures;
- across the various corporate functions, through the Reputational Risk Assessment process governed by specific Guidelines..

The "systematic" monitoring of reputational risk envisages:

- specific organisational structures which, each for its purview, monitor the Bank's reputation and manage the relationships with the various stakeholders;
- an integrated monitoring system for primary risks, to limit exposure to them;
- compliance with standards of ethics and conduct;
- establishing the definition and managing customers' risk appetite, through the identification of their various risk tolerance profiles according to subjective and objective traits of each customer.
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A fundamental tool for reputational risk monitoring is the Code of Ethics adopted by the Intesa Sanpaolo Group. This contains the basic values to which the Intesa Sanpaolo Group 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.

In order to safeguard customers' interests and the Intesa Sanpaolo Group's reputation, specific attention is also devoted to establishing and managing customers' risk tolerance, through the identification of their various risk appetite profiles according to subjective and objective traits of each customer. The assessments of adequacy during the process of structuring products and rendering advisory services are supported by objective assessments that contemplate the true nature of the risks borne by customers when they undertake derivative transactions or make financial investments.

More specifically, the marketing of financial products is also governed by specific advance risk assessment from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (portfolio risk, complexity and frequency of transactions, concentration on issuers or on foreign currency, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered). 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.

The "cross-function" monitoring of reputational risk is entrusted to the Reputational Risk Assessment process, conducted yearly and aimed at integrating and consolidating the main findings provided by the organisational structures more directly involved in monitoring the company's reputation. The objective of that process is to identify and mitigate the most significant reputational risk scenarios to which the Intesa Sanpaolo Group is exposed.

The Enterprise Risk Management Department has also established a risk framework consisting of:

– the Reputational Clearing activities, i.e. the set of processes, tools and methods aimed at detecting and analysing the reputational risk within business operations;

– the Reputational Monitoring activities, aimed at collecting and analysing information to define the reputational profile of the Intesa Sanpaolo Group.

In establishing the framework and its elements, particular attention was dedicated to the involvement of the corporate functions that are responsible for managing reputational aspects, to systematise their respective duties and responsibilities and to build a shared corporate framework from the outset.

The Intesa Sanpaolo Group carefully considers all the risks associated with climate change that may result in additional costs for the Bank or its customers.

Risk on owned real-estate assets

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

Real-estate management is highly centralised and represents an investment that is largely intended for use in company operations.

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 S.p.A. 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 S.p.A. 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. 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 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, including those relating to labour and tax matters. 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.

Changes in regulatory framework

The Intesa Sanpaolo Group is subject to extensive regulation and supervision by the Bank of Italy, the Italian Securities and Exchange Commission ("**CONSOB**"), the European Central Bank (the "**ECB**") and the European System of Central Banks. 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 has recently undergone substantial amendments, some of which are still ongoing, 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 insurance activities. In particular, the Intesa Sanpaolo Group is subject to the supervision of CONSOB and the Institute for the Supervision of 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 Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

The regulatory framework to which the Intesa Sanpaolo Group is subject is furthermore open to ongoing changes. In particular, on 23rd November, 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks (the "**EU Banking Reform**"). The proposals contained in the EU Banking Reform amend many of the existing provisions set forth in the CRD IV Package, the BRRD and the SSM Regulation (each as defined below). These proposals have been submitted for consideration by the European Parliament and Council. Until such time as the proposals are formally approved by the European Parliament and Council, there can be no assurance as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner as currently proposed in the EU Banking Reform package and the impact (if any) they will have on the Intesa Sanpaolo Group's results of operations, business and financial conditions.

Basel III and CRD IV package

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 of capital 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 relevant entity's non-viability, strengthening the risk coverage of the capital framework, promoting the build-up of capital buffers and introducing a new leverage ratio (the "**Leverage Ratio**") and two global minimum liquidity standards (the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**") for the banking sector. On 7 December 2017 the Basel Committee published the final features of the Basel III post-crisis reforms (so called 'Basel IV', more detailed here below).

The Basel III framework has been implemented in the EU through Directive 2013/36/EU of the European Parliament and of the Council of 26th 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 26th

June, 2013 (the Final Corrigendum being published on 30th November, 2013) on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**"), Delegated Regulation (EU) 2015/61 and its supplements and the Implementing Regulation (EU) 2016/313.

Full implementation began on 1st 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). Additionally, it is possible that EU Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package.

The provisions of the CRR are supplemented, in Luxembourg, by the CSSF Regulation N°14-01 on the implementation of certain discretions contained in the CRR (the **CSSF Regulation N°14-01**) and by technical regulatory and execution rules relating to the CRD IV and the CRR published through delegated regulations of the European Commission and guidelines of the European Banking Authority. The CRD IV was implemented into Luxembourg law by the Luxembourg act of 23 July 2015 amending, among others, the Luxembourg act of 5 April 1993 on the financial sector, as amended (the **Banking Act 1993**).

The provisions of the CRR are supplemented in Ireland by the European Union (Capital Requirements) (No.2) Regulations 2014 of Ireland with respect to technical requirements and offences in order that the CRR can effectively operate in Irish law. The CRD IV was transposed into Irish law by the European Union (Capital Requirements) Regulations 2014 of Ireland. The CRR and CRD IV are also supplemented in Ireland by the document published by the Central Bank of Ireland in 2014 entitled Implementation of Competent Authority Discretions and Options in CRD IV and CRR (with respect to implementation in Ireland of certain discretions and options available to EU member states under the CRR and the CRD IV) and by technical rules relating to the CRD IV and the CRR published through delegated regulations of the European Commission and guidelines of the European Banking Authority.

In Italy the Government has approved the Legislative Decree no. 72 of 12th May, 2015, implementing the CRD IV. Such decree entered into force on 27th 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 17th December, 2013 (the "**Circular No. 285**")) which came into force on 1st January, 2014, implementing the CRD IV Package and setting out additional local prudential rules concerning matters not harmonised at EU level. Circular No. 285 has been constantly updated after its first issue, the last updates being the 20h update 21 November 2017 effective from 22 November 2017.

Italian banks are required at all times to 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 of 8%. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital, reported below as applicable with reference to 30 September 2017:

– *Capital conservation buffer*: set at (i) 1.25 per cent from 1 January 2017 to 31 December 2017, (ii) 1.875 per cent from 1 January 2018 to 31 December 2018, and (iii) 2.5 per cent from 1 January 2019 (pursuant to Article 129 of the CRD IV and Part I, Title II, Chapter I, Section II of Circular No. 285, as amended in October 2016);

– *Counter-cyclical capital buffer* ("**CCyB**"): set by the relevant competent authority between 0% - 2.5% (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 1st January, 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV and Part I, Title II, Chapter I, Section III of Circular No. 285). By a press release announced dated 22 September 2017, the Bank of Italy has set the CCyB (relating to exposures towards Italian counterparties) at 0% for the fourth quarter of 2017

– *Capital buffers for globally systemically important banks* ("**G-SIBs**"): set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitutes for the services provided, global cross border activity and complexity); to be phased in from 1st January, 2019 (pursuant to Article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285) becoming fully effective on 1st January, 2019. Based on the most recently updated list of globally systemically important insurers ("**G-SIIs**") published by the Financial Stability Board ("**FSB**") on 21 November 2017 (to be updated annually), the Issuer is not a global systemically important bank ("**G-SIB**") and does not need to comply with a G-SII capital buffer requirement (or leverage ratio buffer); and

– *Capital buffers for other systemically important banks at a domestic level* ("**O-SIIs**", category to which Intesa Sanpaolo currently belongs): 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). By press release announced dated 30 November 2016, the Bank of Italy has identified Intesa Sanpaolo Group as O-SII authorised to operate in Italy in 2017, and has imposed on the Intesa Sanpaolo Group a capital buffer for O-SII of 0.75%, to be achieved within four years according to a transitional period, as follows: at 0% from 1 January 2017, 0.19% from 1 January 2018, 0.38% from 1 January 2019, 0.56% from 1 January 2020 and 0.75% from 1 January 2021.

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).

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 the CRD IV package, 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 European System Risk Board (the "**ESRB**") and the competent 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.

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.

Failure to comply with the combined buffer requirements triggers restrictions on distributions by reference to the so-called Maximum Distributable Amounts (**MDA)** and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 141 and 142 of the CRD IV). Pursuant to the proposed amendments under the EU Banking Reform, an institution shall be considered as failing to meet the combined buffer requirement for the purposes of restrictions on distributions by reference to the MDA where it does not have own funds and eligible liabilities

needed to meet its minimum requirement for own funds and eligible liabilities although, as proposed, a six months grace period would be available before the restrictions on distributions apply where the breach of such requirement is exclusively attributable to failure to roll-over its eligible instruments. It is furthermore proposed that the need for a capital conservation plan should not be triggered in such circumstances. These proposals are not yet finalised. See further "Changes in regulatory framework" above.

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 that no longer meet the minimum criteria under the CRD IV Package are gradually being phased out. Fixing the base at the nominal amount of such instruments outstanding on 1st 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 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 different measures comprised in the package in order to enhance regulatory harmonisation in Europe through the EBA Supervisory Handbook.

Insofar as the Leverage Ratio is concerned, the EBA published a report in August 2016 on the impact assessment and calibration of the Leverage Ratio requirements, recommending the introduction of a Leverage Ratio minimum requirement in the EU to mitigate the risk of excessive leverage.

With reference to the Liquidity Coverage Ratio (the "**LCR**"), which is a stress liquidity ratio on a 30-day horizon, in January 2013 the Basel Committee 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 LCR as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Commission Delegated Regulation (EU) 2015/61 of 10th October, 2014 to supplement the CRR with regard to liquidity coverage requirement for Credit Institutions (the "**LCR Delegated Act**") was adopted in October 2014 and published in the Official Journal of the European Union in January 2015. It was applicable from 1st October, 2015, although under a phase-in approach and it becomes fully applicable from 1st January 2018.

As for the Net Stable Funding Ratio ("**NSFR**"), which measures the assumed degree of stability of liabilities and the liquidity of assets over a one-year horizon and is intended to regulate risks not already covered by Pillar 1 requirements and complements the LCR, the Basel Committee published the final NSFR rules in October 2014. On 17th December, 2015, EBA published its report recommending the introduction of the NSFR in the EU to ensure stable funding structures and outlining its impact assessment and proposed calibration, with the aim of complying with a 100% target NSFR implementation in 2018, as per the Basel rules.

In November 2016, the European Commission announced the EU Banking Reform which proposes a binding 3% Leverage Ratio and a binding detailed NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, under the proposal, the Leverage Ratio requirement is set at 3% of CET1 regulatory capital and is added to the own funds requirements in the CRR which institutions must meet in addition to/in parallel with their risk-based requirements, and will apply to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments. Under the Commission's proposal to introduce a harmonised binding requirement for NSFR at EU level, the amount of available stable funding will be calculated by multiplying an institution's liabilities and regulatory capital by appropriate factors that reflect their degree of reliability over a year. The NSFR is expressed as a percentage and set at a minimum level of 100%, which indicates that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR will apply at a level of 100% to credit institutions and systemic investment firms two years after the date of entry into force of the proposed amendments to the CRR. These proposals under the EU Banking Reform (which require amendments to the CRD and the CRR)

need to be adopted by the European Parliament and Council, and it is currently unclear when, and in what manner, they will be adopted.

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.

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 are expected to apply as of 3rd January 2018 subject to certain transitional arrangements. The Basel Committee published certain proposed changes to the current securitisation framework, coming into effect in January 2018. Additional consultations on criteria and capital treatment of short term securitisations were also launched by the Basel Committee and were closed on 5 October 2017. At the same time the European Commission has published in September 2015 a "Securitisation package" proposal under the Capital Markets Union ("**CMU**") project. The package includes a draft regulation on Simple Transparent and Standardised ("**STS**") securitisations and proposed amendments to the CRR. The legislative process has not been concluded yet. In December 2016 the European Parliament's Economic and Monetary Affairs Committee (ECON) agreed compromise amendments to the proposed new securitisation regulation and the related CRR amending regulation. On 26 October 2017 the Parliament has approved the final text of the securitisation regulation which will enter into force on 1 January 2019.

On 9th November 2015 the Financial Stability Board ("**FSB**") published its final Total Loss-Absorbing Capacity ("**TLAC**") Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to liabilities excluded from TLAC, such as guaranteed insured deposits, derivatives, etc. and which forms a new standard for G-SIBs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The FSB will undertake a review of the technical implementation of the TLAC Principles and Term Sheet by the end of 2019. The TLAC Principles and Term Sheet require a minimum TLAC requirement for each G-SIB at the greater of (a) 16 per cent. of risk weighted assets ("**RWA**") as of 1st January 2019 and 18 per cent. as of 1 st January 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio requirement as of 1 st January 2019, and 6.75 per cent. as of 1st January 2022.

Liabilities that are eligible for TLAC shall be capital instruments and instruments that are contractually, statutorily or structurally subordinated to certain "excluded liabilities" (including insured deposits and liabilities that cannot be effectively written down or converted into equity by relevant authorities) in a manner that does not give rise to a material risk of compensation claims or successful legal challenges. 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.

With a view to ensuring full implementation of the TLAC standard in the EU, the European Commission is proposing in the EU Banking Reform package to harmonise the minimum requirements for own funds and eligible liabilities ("**MREL**") applicable to G-SIIs (global systematically important institutions) with the TLAC standard and to allow resolution authorities, on the basis of bank-specific assessments, to require that G-SIIs comply with a supplementary MREL requirement strictly linked to the resolvability analysis of a given G-SII. Intesa Sanpaolo has not been identified as a G-SIB in the 2017 list of global systematically important banks published by the FSB on 21st November, 2017 and will therefore be subject to a MREL requirement set in accordance with the resolution strategy decided by the SRB in conjunction with the ECB. However, there can be no assurance that Intesa Sanpaolo will not be identified as a G-SIB in the future, or that TLAC or other similar requirements will not be imposed on domestic systemically important banks (D-SIBs). See further "The Intesa Sanpaolo Group is subject to the provisions of the EU Recovery and Resolution Directive" below.

It is worth mentioning the Basel Committee has published the standard Minimum capital requirements for market risk in January 2016, which is supposed to enter into force on 1 January 2019. The Basel Committee on 7 December 2017 has published the Basel III post-crisis reforms (**Basel IV**), adopted by the Group of Governors and Heads of Supervision (GHOS), with the aim to strengthen certain components of the regulatory framework (e.g. increasing the level of capital requirements) and to restore credibility in the calculation of risk-weighted assets. This includes the "revised standardised approaches (credit, market, credit valuation adjustment risk, operational risk) review of the capital floor of the IRB framework and of the leverage ratio surcharge buffer for G-SIBs. The regulator's primary aim has been to eliminate unwarranted levels of RWA variance. The new framework is in the process of being finalized for all the relevant workstreams. 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 a a new output floor (72.5% of the total risk-weighted assets using only the standardised approach). Also for counterparty exposures (generated by derivatives) the Basel Committee has retained Internal models, but subject to a floor based on a percentage of the applicable standardised approach. Moreover, in the context of the revision of Credit Valuation Adjustment (CVA) risk framework, the revised framework provides for the adoption of a standardised approach and basic approach. The implementation date for the reforms is the 1 January 2022, but the output floor will be phased-in in 6 years, starting as a 50% the 1 January 2022 and reaching the 72.5% as of the 1 January 2025. The implementation of the Fundamental Review of the Trading Book has been postponed by the Basel Committee to 1 January 2022 to allow the Basel Committee to finalise the remaining elements of the framework and align the implementation date to the one set for the Basel III post-crisis reforms.

The EU Banking Reform proposes to change the rules for calculating the capital requirements for market risks against trading book positions set out in the CRR. The proposal seeks to transpose the work done by the Basel Committee (but not yet finalised in all its elements) the Fundamental Review of the Trading Book (January 2016) into EU law by establishing clearer and more easily enforceable rules on the scope of application to prevent regulatory arbitrage; improving risk-capture, making requirements proportionate to reflect more accurately the actual risks to which banks are exposed; and strengthening the conditions to use internal models to enhance consistency and risk-weight comparability across banks. The proposed new rules envisage a phase-in period.

These and other potential future 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. In particular, it is currently unclear how and when the EU Banking Reform will be adopted. 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 15th 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 4th November, 2014, the SSM Regulation has given the ECB, in conjunction with the national regulatory authorities of the Eurozone and participating Member States, direct supervisory responsibility over "banks of significant importance" in the Eurozone. In this respect, "banks of significant importance" include any Eurozone bank that (i) has assets greater than €30 billion or – unless the total value of its assets is below €5 billion – greater than 20% of national gross domestic product; (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 16th 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 to 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. National options and discretions that have so far been exercised by national competent authorities will be exercised by the SSM in a largely harmonised manner throughout the European Banking Union (the "**Banking Union**"). In this respect, on 14th March, 2016 and 24th March, 2016, respectively, the ECB adopted Regulation (EU) 2016/445 on the exercise of options and discretions as well as the ECB Guide on options and discretions available in European Union law (the "**ECB Guide**"), as supplemented by the Addendum published on 10th August, 2016. These documents lay down how the exercise of options and discretions in banking legislation (CCR, CRD IV and LCR Delegated Act) will be harmonised in the Euro area. They shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of the SSM Regulation and Part IV and Article 147(1) of the SSM Framework Regulation. Depending on the manner in which these options/discretions have so far been exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional/lower capital requirements may result. Regulation (EU) 2016/445 entered into force on 1st October, 2016, while the ECB Guide has been operational since its publication.

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 is subject to the provisions of the EU Recovery and Resolution Directive

On 2 July 2014, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the "**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 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 Senior Notes and Subordinated Notes) into shares or other instruments of ownership (i.e. other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**general bail-in tool**"). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. For more details on the implementation in Italy please refer to the paragraphs below.

The BRRD requires all EU Member States to create a national, prefunded resolution fund, reaching a level of at least 1 per cent. of covered deposits by 2024. The national resolution fund for Italy was created by the Bank of Italy on 18 November 2015 in accordance with Article 78 of Legislative Decree No. 180/2015 implementing the BRRD (the "**National Resolution Fund**") and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms, including the Issuer. In the Banking Union, the national resolution funds set up under the BRRD were replaced by the Single Resolution Fund ("**SRF**" or the "**Fund**"), set up under the control of the Single Resolution Board ("**SRB**" or the "**Board**"), as of 1 January 2016 and the national resolution funds will be pooled together gradually. The SRF is intended to ensure the availability of funding support while a bank is resolved and will contribute to resolution if at least 8 per cent. of the total liabilities (including own funds) of the bank have been subject to bail-in. Therefore, as of 2016, the SRB will calculate, in line with a Council Implementing Act, the annual contributions of all institutions authorised in the Member States participating in the Single Supervisory Mechanism and the Single Resolution Mechanism ("**SRM**"). The SRF is to be built up over eight years, beginning in 2016, to the target level of €55 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the Banking Union). Once this target level is reached, in principle, the banks will have to contribute only if the resources of the SRF are used up in order to deal with resolutions of other institutions. Under the BRRD, the target level of the national resolution funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. As a consequence of this difference, when contributions will be paid based on a joint target level as of 2016, contributions of banks established in Member States with high level of covered deposits may abruptly decrease, while contributions of those banks established in Member States with fewer covered deposits may abruptly increase. In order to prevent such abrupt changes, the draft proposal of the European Commission for a Council Implementing Act provides for an adjustment mechanism to remedy these distortions during the transitional period by way of a gradual phasing in of the SRM methodology.

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. 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 and will require, in any case, a contribution to loss absorption by shareholders and creditors via write-down , conversion or otherwise, in an amount equal to at least 8 per cent. of total liabilities (including own funds).

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 shares or other instruments of ownership (including Subordinated Notes) at the point of non-viability and before any other resolution action is taken ("**non-viability loss absorption**"). Any shares issued to holders of Subordinated Notes upon any such conversion 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 or its group will no longer be viable unless the relevant capital instruments (including Subordinated 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.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments (such as the Senior Notes and Subordinated Notes) issued by an institution under resolution or amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

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 16th November, 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1st 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 16th November, 2015, save that: (i) the bail-in tool applied from 1st January, 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1st January, 2019. It is important to note that, pursuant to Article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the bail-in powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured. In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may in specified exceptional circumstances 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, holders of Senior Notes and Subordinated Notes of a Series may be subject to write-down/conversion upon an application of the general bail-in tool while other Series of Senior Notes or, as appropriate, Subordinated Notes (or, in each case, other *pari passu* ranking liabilities) are 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 relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the general bail-in tool and therefore the holders of such claims receive a treatment which is more favourable than that received by holders of Senior Notes or Subordinated Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such

possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings.

Insofar as the creditor hierarchy is concerned, it should be noted also that certain categories of liability are subject to the mandatory exclusions from bail-in foreseen in Article 44(2)(g) of the BRRD. For instance, most forms of liability for taxes, social security contributions or to employees benefit from privilege under Italian law and as such are preferred to ordinary senior unsecured creditors in the context of liquidation proceedings. Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of Senior Notes. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to resolution as well as compulsory liquidation procedures by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. The position concerning the creditor hierarchy has been further modified by the EU Banking Reform which proposes to amend Article 108 of the BRRD to introduce an EU harmonised approach on subordination. This will enable banks to issue debt in a new MREL eligible statutory category of unsecured debt available in all EU Member States which would rank just below the most senior debt and other senior liabilities for the purposes of liquidation, while still being part of the senior unsecured debt category (only as a lower tier of senior debt). On 25 October 2017 the European Parliament, the Council and the EU Commission agreed on elements of the review of the BRRD. The Permanent Representatives Committee of the Council of Ministers is expected to endorse the agreements as the text needs to be in place by the beginning of 2018. If approved, Member States will be required to adopt and publish relevant laws, regulations and administrative provisions necessary to comply with the amendment to the creditor hierarchy by 12 months from the date of entry into force or 1 January 2019, whichever is the earlier. The new creditor hierarchy will apply to new issuances of bank debts. The outstanding debt instrument will be considered as senior non-preferred debt if compliant with the conditions set up by new Article 108 (e.g. grandfathering clause). On 8 March 2017, the ECB published its opinion on the proposal contained in the EU Banking Reform package to amend the BRRD provisions relating to the ranking of unsecured debt instruments in insolvency hierarchy.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of Subordinated Notes and the holders of the Senior Notes will have expressly waived any rights of set-off, counterclaim, abatement or other similar remedy which they might otherwise have, under the laws of any jurisdiction, in respect of such Senior Notes or Subordinated Notes, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply. As the BRRD has only recently been implemented in Italy and other Member States, there is material uncertainty as to the effects of any application of it in practice.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes and Subordinated Notes may be subject to write-down/conversion into shares or other instruments of ownership on any application of the general bail-in tool and, in the case of Subordinated Notes, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion or perceived 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 relevant Issuer, as the case may be, to satisfy its obligations under any Notes.

The BRRD also established that institutions shall meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**"). Under Article 45 of the BRRD, MREL is to be calculated as the amount of own funds and eligible liabilities expressed as a percentage of total liabilities and own funds of the institution. 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 SRB for banks being part of the Banking Union. The SRB aims to set MREL targets at consolidated level for all major banking groups in the remit of the SRB, including the Issuers, by September 2018. Data collection for the determination of the MREL commenced in February 2016. MREL decisions for subsidiaries will be made in a second stage, based on, among other things, their individual characteristics and the consolidated level which has been set for the relevant group.

On 23 May 2016, the European Commission adopted Commission Delegated Regulation (EU) 2016/1450 supplementing BRRD that specifies the criteria which further define the way in which resolution authorities/the SRB shall calculate MREL, as described in article 45(6) of the BRRD. Article 8 of the aforementioned regulation provides that resolution authorities may determine an appropriate transitional period for the purposes of meeting the full MREL requirement.

On 23th November, 2016, the European Commission presented the EU Banking Reform which introduces a number of proposed amendments to the BRRD. In particular, it is proposed that the MREL – which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution – should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution that are higher than those expected under a standard resolution scenario and to ensure a sufficient market confidence in the entity post-resolution. These higher levels will take the form of "MREL guidance", and it is currently envisaged that institutions that fail to meet the MREL guidance shall not be subject to the restrictions on the ability to make distributions (so-called "**Maximum Distributable Amount**"). For banks which are not included in the list of G-SIBs (such as Intesa Sanpaolo), liabilities that satisfy the requisite conditions and do not qualify as Common Equity Tier 1, Additional Tier 1 and Tier 2 items under the CRR, shall qualify as eligible liabilities for the purpose of MREL, unless they fall into any of the categories of excluded liabilities.
The EU Banking Reform also introduces an external MREL requirement and an internal MREL requirement to apply to entities belonging to a banking group, in line with the approach underlying the TLAC standard.

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 powers set out in the BRRD, in the BRR Act 2015 and in the BRRD Decrees will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The implementation of the BRRD or the taking of any resolution action, as well as the proposed amendments to the BRRD under the EU Banking Reform, could materially affect the value of any Note.

Intesa Sanpaolo Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism

On 19th August, 2014, the Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the "**SRM Regulation**") entered into force.

The SRM Regulation became operational on 1st January, 2016. There are, however, certain provisions including those concerning the preparation of resolution plans and provisions relating to the cooperation of the SRB with national resolution authorities, which entered into force on 1st January, 2015.

The SRM Regulation, which will complement the SSM (as defined above), will apply to all banks supervised by the SSM. It will mainly consist of the Board and the SRF.

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 Board decisions – as well as the ECB and the national resolution authorities.

The Single Resolution Mechanism 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 affected by a proposed EU Financial Transactions Tax

On 14th February, 2013 the European Commission published a legislative proposal (the "**Commission's Proposal**") on a new Financial Transactions Tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued on 8 December 2015 by participating Member States, except Estonia, indicate an intention to implement the FTT by the end of June 2016. On 16 March 2016, Estonia completed the formalities required to leave the enhanced co-operation on FTT. On 17 June 2016, the Council of the European Union announced that the work on FTT will continue during the second half of 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

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 from the mandatory application of IFRS 9 from 1 January 2018 onwards. In particular, IFRS 9 - which was issued on 24 July 2014 and endorsed by the European Commision on 22 November 2016 - will introduce significant changes with regard to classification, measurement, impairment and hedge accounting of financial instruments, replacing IAS 39.

The most significant impact of the IFRS 9 standard on financial instruments which will replace the current IAS 39 is the change from an incurred credit loss approach to an expected credit loss approach. As the impact on the level of provisions and credit ratios can be significant, the European Commission has proposed in the EU Banking Reform package a five-year phasing-in period.

Given the pervasive impacts of IFRS 9 on business, organisation and reporting, commencing in 2015 the Intesa Sanpaolo Group launched a specific project aimed at studying and determining the impact of the IFRS 9 in qualitative and quantitative terms as well as identifying the practical

and organisational measures required for its consistent, systematic and effective adoption within the Intesa Sanpaolo Group.

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 relating 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.

Some 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 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.

Early Redemption of the Subordinated Notes

Under CRR, the early redemption of the Subordinated Notes for tax reasons in the circumstances described in, and in accordance with, Condition 10(b) (Redemption for tax reasons) or following a change of the regulatory classification of the relevant Subordinated Notes in the circumstances described in, and in accordance with Condition 10(e) (Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)) or in accordance with Condition 10(c) (Redemption at the option of the Issuer (Issuer Call)) is subject to the prior written approval of the Relevant Authority and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV. The Relevant Authority would approve an early redemption of the Subordinated Notes if the conditions provided for by the applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV, are met, see "*Redemption at the option of the Issuer"* below.

Risks related to the structure of a particular issue of Notes

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

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes or is perceived to be able to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The relevant Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

There are particular risks associated with Inflation Linked Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

Each Issuer may issue Notes with principal and/or interest determined by reference to an index or formula or to changes in the prices of securities or commodities (each a "relevant factor"). In addition, each Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time;

(iv) they may lose all or a substantial portion of their principal;

(v) the relevant factors may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on principal or interest payable is likely to be magnified; and

(vii) the timing of changes in a relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

The historical experience of an index or other relevant factor should not be viewed as an indication of the future performance of such relevant factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a relevant factor and the suitability of such Notes in light of its particular circumstances.

Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

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

To the extent that Multiplier or Reference Rate Multiplier applies in respect of the determination of the Interest Rate for the Floating Rate Notes, investors should be aware that any fluctuation of the underlying floating rate will be amplified by such multiplier. Where the Multiplier is less than 1, this may adversely affect the return on the Floating Rate Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

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

Subordinated Notes

If Intesa Sanpaolo is declared insolvent and a winding up is initiated or in the event that the Issuer becomes subject to an order for Liquidazione Coatta Amministrativa, as defined in Legislative Decree no. 385 of 1st September, 1993 of the Republic of Italy, as amended (the "**Italian Banking Act**"), it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on Subordinated Notes. If this occurs, Intesa Sanpaolo may not have enough assets remaining after these payments to pay amounts due under such Notes.

For a full description of the provisions relating to Subordinated Notes, see Condition 4(b) (Status – Subordinated Notes issued by Intesa Sanpaolo).

Regulatory classification of the Notes

The intention of the Intesa Sanpaolo is for Subordinated Notes to qualify on issue as "Tier 2 Capital", for regulatory capital purposes. Current regulatory practice by the Bank of Italy does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

Although it is Intesa Sanpaolo's expectation that the Notes qualify as "Tier 2 Capital", there can be no representation that this is or will remain the case during the life of the Notes or that the Notes will be grandfathered under the implementation of future EU capital requirement regulations. If the Notes are not

grandfathered, or for any other reason cease to qualify, as "Tier 2 Capital", Intesa Sanpaolo will (if so specified in the applicable Final Terms) have the right to redeem the Notes in accordance with Condition 10(f) (Redemption for regulatory reasons (Regulatory Call), subject to the prior approval of the Relevant Authority. There can be no assurance that holders of such Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be, see "*Early Redemption of the Subordinated Notes"*.

Waiver of set-off for the Subordinated Notes

As specified in Condition 4(b) (Status – Subordinated Notes issued by Intesa Sanpaolo), each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in-tool or at the point of non-viability of the Issuer.

Investors should be aware that, in addition to the general bail-in tools, the BRRD contemplates that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability should the Bank of Italy or other authority or authorities having prudential oversight of the Issuer at the relevant time be given the power to do so. 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. Any action under it could materially affect the value of any Notes.

Current regulatory framework, non-viability requirement and the bail-in tool

The Bank Recovery and Resolution Directive contemplates that Subordinated Notes may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool. See "The Bank Recovery and Resolution Directive 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 Notes".

Waiver of set-off for the Unsubordinated Notes

In Condition 4 (a) (Status - Unsubordinated Notes), each holder of an Unsubordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Unsubordinated Note.

Integral multiples of less than €100,000

Subject to any minimum denomination applicable to Notes issued by INSPIRE or Intesa Luxembourg, in relation to any Notes issued in denominations representing the aggregate of (i) a minimum Specified Denomination of €100,000, plus (ii) integral multiples of another smaller amount, Notes may be traded in amounts which, although greater than €100,000 (or its equivalent in another currency), are not integral multiples of €100,000 (or its equivalent). In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 will not receive a definitive Note in respect of such holding (if definitive Notes are printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

In respect of any Notes issued with a specific use of proceeds such as a green bond or a social bond, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.

If in respect of any particular issue of Notes there is a particular identified use of proceeds including social projects or Eligible Green Projects (as defined under "Use of Proceeds" below), this will be specified in the applicable Final Terms. Prospective investors should have regard to the information set out in such Final Terms regarding use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary.

In particular, no assurance is given that the use of such proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental

sustainability or social impact of any projects or uses the subject of or related to, any Eligible Green Projects.

There can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Green Projects or social projects) will be capable of being implemented in or substantially in the manner described in the Final Terms and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

There is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a green, social, or sustainable or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as green, social, or sustainable or such other equivalent label.

Prospective investors must determine for themselves the relevance of any opinion or certification of any third party or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any project(s) or use(s), including any Eligible Green Projects or social projects, and/or the withdrawal of any opinion or certification as described above or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended by the Issuer to finance Eligible Green Projects or social projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether the Principal Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to such "benchmarks"

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

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and will apply from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuers) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

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

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

Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to such "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmarks" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a "benchmark".

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Trust Deed and the Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 17 (*Meetings of Noteholders; Modification and Waiver; Substitution, Additional Issues*).

Investment in Renminbi Notes may be subject to PRC tax

In considering whether to invest in the Renminbi Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the Noteholder's investment in the Renminbi Notes may be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Renminbi Notes.

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 Subordinated 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

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper, as the case may be, 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 relevant 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 relevant 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 relating to Singapore taxation

Notes issued in Singapore dollars are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore (the "**ITA**"), subject to the fulfilment of certain conditions as further described under "**Taxation in Singapore**".

However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith under the ITA should the relevant tax laws be amended or revoked at any time, which amendment or revocation may be prospective or retroactive.

Risks relating to Renminbi-denominated Instruments

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") is set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being developed.

Although from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the

PRC. Despite Renminbi internationalisation pilot programmes and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the relevant Issuer (or the Guarantor) to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the relevant Issuer (or the Guarantor's) ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China ("**PBoC**") has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the relevant Issuer (or the Guarantor) is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the relevant Issuer (or the Guarantor) will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes

propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Investment in the Renminbi Notes is subject to currency risk

If the relevant Issuer (or the Guarantor) is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Notes as a result of Inconvertibility, Non-transferability or Illiquidity (as defined in Condition 11(q) (*Payments – Payments under Registered Notes – Inconvertibility, Non-transferability or Illiquidity*), the relevant Issuer (or the Guarantor) is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Conditions allow the relevant Issuer (or the Guarantor) to make payment in U.S. dollars at the prevailing spot rate of exchange, all as provided in more detail in Condition 11(q) (*Payments – Payments under Registered Notes – Inconvertibility, Non-transferability or Illiquidity*).

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Final Terms or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Final Terms, in accordance with prevailing rules and regulations. The relevant Issuer (or the Guarantor) cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Remittance of proceeds in Renminbi into or out of the PRC

In the event that an Issuer (or the Guarantor) decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the PRC Government will not impose any interim or long-term restrictions on capital inflow or outflow which may restrict cross-border Renminbi remittances, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that an Issuer (or the Guarantor) does remit some or all of the proceeds into the PRC in Renminbi and an Issuer (or the Guarantor) subsequently is not able to repatriate funds outside the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

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

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

limited number of investors.

Exchange rate risks and exchange controls

The relevant Issuer (or the Guarantor) will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (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

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the 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.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

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) Notes are legal investments for it, (2) 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.

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description does not purport to be complete and is qualified in its entirety by the remainder of this Prospectus. Capitalised terms used elsewhere in this Prospectus shall have the same meanings in this description.

Issuers:	Intesa Sanpaolo S.p.A. Intesa Sanpaolo Bank Ireland p.l.c. Intesa Sanpaolo Bank Luxembourg S.A., a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg as a credit institution, having its registered office at 19-21, boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg, and registered with the Register of Trade and Companies of Luxembourg under number B. 13.859.
Guarantor:	Intesa Sanpaolo S.p.A. (in respect of Notes issued by INSPIRE and Intesa Luxembourg).
Joint Arrangers:	Banca IMI S.p.A. Deutsche Bank AG, London Branch.
Dealers:	Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, Intesa Sanpaolo S.p.A., J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Société Générale, The Royal Bank of Scotland plc (trading as NatWest Markets), UBS Limited and any other Dealer appointed from time to time by Intesa Sanpaolo, INSPIRE and Intesa Luxembourg either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Principal Paying Agent:	Deutsche Bank AG, London Branch.
Luxembourg Listing Agent:	Intesa Sanpaolo Bank Luxembourg S.A.
Listing, approval and admission to trading:	This document has been approved by the CSSF as a base prospectus. Application has also been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer and the Trustee, with notification to the relevant Dealer(s) in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

	Pursuant to Article 19 of the Luxembourg Prospectus Law, the CSSF may at the request of any Issuer, send to the competent authority of another European Economic Area Member State (i) a copy of this Prospectus; and (ii) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive (an "**Attestation Certificate**"). At the date hereof the Issuers have requested the CSSF to send an Attestation Certificate and copy of this Prospectus to the Central Bank of Ireland in its capacity as competent authority in Ireland. The CSSF shall notify ESMA about the Attestation Certificate at the same time as such notification is made to the Central Bank of Ireland. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in the Final Terms which, with respect to Notes to be admitted to trading on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Clearing Systems:	Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), Monte Titoli S.p.A. ("**Monte Titoli**") and/or any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to €70,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding and guaranteed (if applicable) at any one time. The Issuers may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, the issue price and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. See also "*Taxation - Italian Taxation - Fungible issues*".
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (i) pursuant to this Prospectus and associated Final Terms or (ii) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as completed by the relevant Final Terms or, as the case may be, the relevant Drawdown Prospectus.
Forms of Notes:	Notes will be issued as Bearer Notes or Registered Notes, as specified in the relevant Final Terms. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes. *Bearer Notes* Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. The relevant Final Terms will specify whether each Global Note is to be issued in New Global Note or Classic Global Note form (as each such term is defined in the section entitled "*Forms of the Notes*" below). Each Global Note in bearer form (a "**Bearer Global Note**") which is intended to be issued in Classic Global Note form will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or

any other relevant clearing system and each Bearer Global Note which is intended to be issued in New Global Note form will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Registered Notes

Each Tranche of Registered Notes will be represented by individual certificates ("**Individual Note Certificates**") or one or more Global Notes in registered form ("**Global Registered Notes**"), in each case as specified in the relevant Final Terms.

Each Note represented by Global Registered Note will either be: (a) in the case of a Global Registered Note which is not to be held under the New Safekeeping Structure (as such term is defined in the section entitled "*Forms of Notes*" below), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Global Registered Note to be held under the New Safekeeping Structure, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

With respect to the Registered Notes issued by Intesa Sanpaolo, INSPIRE and/or Intesa Luxembourg, Deutsche Bank Luxembourg S.A. will keep a register of the holders of the Registered Notes at its offices in 19-21 Boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg.

With respect to the Registered Notes issued by INSPIRE, INSPIRE will keep an INSPIRE Duplicate Register at its registered office in accordance with Condition 3(d) (*Title to Registered Notes*).

Monte Titoli Notes

Notes which are specified in the relevant Final Terms as having Monte Titoli as a clearing system ("**Monte Titoli Notes**") will be held on behalf of the beneficial owners thereof, from their date of issue until their redemption, by Monte Titoli for the account of the relevant Monte Titoli account holders. The expression "**Monte Titoli account holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli and includes any financial intermediary appointed by Euroclear and/or Clearstream, Luxembourg for the account of participants in Euroclear and/or Clearstream, Luxembourg.

Guarantee of the Notes: Under the Trust Deed, if the Notes are issued from time to time by Intesa Luxembourg and/or INSPIRE, as stated in the relevant Final Terms, Intesa Sanpaolo shall enter into a Deed of Guarantee under which payment of all amounts due from time to time in respect of Notes issued by INSPIRE or by Intesa Luxembourg shall have the benefit of such Deed of Guarantee. Each Deed of Guarantee is in favour of the Trustee only as trustee for the holders of the Notes (as defined in the relevant Deed of Guarantee) which shall have

	the benefit of the Deed of Guarantee but shall not have the benefit of any subsequent guarantee relating to other issues under the Programme (unless expressly so provided in any such subsequent guarantee). According to the Trust Deed, under each Deed of Guarantee the Guarantor shall unconditionally and irrevocably guarantee to the Trustee the due and punctual payment of all sums expressed to be payable by INSPIRE and/or Intesa Luxembourg in respect of the relevant Notes or Coupons under the Trust Deed, as and when the same becomes due and payable, whether at maturity, upon early redemption, upon acceleration or otherwise, according to the terms of the Trust Deed and the Notes and Coupons. In case of the failure of the relevant Issuer to pay any such sum as and when the same shall become due and payable, the Guarantor shall cause such payment to be made as and when the same becomes due and payable, whether at maturity, upon early redemption, upon acceleration or otherwise, as if the payment were made by the relevant Issuer. Any such payment made by the Guarantor will discharge the relevant Issuer of the obligation to pay such sum. Under each Deed of Guarantee the Guarantor shall covenant in favour of the Trustee that it will duly perform and comply with the obligations expressed to be undertaken by it in the terms and conditions of the Notes issued by INSPIRE and/or Intesa Luxembourg. See also " – *Status of Guarantee"* and *" – Governing Law*".
Currencies:	Notes may be denominated in any currency, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of Notes:	Notes may be issued either on an unsubordinated basis ("**Unsubordinated Notes**") or, in the case of Intesa Sanpaolo only, on a subordinated basis ("**Subordinated Notes**") as described herein.
Unsubordinated Notes:	The status of the Unsubordinated Notes is described in Condition 4(a) (*Status - Unsubordinated Notes*).
Subordinated Notes:	Notes issued by Intesa Sanpaolo may be issued as Subordinated Notes as described in Condition 4(b) (*Status - Subordinated Notes issued by Intesa Sanpaolo*).
Status of Guarantee:	The Guarantee given by Intesa Sanpaolo in respect of Notes issued by INSPIRE or Intesa Luxembourg, upon the entering into of a deed of guarantee in the form set out in the Trust Deed, is described in Condition 5 (*Status of the Guarantee*).
Issue Price:	Notes may be issued at any price, as specified in the relevant Final Terms.
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. In the case of Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy Regulations applicable to the issue of Subordinated Notes, Subordinated Notes must have a minimum maturity of five years (or, if issued for an indefinite duration, redemption of such Notes may only occur five years after their date of issue).] Where Notes issued by Intesa Luxembourg have a maturity of less than one year and either (a) the issue proceeds are received by Intesa Luxembourg in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by Intesa Luxembourg in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding,

	managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by Intesa Luxembourg. See "*Subscription and Sale*".
Redemption:	Notes may be redeemed at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms. Under CRR, the early redemption of the Subordinated Notes is subject to the prior written approval of the Relevant Authority. The Relevant Authority would approve an early redemption of the Subordinated Notes if either of the following conditions are met: (i) on or before such early redemption of the Subordinated Notes, the Issuer replaces the Subordinated Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or (ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its own funds would, following such redemption, exceed the own funds requirements and combined buffer requirements under CRD IV by a margin that the Relevant Authority may consider necessary on the basis set out in CRD IV. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Maturities*" above.
Redemption for Indexation Reasons	Inflation linked interest notes may be redeemed before their stated maturity at the option of the relevant Issuer, if the Calculation Agent determines that there is no appropriate alternative index in relation to Inflation Linked Notes, on giving notice to Noteholders, the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Linked Notes, each Inflation Linked Note being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount. Payments will be made in such manner as shall be notified to the Noteholders.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Noteholders or, as the case may be, the relevant Issuer (either in whole or in part) to the extent (if at all) specified in the relevant Final Terms. In the case of Subordinated Notes, such optional redemption may only be at the option of the relevant Issuer and is subject to any necessary prior consent thereto having been obtained from the Relevant Authority and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV.
Regulatory Call:	If specified as applicable in the relevant Final Terms, Subordinated Notes may be redeemed before their stated maturity at the option of Intesa Sanpaolo if any change in Italian Law or Applicable Banking Regulations or any change in the official application or interpretation thereof, such Subordinated Notes are excluded in whole or, to the extent permitted by the Applicable Banking Regulations, in part from regulatory treatment as Tier 2 Capital. Such optional redemption may only be at the option of Intesa Sanpaolo and is subject to any necessary prior consent thereto having been obtained from the Relevant Authority.
Tax Redemption:	Except as described in "*Optional Redemption*" and "*Regulatory Call*" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*). Any such redemption shall be subject, in the case of Subordinated Notes, to the prior consent of the Relevant Authority and to the

circumstances described in "*Redemption*" above.

Interest: Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or a variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

Denominations: Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, (see "*Maturities*" above) and save that, subject to minimum denominations of Notes to be issued by INSPIRE and Intesa Luxembourg as described below, the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or the equivalent amount where the Notes are denominated in a currency other than euro).

So long as the clearing systems so permit, Notes may in certain circumstances and subject to any minimum denomination applicable to Notes issued by INSPIRE and Intesa Luxembourg be issued in denominations representing the aggregate of (i) a minimum denomination of €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) plus (ii) integral multiples of another smaller amount, and such Notes may be traded in amounts which, although greater than €100,000 (or its equivalent in another currency), are not integral multiples of €100,000 (or its equivalent). In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 will not receive a definitive Note in respect of such holding (if definitive Notes are printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Notes which are issued or to be issued by INSPIRE (i) which are not listed on a stock exchange and do not mature within two years of the date of issue must have a minimum denomination of €500,000 or its equivalent, and (ii) which are not listed on a stock exchange and mature within two years of the date of issue if denominated in euro must have a minimum denomination of €500,000, if denominated in U.S. dollars must have a minimum denomination of U.S. $500,000 or if denominated in a currency other than euro or U.S. dollars must have a minimum denomination equivalent to €500,000 at the date the Programme is first publicised. In every case (including the foregoing), subject to compliance with all applicable legal and/or tax and/or regulatory and/or central bank requirements.

Negative Pledge: None.

Unsubordinated Notes issued under this Programme prior to 13th October, 2005 have the benefit of a negative pledge provision in the following terms:

"The Issuer and (where applicable) the Guarantor will not, so long as any of the Notes remains outstanding, create or permit to subsist (other than by operation by law) any Security Interest upon the whole or any part of its undertakings, assets or revenues, present or future, to secure any External Indebtedness or any guarantee of or indemnity in respect of any External Indebtedness unless:

(a) the same Security Interest shall forthwith be extended equally and rateably to the Notes to the satisfaction of the Trustee; or

(b) such other Security Interest is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an

Extraordinary Resolution of the Noteholders,

provided that nothing in this Condition shall prevent the Issuer and (if applicable) the Guarantor from:

(i) creating or permitting to subsist (a) any Security Interest upon, or with respect to, any of its present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset backed financing or like arrangement and whereby all payment obligations in respect of the External Indebtedness or any guarantee of or indemnity in respect of the External Indebtedness, as the case may be, secured by such Security Interest or having the benefit of such secured guarantee or other indemnity, are to be discharged solely from such asset or revenues; or

(ii) permitting to subsist any Security Interest upon or with respect to any assets or revenues which are acquired by the Issuer or (where applicable) the Guarantor subsequent to the date of issue of the first Tranche of the relevant Notes as a consequence of the merger of any entity into or with the Issuer or (where applicable) the Guarantor and which Security Interest is in existence at the time of such acquisition *provided that* such Security Interest was not created in contemplation of such acquisition or such merger and the principal amount secured at the time of such acquisition is not subsequently increased."

As used herein:

"**External Indebtedness**" means any present or future indebtedness for borrowed money in the form of, or represented by bonds, notes, debentures, loan capital, certificates of deposit, loan stock or other like instruments or securities (a) which is or are intended to be quoted, listed or ordinarily dealt in or traded on any stock exchange, automated trading system, over-the-counter or other established securities market (for which purpose any such indebtedness shall not be regarded as intended to be so quoted, listed or ordinarily dealt in or traded if the terms of issue thereof expressly provide to the contrary), (b) which by its terms is payable, or may be required to be paid, three years or more from the date of issue and (c) more than 60 per cent. of the aggregate principal amount of which is initially distributed by or with the authorisation of the issuer thereof outside the Republic of Italy; and

"**Security Interest**" means any mortgage, charge, lien, pledge or other security interest."

Outstanding Unsubordinated Notes issued prior to 13th October, 2005 will continue to benefit from such negative pledge provision up to maturity, as will Unsubordinated Notes issued after 13th October, 2005 which are to be consolidated with and form a single series with Unsubordinated Notes issued prior to that date. **Otherwise, Unsubordinated Notes issued after 13th October, 2005 will not have the benefit of this provision.**

Cross Default: Unsubordinated Notes will have the benefit of a cross default as described in Condition 13 (*Events of Default*).

Taxation: All payments of principal and interest in respect of Notes or made under the Guarantee of the Notes by the relevant Issuer, in case of payments under the Notes, or the Guarantor, in case of payments under the Guarantee, will be made free and clear of withholding taxes in the jurisdiction of incorporation of the relevant Issuer or Guarantor, as the case may be, unless the withholding is required by law. In that event, the relevant Issuer or Guarantor, as the case may be will (subject as provided in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such

	Notes had no such withholding been required. However, as more fully set out in Condition 12 (*Taxation*), the relevant Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1st April, 1996 on account of substitute tax (*imposta sostitutiva*, as defined therein) in relation to interest payable in respect of any Notes. In addition, Notes are subject to a withholding tax at the rate of 26 per cent. per annum in respect of interest and premium (if any) on Notes that qualify as atypical securities (pursuant to Law Decree No. 512 of 30th September, 1983, as amended). Intesa Sanpaolo will not be liable to pay any additional amounts to Noteholders in relation to any such withholding, as more fully specified in Condition 12 (*Taxation*).
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. If so, the wording of the redenomination clause will be set out in full in the applicable Final Terms.
Governing Law:	The Trust Deed and the rights and obligations in respect of the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with each of the foregoing, are governed by, and shall be construed in accordance with, English law, save that the subordination provisions applicable to Subordinated Notes issued by Intesa Sanpaolo and any non-contractual obligations arising out of or in connection with such provisions shall be governed by, and construed in accordance with, Italian law. Each Deed of Guarantee and any non-contractual obligations arising out of or in connection with it are governed by, and construed in accordance with, English law. For the avoidance of doubt, articles 86 to 94-8 of the Luxembourg law on commercial companies dated 10 August 1915, as amended from time to time (the "**Luxembourg Company Law**") shall not apply
Ratings:	Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the Regulation).
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area (including the United Kingdom, the Republic of Italy, Ireland, France and Luxembourg), Hong Kong, the People's Republic of China, Singapore and Japan, see "*Subscription and Sale*" below.

INFORMATION INCORPORATED BY REFERENCE

The following information, which has previously been published and filed with the CSSF is incorporated by reference 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 31st December, 2015, as shown in the Intesa Sanpaolo Group 2015 Annual Report;

(ii) the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31st December, 2016, as shown in the Intesa Sanpaolo Group 2016 Annual Report;

(iii) the unaudited condensed consolidated half-yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30th June, 2017, as shown in the Intesa Sanpaolo Group 2017 Half-yearly Report;

(iv) the audited annual financial statements of INSPIRE as at and for the year ended 31st December, 2015, as shown in the 2015 annual report of INSPIRE;

(v) the audited annual financial statements of INSPIRE as at and for the year ended 31st December, 2016, as shown in the 2016 annual report of INSPIRE;

(vi) the unaudited half-yearly financial information of INSPIRE as at and for the six months ended 30th June, 2017, as shown in the 2017 half-yearly report of INSPIRE;

(vii) the audited annual financial statements of Intesa Luxembourg as at and for the year ended 31st December, 2015, as shown in the 2015 annual report of Intesa Luxembourg;

(viii) the audited annual financial statements of Intesa Luxembourg as at and for the year ended 31st December, 2016, as shown in the 2016 annual report of Intesa Luxembourg;

(ix) the audited consolidated financial statements of Intesa Luxembourg as at and for the year ended 31st December, 2015; and

(x) the audited consolidated financial statements of Intesa Luxembourg as at and for the year ended 31st December, 2016,

in each case together with the accompanying notes and (where applicable) audit reports; and

(xi) the press release issued by Intesa Sanpaolo on 7 November 2017 and entitled "Intesa Sanpaolo: Consolidated Results as at 30 September 2017" announcing the approval by the Management Board of Intesa Sanpaolo of the unaudited consolidated interim statement for the third quarter of 2017 (the "**Third Quarter Results Press Release**")

(xii) the base prospectus in respect of the Intesa Sanpaolo, INSPIRE and Intesa Luxembourg Euro Medium Term Note Programme dated 9th December, 2016 (the "**2016 Base Prospectus**").

The Issuers 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 unless such documents have been modified or superseded as specified above, in which case the modified or superseding version of such document will be provided. Request for such documents should be directed to the Issuers at their offices set out at the end of this Prospectus. In addition such documents will be available, without charge, at the principal office of the Joint Arrangers and of the Listing Agent in Luxembourg and on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

Intesa Sanpaolo declares that the English translation of each of the Intesa Sanpaolo Group's financial statements incorporated by reference in this Prospectus is an accurate and not misleading translation in all material respect of the Italian language version of the Intesa Sanpaolo Group's financial statements.

Cross-reference list

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

Intesa Sanpaolo Group 2015 Annual Report

The Intesa Sanpaolo Group 2015 Annual Report is published on the Intesa Sanpaolo website (www.intesasanpaolo.com) in two separate pdf. documents.

The Intesa Sanpaolo Group 2016 Annual Report

Intesa Sanpaolo Group - Half-yearly Report as at 30th June, 2017

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The unaudited half-yearly financial information of INSPIRE as at and for the six months ended 30th June, 2017 are incorporated by reference in this Prospectus in their entirety.

Intesa Sanpaolo Bank Luxembourg S.A. 2015 Annual Reports

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Intesa Sanpaolo Bank Luxembourg S.A. 2015 Consolidated Financial Statements

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The information incorporated by reference that is not included in the cross-reference lists above is considered additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 (as amended).

Third Quarter Results Press Release

The Third Quarter Results Press Release is incorporated by reference in this Prospectus in its entirety.

2016 Base Prospectus

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For the purposes of Article 28.4 of Regulation (EC) 809/2004 (as amended), only the Terms and Conditions of the Notes of the 2016 Base Prospectus are incorporated by reference in this Prospectus and any non-incorporated parts of the 2016 Base Prospectus are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

FURTHER PROSPECTUSES AND SUPPLEMENTS

The Issuers will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuers at least every year after the date of this Prospectus and each subsequent Prospectus.

The Issuers have given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Prospectus which is capable of affecting the assessment of the Notes, they shall prepare and publish a supplement to this Prospectus in accordance with Article 16 of the Prospectus Directive or a replacement Prospectus for use in connection with any subsequent offering of Notes and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request. Any supplement to this Prospectus or a replacement Prospectus shall be approved by the CSSF.

In addition, the Issuers may agree with any Dealer to issue Notes in a form not contemplated in "Form of Final Terms" on pages 98 to 112. To this extent, and/or to the extent that the information relating to that Tranche of Notes constitutes a significant new factor in relation to the information contained in this Prospectus, a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") will be made available and will contain such information. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the relevant Issuer and the relevant Notes or (2) pursuant to Article 5.3 of the Prospectus Directive, by a registration document containing the necessary information relating to the relevant Issuer, a securities note containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, references in this Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

FORMS OF THE NOTES

BEARER NOTES

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in New Global Note form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in New Global Note form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in New Global Note form are in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in New Global Note form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the New Global Note form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes 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.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and

(ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership *provided, however*, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

(i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system 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

(ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Save as described below, where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, so long as the clearing systems so permit and subject to any minimum denomination applicable to Notes issued by INSPIRE or Intesa Luxembourg, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued and will be tradable in denominations which represent the aggregate of (i) a minimum denomination of €100,000, plus (ii) integral multiples of €1,000, *provided that* such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated or in the case of a New Global Note Permanent Global Note effectuated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 60 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 60 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

(i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system 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

(ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs and is continuing.

Save as described above, where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, so long as the clearing systems so permit and subject to any minimum denomination applicable to Notes issued by INSPIRE or Intesa Luxembourg, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued and will be tradable in denominations which represent the aggregate of (i) a minimum denomination of €100,000, plus (ii) integral multiples of €1,000, provided that such denominations are not less than €100,000 or more than €199,000 (as applicable). For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated or in the case of a New Global Note Permanent Global Note effectuated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 60 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

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.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons 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*."

Registered Notes

Each Tranche of Registered Notes will be in the form of either Individual Note Certificates or a global Note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Final Terms.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg

as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the NSS), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Note ", then if either of the following events occurs:

  (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system 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

  (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Registrar will not register the transfer of or exchange of interests in a Global Note Certificate for Individual Note Certificates for a period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Overview of Provisions Relating to the Notes while in Global Form*" below.

MONTE TITOLI NOTES

Notes which are specified in the relevant Final Terms as having Monte Titoli as a clearing system will be held on behalf of the beneficial owners thereof, from their date of issue until their redemption, by Monte Titoli for the account of the relevant Monte Titoli account holders. The expression "Monte Titoli account holder" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli and include any financial intermediary appointed by Euroclear and/or Clearstream, Luxembourg for the account of participants in Euroclear and/ or Clearstream, Luxembourg.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. 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 "Conditions applicable to Global Notes" above. Further information related to Inflation Linked Notes is contained in Annex 1 (Further information related to Inflation Linked Notes) below.

1. **Introduction**

(a) *Programme*: Intesa Sanpaolo S.p.A. ("**Intesa Sanpaolo**" or the "**Bank**"), Intesa Sanpaolo Bank Ireland p.l.c. ("**INSPIRE**") and Intesa Sanpaolo Bank Luxembourg S.A. ("**Intesa Luxembourg**") have established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 70,000,000,000 in aggregate principal amount of notes (the "**Note**s") guaranteed, in respect of Notes issued by INSPIRE and Intesa Luxembourg, by Intesa Sanpaolo (in this capacity, the "**Guarantor**") pursuant to a Deed of Guarantee (as defined below) to be entered upon the issuance of such guaranteed Notes.

(b) *Final Terms*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which complete these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms.

(c) *Trust Deed*: The Notes are subject to and have the benefit of an amended and restated trust deed dated 18 December 2017 (as amended and/or supplemented and/or restated from time to time, and including the Deed of Guarantee (as defined below), the "Trust Deed") made between Intesa Sanpaolo, INSPIRE, Intesa Luxembourg and Trustee, which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed.

(d) *Agency Agreement*: The Notes are the subject of an amended and restated paying agency agreement dated 18 December 2017 (as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") between Intesa Sanpaolo, INSPIRE, Intesa Luxembourg, the Trustee, Deutsche Bank AG acting through its London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes) and the transfer agent (the "**Transfer Agent**", which expression includes any successor transfer agent appointed from time to time in connection with the Notes) and paying agents named therein (together with the Principal Paying Agent and the Registrar, the "**Agents**", which expression includes any successor or additional agents appointed from time to time in connection with the Notes).

(e) *Deed of Guarantee*: Notes issued by INSPIRE and Intesa Luxembourg shall have the benefit of a deed of guarantee (the "**Deed of Guarantee**") entered into in respect of such Notes.

(f) *The Notes*: All subsequent references in these Conditions to Notes are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection and obtainable free of charge by the public during normal business hours at the Specified Office of the Trustee, the Specified Office of the Principal Paying Agent or, in the case of Registered Notes the Registrar, and, in any event, at the Specified Office of the Paying Agent in Luxembourg, the initial Specified Office of which is set out below.

(g) *Summaries*: Certain provisions of these Conditions are summaries of the Trust Deed, Agency Agreement and the Deed of Guarantee (if entered into in respect of an issue of Notes) and are subject to their detailed provisions. Noteholders and Couponholders, if any, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Deed of Guarantee (if any) applicable to them. Copies of the Trust Deed, the Agency Agreement and the Deed of Guarantee (if entered into in respect of an issue of Notes) are available for inspection by Noteholders during normal business hours at the Specified Offices of the Trustee and each of the Paying Agents, the initial Specified Offices of which are set out below.

(h) *Issuers*: References in these Conditions to "**Issuer**" are to the entity specified as the Issuer in the relevant Final Terms.

2. **Definitions and Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then applicable to the Issuer including, without limitation to the generality of the foregoing, those 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 Issuer) or of the institutions of the European Union;

"**Bearer Note**" means a Note in bearer form;

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time.

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(ii) in relation to any sum payable in a currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and

(iii) in relation to any sum payable in Renminbi, a day (other than Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong/the Principal Financial Centre of Renminbi and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day;

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with the Business Day Convention.

"**Calculation Agent**" means the person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Capital Instruments Regulations**'' means the Delegated Regulation and any other rules or regulations of the Relevant Authority or which are otherwise applicable to the Issuer or the Group (as the case may be and, where applicable), whether introduced before or after the Issue Date of the relevant Series of Notes, 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 to the extent required under the CRD IV Package;

"**CNY**" or "**Renminbi**" means the lawful currency of the PRC;

"**Coupon**" means an interest coupon relating to a Bearer Note;

"**Couponholder**" means the holder of a Coupon;

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

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of June 26, 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 Package**" means the CRR and the CRD IV;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 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**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(1) 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

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

(ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" (in respect of Condition 6) is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(vi) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(vii) If "**30/360**" (in respect of Condition 7) or "**360/360**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30; and

(viii) If "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(ix) If "**30E/360 (ISDA)**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Delegated Regulation**" means the Commission Delegated Regulation (EU) No. 241/2014 of January 7, 2014, supplementing the CRR with regard to regulatory technical standards for Own Funds requirements for institutions, as amended and replaced from time to time;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities as amended from time to time;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note (other than Inflation Linked Notes), its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms provided that, in any case, such amount will be at least equal to the relevant par value. In respect of Inflation Linked Notes, the "Final Redemption Amount" means an amount different from the relevant par value as may be specified in the relevant Final Terms, provided that under no circumstances shall the Final Redemption Amount be less than the Nominal Amount of the Notes;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Guarantee of the Notes**" means the guarantee of the Notes issued by INSPIRE or Intesa Luxembourg, as the case may be, that has been given by the Guarantor in the Deed of Guarantee entered into in relation to that issue of Notes;

"**Holder**" means a Registered Holder or, as the context requires, the holder of a Bearer Note;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Indebtedness for Borrowed Money**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any bonds, notes, debentures, loan capital, certificates of deposit, loan stock or other like instruments or securities offered, issued or distributed whether by way of public offer, private placement, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

"**INSPIRE Duplicate Register**" has the meaning given to it in Condition 3(e) (*Title to Registered Notes*);

"**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 or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**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;

"**Intesa Luxembourg Duplicate Register**" has the meaning given to it in Condition 3(e) (*Title to Registered Notes*);

"**Irish Bail-in Power**" means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Ireland:

(i) relating to the transposition of BRRD, including but not limited to the European Union (Bank Recovery and Resolution) Regulations 2015 as amended or replaced from time to

time (the "**BRRD Irish Regulations**") and the instruments rules and standards created thereunder; and

(ii) constituting or relating to the SRM Regulation and the instruments rules and standards created thereunder,

in each case, pursuant to which any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced (including to zero), cancelled, modified or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period). For this purpose, a reference to a "regulated entity" is to any entity to which for the purposes of (i) above, the BRRD Irish Regulation apply and, for the purposes of (ii) above, the SRM Regulation applies, which in each case includes certain credit institutions, investment firms and certain of their parent or holding companies .

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms)) as published by the International Swaps and Derivatives Association, Inc.;

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**Italian Bail-in Power**" means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Republic of Italy, relating to (i) the transposition of the BRRD (in including, but not limited to, Legislative Decrees No. 180/2015 and 181/2015) as amended from time to time; and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period);

"**Luxembourg Bail-in Power**" means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Luxembourg, (i) relating to the transposition of the BRRD (including, but not limited to, the Luxembourg law of 18 December 2015 *relative aux mesures de résolution, d'assainissement et de liquidation des établissements de crédit et de certaines enterprises d'investissement ainsi qu'aux systèmes de garantie des dépôts et d'indemnisation des investisseurs*, as amended from time to time (the "**Luxembourg BRRD Law**"), (ii) relating to the SRM Regulation or (iii) otherwise arising under Luxembourg law and (iv) in each case, the instruments, rules and standards created thereunder, pursuant to which any obligation of a regulated entity or other affiliate of such regulated entity) can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period) and any right in a contract governing an obligation of a regulated entity may be deemed to have been exercised. For this purpose, a reference to a "regulated entity" is to any institution or entity (which includes certain credit institutions, investment firms, and certain of their group companies) referred to in points (1), (2), (3) or (4) of Article 2(1) of the Luxembourg BRRD Law, and with respect to the SRM Regulation to any entity referred to in Article 2 of the SRM Regulation;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Multiplier**" has the meaning given in the relevant Final Terms;

"**Note Certificate**" means a certificate issued to each Registered Holder in respect of its registered holding of Notes;

"**Noteholder**" means a holder of a Bearer Note or, as the context requires, a Registered Holder;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Own Funds**" shall have the meaning assigned to such term in the CRR as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Payment Business Day**" means:

(i) if the currency of payment is euro, any day which is:

(A) 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

(B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro or Renminbi, any day which is:

(A) 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

(B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre; or

(iii) if the currency of payment is Renminbi, a day (other than Saturday, Sunday, or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong/the Principal Financial Centre of Renminbi and in each (if any) Additional Financial Centre.

"**PRC**" means the People's Republic of China which, for the purpose of these Terms and Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided**, **however**, **that**:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(ii) in relation to Australian dollars, it means Melbourne and, in relation to New Zealand dollars, it means Wellington; and

(iii) in relation to Renminbi, it means Hong Kong;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" has the meaning given in the relevant Final Terms;

"**Reference Rate Multiplier**" has the meaning given in the relevant Final Terms;

"**Register**" means the register maintained by the Registrar in respect of Registered Notes in accordance with the Agency Agreement;

"**Registered Holder**" means the person in whose name a Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof);

"**Registered Note**" means a Note in registered form;

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Authority**" means (i) in respect of Italy, any issuer, 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; (ii) in respect of Ireland, the Central Bank of Ireland and/or any other authority in Ireland or in the European Union entitled to exercise or participate in the exercise of the Irish Bail-in Power from time to time; and (iii) in respect of Luxembourg, the *Commission de Surveillance du Secteur* Financier, acting in its capacity as resolution authority within the meaning of Article 3(1) of BRRD, the Single Resolution Board established pursuant to the SRM Regulation, and/or any other authority in Luxembourg or in the European Union entitled to exercise or participate in the exercise of the Luxembourg Bail-in Power from time to time.

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders:

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, the Reuter Monitor Money Rates Service and the Moneyline Telerate Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other

page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Renminbi Calculation Agent**" means the person specified in the relevant Final Terms as the party responsible for calculating the Spot Rate (as defined in Condition 11(q)) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Reserved Matter**" has the meaning ascribed thereto in the Trust Deed;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Trust Deed;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**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 the Single Supervisory Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010. as amended or replaced from time to time;

"**Switch Option**" means, if Change of Interest Basis and Issuer's Switch Option are specified as applicable in the applicable Final Terms, the option of the Issuer, at its sole absolute discretion, on one or more occasions and subject to the provisions of Condition 7(g), to change the Interest Basis of the Notes from Fixed Rate to Floating Rate, to Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms, with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date;

"**Talon**" means a talon for further Coupons;

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System (or any successor to TARGET2) is open;

"**Tier 2 Instruments**" means at any time tier 2 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

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

"**Yield**" means the yield specified in the Final Terms, as calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "**outstanding**" shall be construed in accordance with the Trust Deed; and

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "**not applicable**" then such expression is not applicable to the Notes.

3. **Form, Denomination and Title**

The Notes will be issued as Bearer Notes or Registered Notes, as specified in the relevant Final Terms.

(a) *Notes in Bearer Form*: Bearer Notes are issued in the Specified Denomination(s) with Coupons (if applicable) and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. Bearer Notes issued by Intesa Luxembourg shall be signed by any two directors of Intesa Luxembourg.

(b) *Title to Bearer Notes:* Title to Notes and Coupons will pass by delivery.

(c) *Minimum Denomination:* The minimum denomination per Note will be €100,000.

(d) *Notes in Registered Form*: Registered Notes are issued in the Specified Denominations and may be held in holdings equal to the Specified Minimum Amount (specified in the relevant Final Terms) and integral multiples equal to the Specified Increments (specified in the relevant Final Terms) in excess thereof (an "**Authorised Holding**").

(e) *Title to Registered Notes:* The Registrar will maintain the Register in accordance with the provisions of the Agency Agreement. A Note Certificate will be issued to each Registered Holder in respect of its holding of Notes. With respect to Notes issued by Intesa Luxembourg, each time the Register is amended or updated, the Registrar shall send a copy of the Register to Intesa Luxembourg who will keep the Intesa Luxembourg Duplicate Register updated. In the event of inconsistency between the Register and the Intesa Luxembourg Duplicate Register, the Intesa Luxembourg Duplicate Register shall, for purposes of Luxembourg law, prevail. With respect to Notes issued by INSPIRE, upon entry into of this Agreement and each time the Register is amended or updated, the Registrar shall send a copy of the Register to INSPIRE who will keep an updated copy, the INSPIRE Duplicate Register, In the event of inconsistency between the Register and the INSPIRE Duplicate Register, the INSPIRE Duplicate Register shall, for the purposes of Irish law, prevail. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(f) *Ownership:* 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, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) 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 any Note under the Contracts (Rights of Third Parties) Act 1999.

(g) *Transfer of Registered Notes:* Subject to paragraphs (i) (*Closed periods)* and (j) (*Regulations concerning transfers and registration)* below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer,

a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(h) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfer of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each Registered Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Registered Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such Registered Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(i) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer, the Guarantor (if applicable), the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(j) *Closed periods*: Registered Holders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(k) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer and the Guarantor (if applicable) with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Registered Holder who requests in writing a copy of such regulations.

4. **Status of the Notes**

(a) **Status – Unsubordinated Notes**

*This Condition 4(a) is applicable in relation to Notes specified in the Final Terms as being unsubordinated or not specified as being subordinated ("**Unsubordinated Notes**"* or *"**Senior Notes**").*

The Unsubordinated Notes constitute direct, general, unconditional and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (subject to any obligations preferred by any applicable law) equally with all other unsecured and unsubordinated indebtedness and monetary obligations (including deposits) of the Issuer, present and future.

Each holder of an Unsubordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such an Unsubordinated Note.

(b) **Status – Subordinated Notes issued by Intesa Sanpaolo**

*This Condition 4(b) is applicable only in relation to Subordinated Notes issued by Intesa Sanpaolo and specified in the Final Terms as being subordinated and intended to qualify as Tier 2 Capital ("***Subordinated Notes***").*

(i) ***Status of Subordinated Notes***

The Subordinated Notes (notes intended to qualify as Tier 2 Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17th December, 2013, as amended or supplemented from time to time (the "**Bank of Italy Regulations**"), including any successor regulations, and Article 63 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms) and the relative Coupons constitute unsecured obligations of Intesa Sanpaolo and rank *pari passu* without any preference among

themselves and with all other present and future unsecured and subordinated obligations of Intesa Sanpaolo (other than those subordinated obligations expressed by their terms to rank lower or higher than the Subordinated Notes) save of those preferred by mandatory and/or overriding provisions of law. In the event of a bankruptcy, dissolution, liquidation or winding-up of Intesa Sanpaolo or in the event that Intesa Sanpaolo becomes subject to an order for *Liquidazione Coatta Amministrativa* (as defined in Legislative Decree of 1st September, 1993, No. 385 of the Republic of Italy as amended (the "**Consolidated Banking Act**")), the payment obligations of Intesa Sanpaolo in respect of principal and interest under the Subordinated Notes will be subordinated to the claims of Intesa Sanpaolo Senior Creditors (as defined below) and will rank *pari passu* with Parity Creditors.

"**Intesa Sanpaolo Senior Creditors**" means creditors of Intesa Sanpaolo whose claims are admitted to proof in the winding up of Intesa Sanpaolo and who are either (a) unsubordinated creditors of Intesa Sanpaolo or (b) creditors of Intesa Sanpaolo whose claims against Intesa Sanpaolo are, or are expressed to be, subordinated in the event of the winding up of Intesa Sanpaolo but senior to the Subordinated Notes, and

"**Parity Creditors**" means creditors of Intesa Sanpaolo (including, without limitation, the Subordinated Noteholders, and the Subordinated Couponholders) whose claims against Intesa Sanpaolo are, or are expressed to be, subordinated in the event of the winding up of Intesa Sanpaolo in any manner to the claims of any unsecured and unsubordinated creditor of Intesa Sanpaolo, but excluding those subordinated creditors of Intesa Sanpaolo (if any) whose claims rank, or are expressed to rank, junior or senior to the claims of the Subordinated Noteholders and Subordinated Couponholders and/or to the claims of any other creditors of Intesa Sanpaolo whose claims rank, or are expressed to rank, *pari passu* with the claims of the Subordinated Noteholders and Subordinated Couponholders or with whose claims the claims of the Subordinated Noteholders and Subordinated Couponholders rank, or are expressed to rank, *pari passu*.

(ii) ***Set-Off***

Subject to applicable law, neither any Subordinated Noteholder or Subordinated Couponholder nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it by Intesa Sanpaolo arising under or in connection with the Subordinated Notes or Subordinated Coupons and each Subordinated Noteholder, and Subordinated Couponholder shall, by virtue of his subscription, purchase or holding of any Subordinated Note or Subordinated Coupon, be deemed to have waived all such rights of set-off.

5. **Status of the Guarantee**

This Condition 5 is applicable in relation to Notes if the Notes are specified in the applicable Final Terms as having the benefit of the Guarantee of the Notes and upon the entering into of a Deed of Guarantee.

The obligations of the Guarantor under the Guarantee of the Notes (if stated as applicable in the relevant Final Terms and upon the entering into of a Deed of Guarantee) constitute direct, general, unconditional and unsecured obligations of the Guarantor and rank equally (subject to any obligation preferred by any applicable law) with all other unsecured and unsubordinated indebtedness and monetary obligations (including deposits) of the Guarantor (present and future).

6. **Fixed Rate Note Provisions**

(a) *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes (a) if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Fixed Rate Note Provisions are stated to apply.

(b) *Accrual of interest*: The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this

Condition 6 (both before and after judgment) until whichever is the earlier of (i) 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 (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders 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). As specified in the relevant Final Terms, interest from such Notes may accrue on a different basis from that set out in this Condition 6.

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount.

(d) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro and Renminbi, the lowest amount of such currency that is available as legal tender in the country of such currency, in the case of euro, means one cent and, in the case of Renminbi, means CNY 0.01. Where the Specified Denomination of a Fixed Rate Note is the multiple of the Calculation Amount, the Amount of interest payable in respect of such Fixed Rate Note shall be the multiple of the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

7. **Floating Rate Note and Inflation Linked Note Provisions**

(a) *Application*: This Condition 7 (*Floating Rate Note and Inflation Linked Note Provisions*) is applicable to the Notes only if (a) the Floating Rate Note Provisions, EONIA Linked Interest Notes, CMS Linked Interest Notes or the Inflation Linked Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply. The applicable Final Terms contain provisions applicable to the determination of the interest and must be read in conjunction with this Condition 7 for full information on the manner in which interest is calculated.

(b) *Accrual of interest*: The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7(b) (both before and after judgment) until whichever is the earlier of (i) 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 (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders 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). As specified in the relevant Final Terms, interest from such Notes may accrue on a different basis from that set out in this Condition 7.

(c) *Screen Rate Determination (other than EONIA and CMS Linked Interest Notes)*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for deposits in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be:

(i) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined (the "**Determined Rate**");

(ii) if "**Multiplier**" is specified in the relevant Final Terms as being applicable the sum of (i) the Margin and (ii) the relevant Determined Rate multiplied by the Multiplier;

(iii) if "**Reference Rate Multiplier**" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant Determined Rate multiplied by the Reference Rate Multiplier,

provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or, as the case may be, the arithmetic mean last determined in relation to the Notes in respect of the immediately preceding Interest Period for which such rate or arithmetic mean was determined.

(d) *Floating Rate Notes which are EONIA Linked Interest Notes*: Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as being EONIA, the Rate of Interest for each Interest Period will, subject as provided below, be the rate of return of a daily compound interest investment (with the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market as reference rate for the calculation of interest) plus or minus (as indicated in the applicable Final Terms) the Margin (if any) and will be calculated by the Calculation Agent on the Interest Determination Date of the Interest Period, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{EONIA_i \times n_i}{360}\right)-1\right]\times\frac{360}{D}+M\arg in\times D/360$$

or

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{(EONIA_i+M\arg in)\times n_i}{360}\right)-1\right]\times\frac{360}{D}$$

where

"$\mathbf{d_0}$" for any Interest Period, is the number of Business Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to do, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period;

"**EONIA$_i$**", for any day "**i**" in the relevant Interest Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page or such other page or service as may replace such page for the purposes of displaying the Euro overnight index average rate of leading reference banks for deposits in Euro (the EONIA Page) in respect of that day provided that, if, for any reason, on any such day "i", no rate is published on the EONIA Page, the Calculation Agent will request the principal office in the Euro-zone of each of the Reference Banks (but which shall not include the Calculation Agent) to provide with its quotation of the rate offered by it at approximately 11.00 a.m. (Brussels time) on such day "i", to prime banks in the Euro-zone inter-bank market for Euro overnight index average rate for deposits in Euro in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time. The applicable reference rate for such day "i" shall be the arithmetic mean (rounded if necessary, to the nearest ten-thousandth of a percentage point, with 0.00005 being rounded upwards) of at least two of the rates so quoted, it being provided that if less than two rates are provided to the Calculation Agent, the applicable reference rate shall be determined by the Calculation Agent after consultation with an independent expert;

"**n_i**" is the number of calendar days in the relevant Interest Period on which the rate is EONIAi; and

"**D**" is the number of calendar days in the relevant Interest Period.

(e) *Floating Rate Notes which are CMS Linked Interest Notes*: Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be calculated as it follows, subject to letter (g) below:

(w) where "**CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

CMS Rate + Margin

(x) where "**Leveraged CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

(a) L x CMS Rate + M

(b) Min [max (L x CMS Rate + M; F); C]

(y) where "**Steepener CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

(a) where "**Steepener CMS Reference Rate: Unleveraged**" is specified in the applicable Final Terms:

Min {[max (CMS Rate 1 – CMS Rate 2) + M; F]; C}

or:

(b) where "**Steepener CMS Reference Rate: Leveraged**" is specified in the applicable Final Terms:

Min {[max [L x (CMS Rate 1 – CMS Rate 2) + M; F]; C}

Where:

C = Cap (if applicable)

F = Floor

L = Leverage

M= Margin

For the purposes of sub-paragraph (y):

"**CMS Rate**" shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the specified time on the Interest Determination Date in question, all as determined by the Calculation Agent. The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available ; and

"**Cap**", "**CMS Rate 1**", "**CMS Rate 2**", "**Floor**", "**Leverage**" and "**Margin**" shall have the meanings given to those terms in the applicable Final Terms.

(f) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be:

(i) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the relevant ISDA Rate;

(ii) if "Multiplier" is specified in the relevant Final Terms as being applicable the sum of (i) the Margin and (ii) the relevant ISDA Rate multiplied by the Multiplier;

(iii) if "**Reference Rate Multiplier**" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant ISDA Rate multiplied by the Reference Rate Multiplier,

where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or on the Euro-zone inter-bank offered rate (EURIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(g) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(h) *Change of Interest Basis.* If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 6 or Condition 7, each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer and the Guarantor (where applicable), may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 19 on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as

otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer and the Guarantor (where applicable) shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

"**Switch Option Expiry Date**" and "**Switch Option Effective Date**" shall mean any date specified as such in the applicable Final Terms provided that any date specified in the applicable Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified to the Issuer pursuant to this Condition and in accordance with Condition 19 (*Notices*) prior to the relevant Switch Option Expiry Date.

(i) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation 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 sub-unit of the Specified Currency (half a sub-unit rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Floating Rate Note or an Inflation Linked Interest Note is the multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

(j) *Calculation of other amounts*: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(k) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Guarantor (where applicable), the Trustee, the Paying Agents and each stock exchange (if any) on which the Notes are then listed as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 19 (*Notices*). The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(l) *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 Guarantor (where applicable), the Trustee, 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.

(m) *Determination or Calculation by Trustee*: If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in

all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, the Guarantor (where applicable), the Noteholders and the Couponholders.

8. **Inflation Linked Note**

This Condition 8 (*Inflation Linked Note*) is applicable to the Notes only if the Inflation Linked Notes Provisions are specified in the relevant Final Terms as being applicable.

(a) **Inflation Linked Note Provisions**

(i) **Rate of Interest – Inflation Linked Notes**

The Rate of Interest payable from time to time in respect of [YoY] Inflation Linked Notes, for each Interest Period, shall be determined by the Calculation Agent, or other party specified in the Final Terms, on the relevant Determination Date in accordance with the following formula:

Rate of Interest = [[Index Factor]*[YoY] Inflation] + Margin

subject to the Minimum Rate of Interest or the Maximum Rate of Interest if, in either case, designated as applicable in the applicable Final Terms in which case the provisions of paragraph (f) above shall apply as appropriate.

Where:

"**Index Factor**" has the meaning given to it in the applicable Final Terms, provided that if Index Factor is specified as "**Not Applicable**", the Index Factor shall be deemed to be equal to one;

"**Inflation Index**" has the meaning given to it in the applicable Final Terms;

"[**YoY] Inflation**" means in respect of the Specified Interest Payment Date falling in month (t), the value calculated in accordance with the following formula:

$$\left[\frac{InflationIndex(t)}{InflationIndex(t-1)}-1\right]$$

"**Inflation Index (t)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Specified Interest Payment Date and/or the Maturity Date falls;

"**Inflation Index (t-1)**" means the value of the Inflation Index for the Reference Month in the calendar year preceding the calendar year in which the relevant Specified Interest Payment Date falls;

"**Margin**" has the meaning given to it in the applicable Final Terms;

"**Reference Month**" has the meaning given to it in the applicable Final Terms; and

The Rate of Interest shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards.

(ii) **Redemption Amount – [YoY] Inflation Linked Notes**

The Final Redemption Amount payable on the Maturity Date in respect of [YoY] Inflation Linked Notes may be i) 100% of the Nominal Amount of the Notes or ii) (if so specified in the applicable Final Terms) a [YoY] Indexed Redemption Amount to be calculated on the [Maturity Date/ relevant Determination Date] on the basis of the following formula:

[[YoY] Indexed Redemption Amount = Nominal Amount x (Inflation Index (t)/Inflation Index (0))]

Where:

"**Inflation Index (t)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Specified Interest Payment Date and/or the Maturity Date falls; and

"**Inflation Index (0)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Issue Date falls.

The [YoY] Indexed Redemption Amount may be subject to a minimum or a maximum amount (if so specified in the applicable Final Terms) provided that under no circumstances shall the Final Redemption Amount be less than the Nominal Amount of the Notes.

(iii) **Inflation Linked Note Provisions**

Unless previously redeemed or purchased and cancelled in accordance with this Condition 8 or as specified in the applicable Final Terms and subject to this Condition 8, each Inflation Linked Note will bear interest in the manner specified in the applicable Final Terms and the Conditions.

The following provisions apply to Inflation Linked Notes:

"**Additional Disruption Event**" means any of Change of Law, Hedging Disruption and/or Increased Cost of Hedging, in each case if specified in the applicable Final Terms, and such other events (if any) specified as an Additional Disruption Event in the applicable Final Terms.

"**Change in Law**" means that, on or after the Trade Date (as specified in the applicable Final Terms):

(A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or

(B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines in its discretion that (i) it has become illegal to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index, (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its affiliates or any other Hedging Party), or (iii), if the Notes are Guaranteed Notes, the performance of the Guarantor under the Guarantee has become unlawful.

"**Cut-Off Date**" means, in respect of a Determination Date, five (5) Business Days prior to any due date for payment under the Notes for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Final Terms.

"**Delayed Index Level Event**" means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the Relevant Level) in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Cut-Off Date.

"**Determination Date**" means each date specified as such in the applicable Final Terms.

"**End Date**" means each date specified as such in the applicable Final Terms.

"**Fallback Bond**" means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Final Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date, or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected by the Calculation

Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the relevant price risk of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

"**Hedging Party**" means at any relevant time, the Issuer, or any of its affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Notes as the Issuer may select at such time.

"**Increased Cost of Hedging**" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, price risk, foreign exchange risk and interest rate risk) of the Issuer (or, if the Notes are Guaranteed Notes, the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its affiliates shall not be deemed an Increased Cost of Hedging.

"**Inflation Index**" means each inflation index specified in the applicable Final Terms and related expressions shall be construed accordingly.

"**Inflation Index Sponsor**" means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Final Terms.

"**Reference Month**" means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Final Terms, regardless of when this information is published or announced, except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported.

"**Related Bond**" means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Final Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond.

"**Relevant Level**" has the meaning set out in the definition of "Delayed Index Level Event" above.

(iv) **Inflation Index Delay And Disruption Provisions**

(A) **Delay in Publication**

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the "**Substitute Index Level**") shall be determined by the Calculation Agent as follows:

(1) if "Related Bond" is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond;

(2) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Final Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

Substitute Index Level = Base Level x (Latest Level/Reference Level); or

(3) otherwise in accordance with any formula specified in the relevant Final Terms,

in each case as of such Determination Date,

where:

"**Base Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"**Latest Level**" means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

"**Reference Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Noteholders, in accordance with Condition 19 (Notices) of any Substitute Index Level calculated pursuant to Condition 8(ii)(a).

If the Relevant Level (as defined above) is published or announced at any time on or after the relevant Cut-off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 8 will be the definitive level for that Reference Month.

(B) **Cessation of Publication**

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the Calculation Agent shall determine a successor inflation index (the "**Successor Inflation Index**") (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

(1) if at any time (other than after an early redemption or cancellation event has been designated by the Calculation Agent pursuant to Condition

8(iv)(b)(v) below), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a "Successor Inflation Index" notwithstanding that any other Successor Inflation Index may previously have been determined under Conditions 8(iv)(b)(22), 8(iv)(b)(iii) or 8(iv)(b)(iv) below;

(2) if a Successor Inflation Index has not been determined pursuant to Condition 8(iv)(b)(i) above, and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Linked Notes from the date that such replacement Inflation Index comes into effect;

(3) if a Successor Inflation Index has not been determined pursuant to Conditions 8(iv)(b)(i) or 8(iv)(b)(ii) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "**Successor Inflation Index**". If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this Condition 8(iv)(b)(iii), the Calculation Agent will proceed to Condition 8(iv)(b)(iv) below;

(4) if no replacement index or Successor Inflation Index has been determined under Conditions 8(iv)(b)(i), 8(iv)(b)(ii), 8(iv)(b)(iii) above by the next occurring Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a "Successor Inflation Index"; or

(5) if the Calculation Agent determines that there is no appropriate alternative index in relation to Inflation Linked Notes, on giving notice to Noteholders in accordance with Condition 19 (Notices), the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Linked Notes, each Inflation Linked Note being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 19 (Notices).

(C) **Rebasing of the Inflation Index**

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Index**") will be used for purposes of determining the level of the Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if "Related Bond" is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

(D) **Material Modification Prior to Last Occurring Cut-Off**

If, on or prior to the last occurring Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

(E) **Manifest Error in Publication**

With the exception of any corrections published after the day which is three (3) Business Days prior to the relevant Maturity Date, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Linked Notes as it determines appropriate to account for the correction and will notify the Noteholders of any such adjustments in accordance with Condition 19 (Notices).

(F) **Consequences of an Additional Disruption Event**

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may at its option

(1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any terms of the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or

(2) redeem or cancel, as applicable, all but not some of the Inflation Linked Notes on the date notified by the Calculation Agent to Noteholders in accordance with Condition 19 (Notices) by payment of the relevant Early Redemption Amount, as at the date of redemption or cancellation, as applicable, taking into account the relevant Additional Disruption Event.

(G) **Inflation Index Disclaimer**

The Notes are not sponsored, endorsed, sold or promoted by the Inflation Index or the Inflation Index Sponsor and the Inflation Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the levels at which the Inflation Index stands at any particular time on any particular date or otherwise. Neither the Inflation Index nor the Inflation Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Inflation Index and the Inflation Index Sponsor is under no obligation to advise any person of any error therein. The Inflation Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes. Neither the Issuer nor, if the Notes are guaranteed Notes, the Guarantor shall have liability to the Noteholders for any act or failure to act by the Inflation Index Sponsor in connection with the calculation, adjustment or maintenance of the Inflation Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor, if the Notes are Guaranteed Notes, the Guarantor nor their affiliates has any affiliation with or control over the Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Inflation Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, if the Notes are Guaranteed Notes, the Guarantor, its, or as appropriate, their affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

9. **Zero Coupon Note Provisions**

(a) *Application*: This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders 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).

10. **Redemption and Purchase**

(a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 *(Payments).*

Unless previously redeemed, or purchased, or cancelled, the Subordinated Notes will be redeemed in whole at their Final Redemption Amount on the Maturity Date, in the manner provided for in Condition 11 (Payments). The Subordinated Notes are not redeemable at the option of the Noteholders and the Issuer shall have the right to call, redeem, repay or repurchase the Subordinated Notes only in accordance with and subject to the conditions set out in Articles 77 and 78 of the CRR being met and not prior to five (5) years from their Issue Date, except where the conditions set out in (i) Article 78(4) of the CRR, or (ii) in the case of repurchases for market making purposes, Article 29 of the Delegated Regulation, are met (see Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*), Condition 10(h) (*Purchase*) and Condition 10(k) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*)).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Inflation Linked Note Provisions are specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Inflation Linked Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Issuer satisfies the Trustee immediately prior to the giving of the notice by the Issuer referred to above that it has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy, in the case of Intesa Sanpaolo, or Ireland, in the case of INSPIRE, or Luxembourg in the case of Intesa Luxembourg, 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 being material and not reasonably foreseeable at the Issue Date in the case of Subordinated Notes) becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) the Guarantor (where applicable) satisfies the Trustee immediately prior to the giving of the notice by the Issuer referred to above that it has or (if a demand were made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) 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 becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it.

At least 15 days prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be sufficient to the Trustee and conclusive and binding on the Noteholders). Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

In the case of Subordinated Notes, the redemption referred to in this Condition 10(b) shall be subject to Condition 10(k) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

Redemption at the option of the Issuer If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

In the case of Subordinated Notes, no Call Option in accordance with this Condition 10(c) may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. After the fifth anniversary of such Issue Date, the redemption referred to in this Condition 10(c) shall be subject to Condition 10(k) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

(c) *Partial redemption:*

(i) Partial Redemption of Bearer Notes: If Bearer Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of each stock exchange on which the Notes are then listed, and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(ii) Partial Redemption of Registered Notes: If Registered Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), each Registered Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Registered Notes to be redeemed on the relevant Option Redemption Date (Call) bears to the aggregate principal amount of outstanding Registered Notes on such date.

(d) *Redemption at the option of Noteholders:*

This provision is not applicable to Subordinated Notes.

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put)

together with interest (if any) accrued to such date. The applicable Final Terms contains provisions applicable to any Put Option and must be read in conjunction with this Condition 10(e) for full information on any Put Option. In particular, the applicable Final Terms will identify the Optional Redemption Date (Put), the Optional Redemption Amount (Put) and the applicable notice periods.

If the Put Option is specified as being applicable in the applicable Final Terms, the Holder of any Note must, in accordance with Condition 19 (*Notices*), not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, deposit with any Agent such Note together, in the case of Bearer Notes, with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Agent. The Agent with which a Note is so deposited shall immediately notify the Issuer and shall deliver a duly completed Put Option Receipt to the depositing Holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by an Agent in accordance with this Condition 10(e), the depositor of such Note and not such Agent shall be deemed to be the holder of Note for all purposes.

(e) *Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*: If a Regulatory Call is specified in the applicable Final Terms and if the Issuer notifies the Noteholders of the occurrence of a Regulatory Event, the Issuer may redeem such Subordinated Notes, in whole but not in part, at the Early Redemption Amount specified in the applicable Final Terms, together with any accrued but unpaid interest to the date fixed for redemption, provided that (to the extent required by applicable law or regulation):

(A) the Issuer has given not less than the minimum period nor more than the maximum period of notice to the Trustee, the Agents and the Noteholders of such Subordinated Notes (such notice being irrevocable) specifying the date fixed for such redemption; and

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

"**Regulatory Event**" is deemed to have occurred if there is a change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Subordinated Notes from the classification as of the Issue Date that results, or would be likely to result, in their exclusion in whole or, to the extent permitted by the Applicable Banking Regulations, in part from Tier 2 Capital of the Issuer and the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

Upon the expiry of such notice period, the Issuer shall be bound to redeem the Subordinated Notes accordingly.

"**Tier 2 Capital**" has the meaning given to it from time to time in the Applicable Banking Regulations.

The redemption referred to in this Condition 10(f) shall be subject to Condition 10(l) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

(f) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(g) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of Actual/Actual (or 30/360 if such request is made to and accepted by the respective Issuer).

Early Redemption for Indexation Reasons

(h) *Purchase*: The Issuer and the Guarantor (where applicable) may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith. Such Notes may be held, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation. The Issuer may not purchase Subordinated Notes in accordance with this Condition 10(h) prior to the fifth anniversary of the Issue Date of such Subordinated Notes, except for repurchases for market making purposes where the conditions set out in Article 29 of the Delegated Regulation are met and in particular with respect to the predetermined amount defined by the Relevant Authority, which according to Article 29(3)(b) of the Delegated Regulation may not exceed the lower of: (i) 10% of the amount of the relevant issuance; and (ii) 3% of the total amount of outstanding Tier 2 Instruments. Also the repurchases referred to in this Condition 10(h) shall be subject to Condition 10(k) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

(i) *Cancellation*: All Notes so redeemed by the Issuers or the Guarantor (where applicable) and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

(j) *Redemption Amount*: For the avoidance of doubt, in no event will the Redemption Amount of any Notes issued by Intesa Sanpaolo be lower than the principal amount of the Notes.

(k) *Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*: In the case of Subordinated Notes, any call, redemption, repayment or repurchase of such Notes in accordance with Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption of Subordinated Notes for regulatory purposes (Regulatory Call)*), or Condition 10(h) (*Purchase*) is subject to the following conditions:

(i) the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78 of the CRR, where either:

(A) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Subordinated Notes with Own Funds instruments of 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 such call, redemption, repayment or repurchase, exceed the requirements laid down in Article 92(1) of the CRR and the combined buffer requirements as defined in the Italian provisions transposing or implementing point (6) of Article 128 of the CRD IV by a margin that the Relevant Authority considers necessary on the basis of the Italian provisions transposing or implementing Article 104(3) of the CRD IV; and

(ii) in respect of a redemption prior to the fifth anniversary of the Issue Date, if and to the extent required under Article 78(4) of the CRR or the Capital Instruments Regulations:

(A) in the case of redemption in accordance with Condition 10(b) (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

(B) in the case of redemption upon the occurrence of a Regulatory Event in accordance with Condition 10(e) (*Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory

classification of the Subordinated Notes was not reasonably foreseeable as at the Issue Date.

11. **Payments**

Payments under Bearer Notes

(a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre and each (if any) Additional Financial Centre of that currency.

(b) *Interest*: Payments of interest shall, subject to Condition 11(h) (*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 paragraph (a) above.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer and (where applicable) the Guarantor have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Bearer Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented for payment on redemption without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment such missing Coupons shall become void.

Each sum of principal deducted pursuant to (i) above shall be paid in the manner provided in paragraph (a) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Final Terms specifies that the Floating Rate Note Provisions or the Inflation Linked Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *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.

(h) *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 Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments in New York City*) above).

(i) *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.

(j) *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 Principal Paying 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 14 (*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.

Payments under Registered Notes

(k) *Principal*: Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on or, upon application by a Registered Holder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to an account denominated in such currency (or, if that currency is euro, any other account to which euro may be credited or transferred) maintained by the payee with a bank in the Principal Financial Centre of such currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre and each (if any) Additional Financial Centre of that currency, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(l) *Interest*: Payments of interest shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on or, upon application by a Registered Holder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to an account denominated in such currency (or, if that currency is euro, any other account to which euro may be credited or transferred) maintained by the payee with a bank in the Principal Financial Centre and each (if any) Additional Financial Centre of such currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(m) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(n) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of

an Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Registered Holder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition arriving after the due date for payment or being lost in the mail.

(o) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the relevant Issuer, failing which the Guarantor, shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(p) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

The following Condition 11(q) shall apply to all Renminbi Notes in addition to the provisions governing payments under Bearer Notes and Registered Notes above:

(q) *Inconvertibility, Non-transferability or Illiquidity:* Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the relevant Issuer or the Guarantor, as the case may be, is not able, or it would be impracticable for any of them, to satisfy payments of principal or interest (in whole or in part) in respect of Renminbi Notes when due in Renminbi in the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of that currency, the relevant Issuer or the Guarantor, as the case may be, on giving not less than five nor more than 30 days' irrevocable notice to the Principal Paying Agent and Noteholders in accordance with Condition 19 (*Notices*) prior to the due date for payment, shall be entitled to satisfy their respective obligations in respect of such payment by making such payment in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.

In such event, payment of the U.S. Dollar Equivalent of the relevant principal or interest amount in respect of the Renminbi Notes will be made by a U.S. dollar denominated cheque drawn on a bank in New York City and mailed to the Holder (or to the first named of joint holders) of the Renminbi Notes at its address appearing in the Register, or, upon application by the Holder of the Renminbi Notes to the specified office of the Registrar or any Transfer Agent before the Record Date, by transfer to a U.S. dollar denominated account maintained by the payee with, a bank in New York City.

For the purposes of this Condition 11(q):

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi, London and New York City;

"**Determination Date**" means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi;

"**Illiquidity**" means the general Renminbi exchange market in the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi becomes illiquid as a result of which the relevant Issuer or the Guarantor, as the case may be, cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Renminbi Notes as determined by the relevant Issuer or, as the case may be, the Guarantor in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers;

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the relevant Issuer or the Guarantor, as the case may be, to convert any amount due in respect of the Renminbi Notes in the general Renminbi exchange market in the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi, other than where such impossibility is due solely to the failure of the relevant Issuer or the Guarantor, as the case may be, to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation becomes effective on or after the Issue Date of the Renminbi Notes and it is impossible for the relevant Issuer or the Guarantor, as the case may be, due to an event beyond its control, to comply with such law, rule or regulation);

"**Non-transferability**" means the occurrence of any event that makes it impossible for the relevant Issuer or the Guarantor, as the case may be, to transfer Renminbi between accounts inside the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi, from an account outside the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi to an account inside the Principal Financial Centre or such relevant Additional Financial Centre of Renminbi or from an account inside the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi to an account outside the Principal Financial Centre or such relevant Additional Financial Centre of Renminbi, other than where such impossibility is due solely to the failure of the relevant Issuer or the Guarantor, as the case may be, to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation becomes effective on or after the Issue Date of the Renminbi Notes and it is impossible for the relevant Issuer or the Guarantor, as the case may be, due to an event beyond its control, to comply with such law, rule or regulation);

"**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi;

"**Spot Rate**" means the spot U.S. dollar/Renminbi exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi, as determined by the Renminbi Calculation Agent in good faith and in a commercially reasonable manner at or around 11.00 a.m. (time in the Principal Financial Centre of Renminbi) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Renminbi Calculation Agent in good faith and in a commercially reasonable manner will determine the Spot Rate at or around 11:00 a.m. (time in the Principal Financial Centre or such relevant Additional Financial Centre of Renminbi) on the Determination Date as the most recently available U.S. dollar/Renminbi official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate; and

"**U.S. Dollar Equivalent**" means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date promptly notified to the relevant Issuer, the Guarantor and the Paying Agents.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 11(q) by the Renminbi Calculation Agent, will (in the absence of wilful default, fraud or gross negligence) be binding on the relevant Issuer, the Guarantor, the Trustee, the Paying Agents and all Holders of the Renminbi Notes.

(r) *Payments in Renminbi*: Notwithstanding the foregoing, any payments in respect of the Notes to be made in Renminbi will be made in accordance with all applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in the Principal Financial Centre or the relevant Additional Financial Centre (as applicable) of Renminbi) by credit or transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre or such relevant Additional Financial Centre of Renminbi.

12. **Taxation**

(a) *Gross up*: All payments of principal (if applicable) and interest in respect of the Notes and the Coupons (if any) by or on behalf of the Issuer and, where applicable, the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, present or future, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy, Ireland (where the Issuer is INSPIRE) or Luxembourg (where the Issuer is Intesa Luxembourg), or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders and the Couponholders (if relevant) after such withholding or deduction shall be equal to the amounts of interest, in case of Senior Notes and Subordinated Notes, and principal, in case of Senior Notes only, which would otherwise have been receivable by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any payment of any interest or principal either:

(i) (in respect of payments by Intesa Sanpaolo) for or on account of Imposta Sostitutiva (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1st April, 1996 (as amended), the "**Legislative Decree No. 239**") or, for the avoidance of doubt, Italian Legislative Decree No. 461 of 21st November, 1997 (as amended by Italian Legislative Decree No. 201 of 16th 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 Intesa Sanpaolo or its agents; or

(ii) with respect to any Notes or Coupons presented for payment:

(A) in the Republic of Italy (in respect of Notes issued by Intesa Sanpaolo) or (in respect of Notes issued by INSPIRE) Ireland or (in respect of Notes issued by Intesa Luxembourg) Luxembourg; or

(B) by or on behalf of a holder 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 (in respect of Notes issued by Intesa Sanpaolo) or (in respect of Notes issued by INSPIRE) Ireland or (in respect of Notes issued by Intesa Luxembourg) Luxembourg other than the mere holding of such Note or Coupon; or

(C) by or on behalf of a holder 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 relevant holder 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 respect of Notes issued by Intesa Sanpaolo) 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 30th September, 1983, as amended and supplemented from time to time.

Notwithstanding any other provision in these Conditions, the Issuer or (if applicable) the Guarantor shall be permitted to withhold or deduct any amounts required by the rules of Sections 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto ("**FATCA Withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA Withholding. The Issuer or (if

applicable) the Guarantor will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, the paying agent or any other party.

(b) *Taxing jurisdiction*: If payments made by the Issuer or (if applicable) the Guarantor become subject to withholding tax as a result of the Issuer or Guarantor becoming resident, whether for tax purposes or otherwise, in any taxing jurisdiction other than the Republic of Italy, Ireland or Luxembourg as applicable, references in these Conditions to the Republic of Italy, Ireland or Luxembourg shall be construed as references to such other jurisdiction instead of the Republic of Italy, Ireland or Luxembourg.

13. **Events of Default**

(a) **Events of Default – Unsubordinated Notes**

This Condition 13(a) is applicable only in relation to Unsubordinated Notes.

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter in principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or secured and/or provided with security to its satisfaction) (but, in the case of the happening of any of the events mentioned in sub-paragraphs (iii), (iv), (v), (vi),(vii) and (viii), only if the Trustee shall have certified in writing to the Issuer and, where applicable, the Guarantor that such event is, in its opinion, materially prejudicial to the interest of the Noteholders) give written notice to the Issuer and, where applicable, the Guarantor declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest without further action or formality:

(i) *Non-payment*: a default is made for more than 15 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of the interest or principal in respect of any of the Notes of the relevant Series; or

(ii) *Insolvency*: the Issuer or, where applicable, the Guarantor shall:

(A) be adjudicated or found bankrupt or insolvent; or

(B) become subject (in the case of Intesa Sanpaolo) to an order for "*Liquidazione Coatta Amministrativa*" or "*Liquidazione*" (within the meanings ascribed to those expressions by the laws of the Republic of Italy in force as at the date hereof) or (in the case of any of Intesa Sanpaolo, INSPIRE or Intesa Luxembourg) otherwise become subject to or initiate or consent to judicial or administrative proceedings relating to itself under any applicable insolvency, liquidation, composition, reorganisation or other similar laws (otherwise than for the purposes of an Approved Reorganisation (as defined below) or on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders); or

(C) (in the case of Intesa Sanpaolo) be submitted to an "*Amministrazione Straordinaria*" (within the meaning ascribed to that expression by the laws of the Republic of Italy) proceeding; or

(D) cease generally to pay its debts or admit in writing its inability to pay its debts as they mature; or

(E) enter into, or pass any resolution for, or become subject to any order by any competent court or administrative agency in relation to:

(1) any arrangement with its creditors generally or any class of creditors; or

(2) the appointment of an administrative or other receiver, administrator, trustee or other similar official in relation to the Issuer or, where applicable, the Guarantor or the whole or substantially (in the opinion of the Trustee) the whole of its undertaking or assets; or

(F) be wound up or dissolved (otherwise than for the purposes of an Approved Reorganisation or on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders); or

(G) [in the case of Intesa Luxembourg, insolvency has the following meaning for the purposes of this Condition 13 (a) (ii):

(1) the occurrence of a state of cessation of payments (*cessation de payments*) and the loss of commercial creditworthiness (*ébranlement de credit*);

(2) the institution of bankruptcy proceedings (*faillite*) under articles 437 ff of the Luxembourg Code of Commerce, the filing for relief under the suspension of payments procedure (*sursis de paiement*) of articles 593 ff of the Luxembourg Code of Commerce, or any composition proceedings (*concordat préventif de faillite*) under the Luxembourg law of 14th April, 1886, as amended;

(3) the opening of controlled management proceedings (*gestion contrôlée*) as defined in the Luxembourg Grand-Ducal Decree dated 24th May, 1935;

(4) the institution of any proceedings for judicial liquidation (*liquidation judiciaire*) under article 203 of the Luxembourg law dated 10th August 1915 on commercial companies (the "**Luxembourg Company Law**");

(5) the obtaining of a moratorium in respect of any of its indebtedness or for the purpose of proposing a company voluntary arrangement with creditors, any other re-organisation proceedings or proceedings affecting the rights of creditors generally;

(6) an application has been made by it or by any other person for the appointment of an insolvency receiver (*curateur*), surveyor judge (*juge commissaire*), delegated judge (*juge délégué*), commissioner (*commissaire*), liquidator (*liquidateur*), judicial administrator (*administrateur judiciaire*), temporary administrator (*administrateur provisoire ou ad hoc*), conciliator (*conciliateur*) or other similar officer pursuant to any insolvency or similar proceedings;

(7) that an application has been made by such person for opening of any voluntary liquidation and dissolution proceedings under articles 141 ff of the Luxembourg Company Law; or

(8) the opening of any similar proceedings, occurrence of any event similar or equivalent to the foregoing in or under the laws of any relevant jurisdiction.

(iii) *Unsatisfied judgment*: the Issuer or, where applicable, the Guarantor fails to pay a final judgment of a court of competent jurisdiction within 30 days from the entering thereof or an execution is levied on or enforced upon or sued out in pursuance of any judgment against the whole or a substantial (in the opinion of the Trustee) part of the assets or property of the Issuer or, where applicable, the Guarantor; or

(iv) *Encumbrancer, etc*: an encumbrancer takes possession of, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against, the whole or a substantial (in the opinion of the Trustee) part of the undertaking or assets of the Issuer or, where applicable, the Guarantor; or

(v) *Cessation of business*: the Issuer or, where applicable, the Guarantor shall cease or threaten to cease to carry on the whole or substantially (in the opinion of the Trustee) the whole of its business (other than for the purposes of an Approved Reorganisation or on terms previously approved in writing by the Trustee or an Extraordinary Resolution of the Noteholders); or

(vi) *Security enforced*: the security for any debenture, mortgage or charge securing indebtedness in excess of €50,000,000 (or its equivalent in any other currency or

currencies) of the Issuer or, where applicable, the Guarantor shall become enforceable and the holder or holders thereof shall take any legal proceedings to enforce the same; or

(vii) *Cross-default of the Issuer/Guarantor*: any Indebtedness for Borrowed Money of the Issuer or, where applicable, the Guarantor, or any guarantee or indemnity given by the Issuer or, where applicable, the Guarantor in respect of any Indebtedness for Borrowed Money of any other person, where the aggregate principal amount (including any premium payable on repayment or at maturity) is in excess of €50,000,000 (or its equivalent in any other currency or currencies) (a) in the case of any such guarantee or indemnity, shall not be honoured when due and called or (b) in the case of any Indebtedness for Borrowed Money either (i) shall become repayable prior to the due date for payment thereof by reason of default (howsoever described) by the Issuer or, where applicable, the Guarantor or (ii) shall not be paid on the due date for repayment or shall not be repaid at maturity as extended by any applicable grace period therefor, as the case may be; or

(viii) *Breach of other obligations*: default is made by the Issuer or, where applicable, the Guarantor in the performance or observance of any obligation, condition or provision binding on it under these Conditions, the Trust Deed or the Agency Agreement (other than any obligation for payment of any principal moneys or interest in respect of the Notes) and (except in any case where the default is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) such default continues for 30 days after written notice thereof addressed to the Issuer or, where applicable, the Guarantor by the Trustee has been delivered to the Issuer or, where applicable, the Guarantor requiring the same to be remedied; or

(ix) *Guarantee of the Notes*: where applicable, the Guarantee of the Notes is not, or is claimed by the Guarantor not to be, in full force and effect.

In these Conditions, "**Approved Reorganisation**" means a solvent and voluntary reorganisation involving, alone or with others, the Issuer or, as applicable, the Guarantor, 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 or, as applicable, the Guarantor, under, or in respect of, the Notes or, as applicable, the Guarantee of the Notes.

(b) **Events of Default - Subordinated Notes**

This Condition 13(b) is applicable only in relation to Subordinated Notes.

(i) The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or in relation to the Notes *provided that* the Issuer shall not by virtue of the institution of any such proceedings, other than proceedings for the bankruptcy, dissolution, liquidation, or winding-up, or for an order for *Liquidazione Coatta Amministrativa* of Intesa Sanpaolo in the Republic of Italy, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Trustee shall not in any event be bound to take any of the actions referred to in this Condition unless it shall have been so requested in writing by the holders of at least one quarter of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(ii) The Trustee may, at its discretion, or if so requested in writing by holders of at least one quarter in principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution (subject to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction), shall give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon the Notes shall become immediately due and payable at their original outstanding principal amount on issue together with interest accrued as provided in the Trust Deed upon the occurrence of any of the following events (each an "**Event of Default**"): in the event of the bankruptcy, dissolution, liquidation or winding-up of the Issuer or if the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa* (otherwise than for the purpose of an

Approved Reorganisation or on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders).

(iii) No remedy against the Issuer other than (i) as provided by this Condition 13(b) or (ii) the instituting of proceedings for the bankruptcy, dissolution, liquidation or winding-up of the Issuer or for an order for *Liquidazione Coatta Amministrativa* in respect of the Issuer shall be available to the Trustee on behalf of the Noteholders or the Couponholders whether for the recovery of amounts owing under or in respect of the Notes, the Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its obligations under the Trust Deed or in relation to the Notes or the Coupons or otherwise.

(iv) No Noteholder or Couponholder shall be entitled to proceed against the Issuer unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and only to the extent that the Trustee would have been entitled to do so.

14. **Prescription**

Claims against each Issuer or the Guarantor (where applicable) for payment of principal and interest in respect of the Notes or under the Guarantee of the Notes, as the case may be, will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date.

15. **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 Principal Paying Agent or, in the case of Registered Notes the Registrar, (and, if the Notes are then listed on any stock exchange which requires the appointment of an Agent in any particular place, the Paying Agent having its Specified Office in the place required by such stock exchange), subject to all applicable laws and stock exchange 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.

16. **Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceeds to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction, and to be paid its costs and expenses in priority to the claims of Noteholders. The Trustee is entitled to enter into business transactions with the Issuer and, where applicable, the Guarantor and any entity related to the Issuer or, where applicable, the Guarantor without accounting for any profit.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and, where applicable, the Guarantor or, following the occurrence of an Event of Default, the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and, where applicable, the Guarantor reserve the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or Calculation Agent and additional or successor paying agents; *provided, however, that:*

(a) the Issuer and, where applicable, the Guarantor shall at all times maintain a Principal Paying Agent and a Registrar;

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and, where applicable, the Guarantor shall at all times maintain a Calculation Agent;

(c) if and for so long as the Notes are listed or admitted to trading on any stock exchange or admitted to listing by any other relevant authority for which the rules require the appointment of an Agent in any particular place, the Issuer and, where applicable, the Guarantor shall maintain an Agent having its Specified Office in the place required by the rules of such stock exchange; and

(d) the Issuer and (where applicable) the Guarantor undertake that they shall maintain a Paying Agent outside of the Republic of Italy and (in respect of Notes issued by INSPIRE) outside of Ireland.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 19 (*Notices*).

17. **Meetings of Noteholders; Modification and Waiver; Substitution; Additional Issuers**

(a) The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions, the terms of the Notes, and the Trust Deed. The modification of certain terms, including, *inter alia*, the status of the Notes and the Coupons, the rate of interest payable in respect of the Notes, the principal amount thereof, the currency of payment thereof, the date for repayment of the Notes and any date for payment of, or the method of determining the rate of, interest thereon, may only be effected at a meeting of Noteholders to which special quorum provisions apply. Any resolution duly passed at a meeting of Noteholders shall be binding on all the Noteholders and all the Couponholders, whether present or not.

(b) The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (except as aforesaid) of these Conditions, the Trust Deed, the Notes, and the Coupons and may waive or authorise any breach or proposed breach by the Issuer or, where applicable, the Guarantor of any of the provisions of these Conditions, the Trust Deed, the Notes, and the Coupons which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders and may agree, without consent as aforesaid, to any modification which is of a formal, minor or technical nature or is made to correct a manifest error.

(c) The Trustee may (and in the case of an Approved Reorganisation shall) agree with the Issuer (or any previous substitute) and the Guarantor at any time without the consent of the Noteholders or Couponholders:

(i) to the substitution in place of INSPIRE or Intesa Luxembourg (or of any previous substitute) as principal debtor under the Notes, the Coupons and the Trust Deed by Intesa Sanpaolo or another subsidiary of Intesa Sanpaolo (the "**Substitute**"); or

(ii) to an Approved Reorganisation; or

(iii) that INSPIRE or Intesa Luxembourg (or any previous substitute) or Intesa Sanpaolo may, other than by means of an Approved Reorganisation, consolidate with, merge into or amalgamate with any Successor Company (as defined in the Trust Deed),

provided that:

(i) where (in the case of substitution) the Substitute is not Intesa Sanpaolo or (in the case of an Approved Reorganisation) the assumption of the obligations of INSPIRE and/or Intesa Luxembourg is by a Resulting Entity other than Intesa Sanpaolo or (in the case of a consolidation, merger or amalgamation) the assumption of the obligations of INSPIRE and/or Intesa Luxembourg is by a Successor Company other than Intesa Sanpaolo, the obligations of the Substitute or such other entity under the Trust Deed and the Notes and the Coupons shall be irrevocably and unconditionally guaranteed by Intesa Sanpaolo (on like terms as to subordination, if applicable) to those of the Guarantee of the Notes;

(ii) (other than in the case of an Approved Reorganisation) the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced thereby; and

(iii) certain other conditions set out in the Trust Deed are satisfied.

Upon the assumption of the obligations of an Issuer by a Substitute or of an Issuer by a Resulting Entity or of an Issuer by a Successor Company, INSPIRE, Intesa Luxembourg or, as the case may be, Intesa Sanpaolo shall (subject to the provisions of the Trust Deed) have no further liabilities under or in respect of the Trust Deed or the Notes or the Coupons.

Any such assumption shall be subject to the relevant provisions of the Trust Deed and to such amendment thereof and such other conditions as the Trustee may require.

The Trust Deed provides that any such substitution, Approved Reorganisation or consolidation, merger or amalgamation shall be notified to the Noteholders in accordance with Condition 19 (*Notices*). In the case of a substitution, the relevant Issuer shall notify the Luxembourg Stock Exchange thereof and prepare, or procure the preparation of, a supplement to the Prospectus in respect of the Programme.

(d) In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation, replacement, transfer or substitution as aforesaid):

(i) the Trustee shall have regard to the interests of the Noteholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory; and

(ii) the Trustee shall not be entitled to claim from the Issuer or, where applicable, the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for by Condition 12 (*Taxation*) or by any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(e) The Trustee may also agree, without the consent of the Noteholders or the Couponholders, to the addition of another company as an issuer of Notes under the Programme and the Trust Deed. Any such addition shall be subject to the relevant provisions of the Trust Deed and to such amendment thereof as the Trustee may require.

18. **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 other than the Issue Date, Issue Price and/or Interest Commencement Date and/or the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

To Holders of Bearer Notes

Notices to the Holders of Bearer Notes 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 and for so long as the Notes are listed or admitted to trading on the Luxembourg Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or 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.

To Registered Holders

Notices to the Registered Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as the Notes are listed or admitted to trading on a stock exchange and the rules of that stock exchange so require, notices to Registered Holders will be published on the date of such mailing in a daily newspaper of general circulation in the place or places required by that stock exchange (which, in the case of the Luxembourg Stock Exchange, such place will be Luxembourg and such newspaper is expected to be the *Luxemburger Wort*) or, in the case of the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

To Holders of Notes held in a clearing system

While all the Notes are represented by a Global Note and the Global Note is deposited with a depositary or a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, S.A. Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system or a common safekeeper for Euroclear and/or Clearstream, Luxembourg, as the case may be, notices to Noteholders may (to the extent permitted by the rules of the Luxembourg Stock Exchange or any other exchange on which the Notes are then listed or admitted to trading) be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Any such notices shall be deemed to have been given to the Noteholders on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

20. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

21. **Third Party Rights**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999.

22. **Governing Law and Jurisdiction**

(a) The Trust Deed and the rights and obligations in respect of the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with each of the foregoing, are governed by, and shall be construed in accordance with, English law, save that:

(i). the loss absorption provisions described in Condition 23 (*Acknowledgement of Italian Bail-in Power*) and the subordination provisions applicable to the Subordinated Notes described in Condition 4(b) (*Status – Subordinated Notes issued by Intesa Sanpaolo*) and any non-contractual obligations arising out of or in connection with both such provisions, shall be governed by the laws of the Republic of Italy; and

(ii). the loss absorption provisions described in Condition 24 (*Acknowledgement of Irish Bail-in Power*) and any non contractual obligations arising out of or in connection with such provisions, shall be governed by the laws of Ireland; and

(iii). the loss absorption provisions described in Condition 25 (*Acknowledgement of the Luxembourg Bail-in Power*) and any non contractual obligations arising out of or in connection with such provisions, shall be governed by the laws of Luxembourg.

For the avoidance of doubt, Articles 86 to 94-8 of the Luxembourg Company Law shall not apply to the Notes or the holders of the Notes issued by Intesa Luxembourg.

(b) In the Trust Deed, each of Intesa Sanpaolo, INSPIRE and Intesa Luxembourg has irrevocably agreed 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 Trust Deed and the Notes and the Coupons (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.

(c) *Appropriate forum*: In the Trust Deed each of Intesa Sanpaolo, INSPIRE and Intesa Luxembourg has irrevocably waived 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 a\nd to settle any Disputes, and has agreed not to claim that any such court is not a convenient or appropriate forum.

(d) *Process Agent*: In the Trust Deed, each of Intesa Sanpaolo, INSPIRE and Intesa Luxembourg has agreed that the documents which start any Proceedings or any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Intesa Sanpaolo S.p.A., London Branch which is presently at 90 Queen Street, London EC4N 1SA or its address for the time being. If such person is not or ceases to be effectively appointed to accept service of process on INSPIRE and Intesa Luxembourg's behalf or is not or ceases to be registered in England, Intesa Sanpaolo, INSPIRE and Intesa Luxembourg have agreed in the Trust Deed that they shall, on the written demand of the Trustee or, failing the Trustee, any Noteholder, addressed to the relevant Issuer and delivered to the relevant Issuer or to the specified office of the Principal Paying Agent, appoint a further person in England to accept service of process on their behalf and, failing such appointment within 15 days, the Trustee or, failing the Trustee, any Noteholder, shall be entitled to appoint such a person by written notice addressed to each of the Issuers or to the specified office of the Principal Paying Agent. Nothing in this paragraph shall affect the right of the Trustee or, failing the Trustee, any Noteholder, to serve process in any other manner permitted by law.

(e) *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.

(f) *Consent to enforcement etc*: In the Trust Deed, each of Intesa Sanpaolo, INSPIRE and Intesa Luxembourg has consented generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

23. **Acknowledgement of the Italian Bail-in Power**

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuers and the Guarantor (where applicable) and any holder, and without prejudice to Article 55(1) of the BRRD, by its acquisition of the Notes each holder (which, for the purposes of this Condition 23, includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees to be bound by:

(i) the effects of the exercise of the Italian Bail-in Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; (ii) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions; (iii) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and (iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(ii) the variation of these Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Italian Bail-in Power by the Relevant Authority.

The exercise of the Italian Bail-in Power by the Relevant Authority shall not constitute an event of default and these Conditions shall remain in full force and effect save as varied by the Relevant Authority in accordance with this Condition 23.

24. **Acknowledgement of the Irish Bail-in Power**

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuers and the Guarantor (where applicable) and any holder, and without prejudice to Article 55(1) of the BRRD, by its acquisition of the Notes each holder (which,

for the purposes of this Condition 24, includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees to be bound by:

(i) the effects of the exercise of the Irish Bail-in Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; (ii) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions; (iii) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and (iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(ii) the variation of these Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Irish Bail-in Power by the Relevant Authority.

The exercise of the Irish Bail-in Power by the Relevant Authority shall not constitute a default or an Event of Default and these Conditions shall remain in full force and effect save as varied by the Relevant Authority in accordance with this Condition 24.

25. **Acknowledgement of the Luxembourg Bail-in Power**

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuers and the Guarantor (where applicable) and any holder, and without prejudice to Article 55(1) of the BRRD, by its acquisition of the Notes each holder (which, for the purposes of this Condition 25, includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees to be bound by:

(i) the effects of the exercise of the Luxembourg Bail-in Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; (ii) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions; (iii) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and (iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(ii) the variation of these Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Luxembourg Bail-in Power by the Relevant Authority.

The exercise of the Luxembourg Bail-in Power by the Relevant Authority shall not constitute an event of default and these Conditions shall remain in full force and effect save as varied by the Relevant Authority in accordance with this Condition 25.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Bearer Global Note, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Bearer Global Note which, for so long as the Bearer Global Note is held by a depositary or a common depositary, in the case of a Classic Global Note, or a common safekeeper, in the case of a New Global Note for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Bearer Global Note or a Global Registered Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the relevant Issuer or the Guarantor (where applicable) to the holder of such Bearer Global Note or Global Registered Note and in relation to all other rights arising under such Bearer Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Bearer Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Bearer Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Notes and such obligations of the relevant Issuer and the Guarantor (where applicable) will be discharged by payment to the holder of such Bearer Global Note or Global Registered Note.

Conditions applicable to Global Notes

Each Bearer Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to such Bearer Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Bearer Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Bearer Global Note or Global Registered Note to or to the order 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 Bearer Global Note, the Issuer shall procure that in respect of a Classic Global Note the payment is noted in a schedule thereto and in respect of a New Global Note the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: In the case of a Bearer Global Note, or a Global Registered Note, a "**Payment Business Day**" shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note or the holder of a Global Registered Note

must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be in the following form, completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes are not intended[, from 1 January 2018,] to be offered, sold or otherwise made available to and[, with effect from such date[1], should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.] [2]

MIFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of each of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Final Terms dated [•]

[**Intesa Sanpaolo S.p.A./**
Intesa Sanpaolo Bank Ireland p.l.c./
Intesa Sanpaolo Bank Luxembourg S.A.]
[a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg as a credit institution, having its registered office at 19-21, Boulevard Prince Henri, Luxembourg, L-1724, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B13859]
Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
(Notes issued by INSPIRE or Intesa Luxembourg only) [Guaranteed by

Intesa Sanpaolo S.p.A.]

under the €70,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 18 December 2017 [and the supplement to the Prospectus dated [ ]], which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") which includes the amendments made by Directive 2010/73/EU, the "**2010 PD Amending Directive**", to the extent such amendments have been implemented in a relevant Member State. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [and the supplement dated [ ]]. The Prospectus [and the supplement] [is/are] available for viewing at the registered office[s] of the Issuer at 2nd Floor, International House, 3

[1] This date reference should not be included in Final Terms for offers concluded on or after 1 January 2018.
[2] Legend to be included on front of the Final Terms (i) for offers concluded on or after 1 January 2018 if the Notes potentially constitute "packaged" products or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable" (ii) for offers concluded before 1 January 2018 at the option of the parties.

Harbourmaster Place, IFSC Dublin 1, Ireland and of the Guarantor at]/[19-21 Boulevard Prince Henri, Luxembourg, Grand Duchy of Luxembourg, during usual business hours and of the Guarantor at] Piazza San Carlo 156, 10121 Turin, Italy and from Intesa Sanpaolo Bank Luxembourg S.A. at 19-21, Boulevard Prince Henri, Luxembourg, Grand Duchy of Luxembourg, during usual business hours of any weekday (Saturdays and bank holidays excepted) and free of charge. The Prospectus [and the supplement] and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2016 Base Prospectus.*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 9th December, 2016 which are incorporated by reference in the Prospectus dated 18 December 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") which includes the amendments made by Directive 2010/73/EU, the "**2010 PD Amending Directive**", to the extent such amendments have been implemented in a relevant Member State and must be read in conjunction with the Prospectus dated 18 December 2017 [and the supplement to the Prospectus dated [ ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated 9 December 2016 and 18 December 2017 [and the supplement dated [ ]]. The Prospectuses [and the supplement] are available for viewing at the registered office[s] of the Issuer at [2nd Floor, International House, 3 Harbourmaster Place, IFSC Dublin, Ireland and of the Guarantor at]/[19-21 Boulevard Prince Henri, Luxembourg, Grand Duchy of Luxembourg, and of the Guarantor at] Piazza San Carlo 156, 10121 Turin, Italy and from Intesa Sanpaolo Bank Luxembourg S.A. at 19-21, Boulevard Prince Henri, Luxembourg, Grand Duchy of Luxembourg, during usual business hours of any weekday (Saturdays and bank holidays excepted) and free of charge. The Prospectuses [and the supplement] and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).]

(*Include whichever of the following apply or specify as "**Not Applicable**" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.*)

1.	Series Number:	[●]
	Tranche Number:	[●]
	Date on which the Notes become fungible	Not Applicable / The Notes will be consolidated, form a single Series and be interchangeable for trading purposes with (*identify earlier Tranches*) on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [26] below, which is expected to occur on or about [*date*]]
2.	Specified Currency or Currencies:	[●]
3.	Aggregate Nominal Amount:	
	(i) Series:	[●]
	(ii) Tranche:	[●]
4.	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ] (*insert date, if applicable*)
5.	Specified Denominations:	[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in

		definitive form will be issued with a denomination above [●]. (*Unless paragraph 27 (Form of Notes) below specifies that the Global Note is to be exchanged for Definitive Notes "in the limited circumstances described in the Permanent Global Note", Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. Where paragraph 27 (Form of Notes) does so specify, Notes may be issued in denominations of €100,000 and higher integral multiples of €1,000 up to a maximum of €199,000, as applicable. In such circumstances, insert the wording below*)
	Specified Minimum Amounts:	[●] [*For Registered Notes only.*]
	Specified Increments:	[●] [*For Registered Notes only.*]
(iii)	Calculation Amount:	[●] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.*)
6. Issue Date:		[●]
(i)	Interest Commencement Date (if different from the Issue Date):	[●]/[Issue Date]/[Not Applicable]
7. Maturity Date:		[●] (*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year*) (*N.B. For Renminbi Notes subject to the Fixed Rate Note Provisions where the Interest Payment Dates are subject to modification it will be necessary to specify the Interest Payment Date falling in or nearest to the relevant month and year.*)
8. Interest Basis:		[% Fixed Rate] [●] (*specify reference rate*) +/- [●]% Floating Rate] [Zero Coupon] [Inflation Linked] [Floating Rate: Eonia Linked Interest] [Floating Rate: CMS Linked Interest] [Fixed-Floating Rate] [Floating-Fixed Rate] (further particulars specified below)
9. Redemption/Payment Basis:		[Redemption at par]

			[Inflation Linked]
10.	Change of Interest or Redemption/Payment Basis:		(*Specify the date when any fixed or floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there*) [●]/[Not Applicable] [(further particulars specified in paragraph 19 below)]
11.	Put/Call Options:		[Not Applicable] [Put Option] [Call Option] [Regulatory Call] [Not Applicable] [(further particulars specified below)]
12.		Status of the Notes:	[Senior/Subordinated]
	(i)	Status of the Guarantee:	Applicable [3] Senior
	(ii)	Date of Deed of Guarantee:	[●]] (*N.B. For a guaranteed issuance, a separate Deed of Guarantee has to be entered into upon each issuance of Notes – see form of Deed of Guarantee in the Trust Deed*) (*N.B. If the issue is a fungible issue state that the issue will be covered by a Deed of Guarantee entered into on [date] in relation to the first issue of the Series*)
	(iii)	[Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[[●] [and [●], respectively]/Not Applicable] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee of the Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year up to and including the Maturity Date [adjusted in accordance with (*specify Business Day Convention* [4] *and any applicable*

[3] Note: The Guarantee will be applicable if the Notes are issued by Intesa Sanpaolo Bank Ireland p.l.c. and Intesa Sanpaolo Bank Luxembourg S.A..

[4] Modified Following Business Day Convention is applicable for Renminbi denominated fixed rate Notes.

		Additional Business Centre(s) for the definition of "Business Day")/[not adjusted] (*N.B. This will need to be amended in the case of any long or short coupons.*)
	(iii) Fixed Coupon Amount[(s)]:	[[●] per Calculation Amount]/(*insert the following alternative wording if Notes are issued in Renminbi*)[Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.05 being rounded upwards.]
	(iv) Day Count Fraction:	[30/360] / [Actual/Actual (ICMA/ISDA)] / (*Insert for Renminbi denominated Fixed Rate Notes*) [Actual/365 (Fixed)]
	(v) Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date [in/on] [●]] / [Not Applicable]
14.	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO, BBA, LIBOR, EURIBOR, EONIA or CMS is the appropriate reference rate*)
	(i) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii) First Interest Payment Date	[●]
	(iii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable] (*Note that this item adjusts the end date of each Interest Period (and consequently, also adjusts the length of the Interest Period and the amount of interest due). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Conditions 11(g) and (n) (Payments on business days) and the defined term "Payment Business Day"*.
	(iv) Additional Business Centre(s):	[Not Applicable/[●]]
	(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi) Name and address of party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent)	[[*Name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)] [Not Applicable]
	(vii) Screen Rate Determination:	
	• Reference Rate:	(*For example, LIBOR or EURIBOR*)/[EONIA Reference Rate] / [CMS Reference Rate/Leveraged CMS Reference Rate/Steepener

CMS Reference Rate: [Unleveraged/Leveraged]/Call CMS Reference Rate]

Reference Currency: [●]

Designated Maturity: [●]/[The CMS Rate having a Designated Maturity of [●] shall be CMS Rate 1 and the CMS Rate having a Designated Maturity of [●] shall be CMS Rate 2]
(*Where more than one CMS Rate, specify the Designated Maturity for each relevant CMS Rate*)

- Relevant Screen Page: (*For example, Reuters EURIBOR 01*)

  (*In the case of a CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)

  (*In the case of a EONIA Linked Interest Note, specify relevant screen page and any applicable headings and captions*)

- Interest Determination Date(s): [●]

  (*In the case of a CMS Rate where the Reference Currency is euro*): [Second day on which the TARGET2 system is open prior to the start of each interest Period]

  (*In the case of a CMS Rate where the Reference Currency is other than euro):* [Second *(specify type of day)* prior to the start of each Interest Period]

- Relevant Time: (*For example, 11.00 a.m. London time/Brussels time*)

- Relevant Financial Centre: (*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)*)

- Reference Banks: [●]

CMS Rate definitions: [Cap means [●] per cent. per annum]

[Floor means [●] per cent. per annum]

[Leverage means [●] per cent.]

(viii) ISDA Determination:

- Floating Rate Option: [●]

- Designated Maturity: [●]

- Reset Date: [●]

  (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period. In the case of a CMS Linked Interest Note, if based on euro then the first day of each Interest Period and if otherwise to be checked*)

	(ix)	Margin(s):	[+/-][●] per cent. per annum / Not Applicable]
	(x)	Minimum Rate of Interest:	[●] per cent. per annum
	(xi)	Maximum Rate of Interest:	[●] per cent. per annum
	(xii)	Multiplier:	[●] / [Not Applicable]
	(xiii)	Reference Rate Multiplier:	[●] / [Not Applicable]
	(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [30E/360 – or Eurobond Basis] [30E/360 (ISDA)]
15.	**Fixed-Floating Rate Note Provisions**		[Applicable/Not Applicable] [[●] per cent. Fixed Rate in respect of the Fixed Interest Period(s) ending on (but excluding) [●], then calculated in accordance with paragraph 14 above.]
16.	**Floating-Fixed Rate Note Provisions**		[Applicable/Not Applicable] [(*Floating Rate)*] in respect of the Interest Period(s) ending on (but excluding) [●], then calculated in accordance with paragraph 13 above.]
17.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	(*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(h) (Early redemption of Zero Coupon Notes)*
18.	**Inflation Linked Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Inflation Index:	[[CPI/RPI/HICP]]
	(ii)	Index Sponsor	[●] (*Specify the relevant Index Sponsor*)
	(iii)	Index Factor	[●] (*Specify the relevant Index Factor*) [Not

			Applicable]
	(iv)	Name and address of party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[*name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
	(v)	Determination Date(s):	[●]
	(vi)	Interest or calculation period(s):	[●]
	(vii)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(viii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] (*Note that this item adjusts the end date of each Interest Period (and, consequently, also adjusts the length of the Interest Period and the amount of interest due). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Condition 11(g) and (n)(Payments on business days) and the defined term "Payment Business Day"*.)
	(ix)	Additional Business Centre(s):	[●]
	(x)	Minimum Rate of Interest:	[●] per cent. per annum
	(xi)	Maximum Rate of Interest:	[●] per cent. per annum
	(xii)	Margin	[●] *insert Margin*)] per cent. per annum] [Not Applicable]
	(xiii)	Day Count Fraction:	[●]
	(xiv)	Commencement Date of the Index:	[●] *(indicate the relevant commencement month of the retail price index)*
	(xv)	Reference Month:	[●]
	(xvi)	Reference Bond:	[●]
	(xvii)	Related Bond:	[Applicable/Not Applicable] The Related Bond is: [●] [Fallback Bond] The issuer of the Related Bond is: [●]
	(xviii)	Fallback Bond:	[Applicable]/[Not Applicable]
	(xix)	Cut-Off Date:	[As per Condition 8]/[*specify other*]
	(xx)	End Date:	[●] (This is necessary whenever Fallback Bond is applicable)
	(xxi)	Trade Date:	[●]
19.	Change of Interest Basis Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-*

		paragraphs of this paragraph) (*N.B. To be completed in addition to paragraphs 13 and 14 (as appropriate) if any fixed to floating or fixed reset rate change occurs*)
	(i) Switch Options:	[Applicable – [*specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies*]/[Not Applicable] (N.*B. The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 19 on or prior to the relevant Switch Option Expiry Date*)
	(ii) Switch Option Expiry Date:	[●]
	(iii) Switch Option Effective Date:	[●]
20.	(*only to be included if Notes are issued in Renminbi*) Party responsible for calculating the amount the Spot Rate pursuant to the Illiquidity, Inconvertibility or Non-transferability of Notes issued in Renminbi	[[●] shall be the Renminbi Calculation Agent][Not Applicable]

PROVISIONS RELATING TO REDEMPTION

21.	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s) (Call):	[●]
	(ii) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●] (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.*)
22.	**Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s):	[●] per Calculation Amount

(iii)	Notice period:	Minimum period: [●] days Maximum period: [●] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee.*)
23.	**Regulatory Call**	[Applicable]/[Not Applicable]
24.	**Final Redemption Amount**	[[●] per Calculation Amount]/[Inflation Linked Note] (*for Inflation Linked Notes, to be determined in accordance with Condition 8 (a) (Inflation Linked Note Provisions))*
25.	**Early Redemption Amount**	
(i)	Early Redemption Amount(s) payable on redemption for taxation or regulatory reasons, or on Event of Default:	[Not Applicable] / [[●] per Calculation Amount]/[As per Condition 10(b)] [See also paragraph 23 (*Regulatory Call*)] (*Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable*)
26.	**Early Termination Amount**	
(i)	payable on redemption for Event of Default:	[Not Applicable] / [[●] per Calculation Amount]/[As per Condition 13(a)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	**Form of Notes**:	**[Bearer Notes]** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice at any time/in the limited circumstances specified in the Permanent Global Note.] [Temporary Global Note exchangeable for Definitive Notes on 60 days' notice.] [Permanent Global Note exchangeable for Definitive Notes on 60 days' notice at any time/in the limited circumstances specified in the Permanent Global Note]. **[Registered Notes]** [Global Registered Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))] (*In relation to any issue of Notes which are "exchangeable to Definitive Notes" in circumstances other than "in the limited*

		circumstances specified in the Global Note", such Notes may only be issued in denominations equal to or greater than, €100,000 or, at the option of the Issuer.)
28.	New Global Note Form:	[Yes/No]
29.	Additional Financial Centre(s):	[[●]/Not Applicable]
30.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of the Issuer:

By: .....
Duly authorised

[Signed on behalf of the Guarantor:

By: .....
Duly authorised

PART B – OTHER INFORMATION

LISTING AND ADMISSION TO TRADING

1.	(i)	Listing:	[Luxembourg/other (*specify*)/None]
	(ii)	Admission to trading:	[Application [has been/is expected to be] made for the Notes to be admitted to trading on [●] with effect from [●].]/[Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
	(iii)	Estimate of total expenses related to admission for trading	[●]]

2. **RATINGS**

Ratings:	The Notes to be issued [[have been]/[are expected]/[are not expected]] to be rated: [S & P's: [●]] [Moody's: [●]] [Fitch: [●]] [DBRS: [●]] (*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*) (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*) (*Insert legal name of particular credit rating agency entity providing rating*) is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

(*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement*)

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. (*Amend as appropriate if there are other interests*)

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)	Reasons for the offer:	[●] (*See "Use of Proceeds" wording in Prospectus. If reasons for offer different from making profit general corporate purposes (for example for*

an Eligible Green Project or a social project, will need to include those reasons here.)]

[(ii) Estimated net proceeds: [●]

(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)]

[(iii) Estimated total expenses: [Include breakdown of expenses][5]

5. ***Fixed Rate Notes only*** **YIELD**

Indication of yield: [●]/[Not Applicable]

Calculated as (*include details of method of calculation in summary form*) on the Issue Date.]

6. ***Floating Rate Notes, EONIA Linked Interest Notes and CMS Linked Interest Notes only*** **HISTORIC INTEREST RATES**

[Details of historic [LIBOR/EURIBOR/EONIA/CMS] rate can be obtained from [Reuters]] [Not

Applicable]

7. **OPERATIONAL INFORMATION**

ISIN Code: [●]

Common Code: [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of Euroclear Bank S.A./N.V. and/or Clearstream Banking, S.A. Luxembourg (the "**ICSD**s") as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper),][*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common

[5] Only required if the Notes are derivative securities to which Annex XII to the Prospectus Directive Regulation applies. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.

		safekeeper,][*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]] (*Include this text if "Yes" selected, in which case the Notes must be issued in New Global Notes form*)
	Any clearing system(s) other than Euroclear Bank S.A./N.V. [,/and] Clearstream Banking, société anonyme and the relevant identification numbers:	[Not Applicable/(*give name(s) and number(s)*)]
	Delivery:	Delivery [against/free of] payment
	Names and addresses of additional Paying Agent(s)(if any):	[●]/[Not applicable]
	Deemed delivery of clearing system notices for the purposes of Condition 19:	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
8.	**DISTRIBUTION**	
(i)	Method of distribution:	[Syndicated/[Non-syndicated]
(ii)	If syndicated:	
	(A) Names of Managers	[Not Applicable/(*give names and addresses*)] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
	(B) Date of Subscription Agreement	[Not Applicable/(*give names and addresses*)]
	(C) Stabilising Manager(s) (if any):	[Not Applicable/(*give name and addresses*)]
	[(D) Names and addresses of entities which have a firm commitment to act as intermediaries in secondary trading providing liquidity through bid and offer rates and description of the main terms of their commitment:]	[Not Applicable/(*give names and addresses*)]
(iii)	If non-syndicated, name and address of Dealer:	[Not Applicable/(*give names and addresses*)]
(iv)	U.S. Selling Restrictions:	Reg. S compliance category: [●] [TEFRA D]

	[TEFRA C] [TEFRA Not Applicable]
(v) Prohibition of Sales to EEA Retail Investors:	[Applicable /Not Applicable] (If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes is concluded on or after 1 January 2018, and the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)

DESCRIPTION OF INTESA SANPAOLO S.P.A.

History and Organisation of the Group

Intesa Sanpaolo Origins

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

Banca Intesa S.p.A.

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

Sanpaolo IMI S.p.A.

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

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

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

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

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

Legal Status

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

Registered Office

Intesa Sanpaolo's registered office is at Piazza San Carlo 156, 10121 Turin and its telephone number is +39 0115551. Intesa Sanpaolo's secondary office is at Via Monte di Pietà 8, 20121 Milan.

Objects

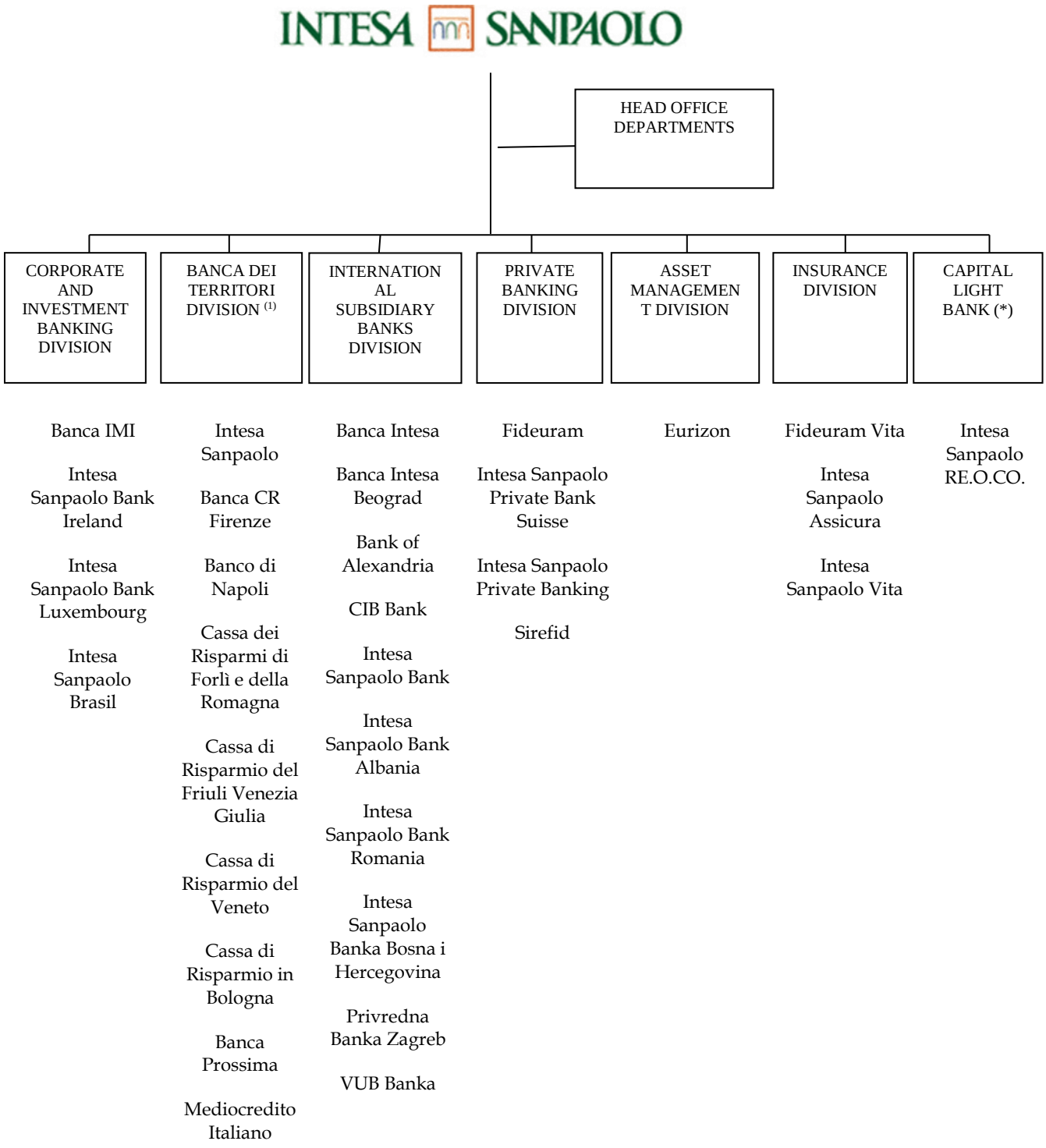
The objects of Intesa Sanpaolo are deposit-taking and the carrying-on of all forms of lending activities, including through its subsidiaries. Intesa Sanpaolo may also, in compliance with laws and regulations applicable from time to time and subject to obtaining the required authorisations, provide all banking and financial services, including the establishment and management of open-ended and closed-ended

supplementary pension schemes, as well as the performance of any other transactions that are incidental to, or connected with, the achievement of its objects.

Share Capital

As at 30 September 2017, Intesa Sanpaolo's issued and paid-up share capital amounted to €8,731,984,115.92, divided into 16,792,277,146 shares with a nominal value of €0.52 each, in turn comprising 15,859,786,585 ordinary shares and 932,490,561 non-convertible savings shares. Since 30 September 2017, there has been no change to Intesa Sanpaolo's share capital.

Organisational Structure



(1) Domestic commercial banking
(*) Pravex-Bank in Ukraine reports to Capital Light Bank

The Intesa Sanpaolo Group is an Italian and European banking and financial services provider, offering a wide range of banking, financial and related services throughout Italy and internationally, with a focus on Central-Eastern Europe and the Middle East and North Africa. Intesa Sanpaolo activities include deposit-taking, lending, asset management, securities trading, investment banking, trade finance, corporate finance, leasing, factoring and the distribution of life insurance and other insurance products.

The Intesa Sanpaolo Group operates through seven business units:

a) The **Banca dei Territori division**: focuses on the market and centrality of the territory for stronger relations with individuals, small and medium-sized businesses and non-profit entities. The division includes the Italian subsidiary banks and the activities in industrial credit, leasing and factoring carried out through Mediocredito Italiano.

b) The **Corporate and Investment Banking division**: a global partner which supports, taking a medium-long term view, the balanced and sustainable development of corporates and financial institutions both nationally and internationally. Its main activities include capital markets and investment banking carried out through Banca IMI. The division is present in 26 countries where it facilitates the cross-border activities of its customers through a specialist network made up of branches, representative offices and subsidiary banks focused on corporate banking. The division operates in the public finance sector as a global partner for public administration.

c) The **International Subsidiary Banks division**: includes the following commercial banking subsidiaries: Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Privredna Banka Zagreb in Croatia, the Prague branch of VUB Banka in the Czech Republic, Bank of Alexandria in Egypt, CIB Bank in Hungary, Intesa Sanpaolo Bank Romania, Banca Intesa in the Russian Federation, Banca Intesa Beograd in Serbia, VUB Banka in Slovakia and Intesa Sanpaolo Bank in Slovenia.

d) The **Private Banking division**: serves the customer segment consisting of private clients and high net worth individuals with the offering of products and services tailored for this segment. The division includes Fideuram - Intesa Sanpaolo Private Banking with 5,915 private bankers.

e) The **Asset Management division**: asset management solutions targeted at the Intesa Sanpaolo Group's customers, commercial networks outside the Intesa Sanpaolo Group, and the institutional clientele. The division includes Eurizon with €251 billion of assets under management.

f) The **Insurance division**: insurance and pension products tailored for the Intesa Sanpaolo Group's clients. The division includes Intesa Sanpaolo Vita, Fideuram Vita and Intesa Sanpaolo Assicura with direct deposits and technical reserves of €150 billion.

g) **Capital Light Bank**: sets up to extract greater value from non-core activities through the workout of non-performing loans and repossessed assets, the sale of non-strategic equity stakes, and proactive management of other non-core assets (including Pravex-Bank in Ukraine).

Intesa Sanpaolo in the last two years

Changes to Intesa Sanpaolo's governance system

On 26 February 2016, the Extraordinary Shareholders' Meeting of Intesa Sanpaolo approved new Articles of Association relating to the adoption of the one-tier corporate governance system based on a Board of Directors composed of a minimum of 15 to a maximum of 19 members, five of whom are part of the Management Control Committee.

Intesa Sanpaolo's previous dual corporate governance model had operated in a stable and consistent way with respect to the Issuer's overall structure, demonstrating the capacity required to meet the relevant efficiency and effective needs of governance and required control system. Nine years on from its adoption, in light of the areas for improvement identified in the last self-assessment, it was considered appropriate to evaluate a change. Aside from external factors, other factors suggested a wide-ranging assessment. First and foremost, the amendments introduced in the regulatory framework as well as the ongoing developments at supervisory level (with the transition of prudential supervision to the ECB, with a view to the Single Supervisory Mechanism) and the shareholder base of Intesa Sanpaolo (with the strong growth of foreign investors). The relevant assessments were entrusted to an ad-hoc Commission within the

Supervisory Board - whose composition reflected the legal and business expertise and the academic and professional experiences best suited to meet the relevant requirements. The commission had the task of analysing the benefits and advantages underlying the different governance models, in order to identify possible areas for improvement in Intesa Sanpaolo's dual corporate governance system or, alternatively, possible reasons that could have led to its replacement.

The Commission, considering the factors above, identified the one-tier system - characterised by the presence of a board of directors and a management control committee established within it - as the most suitable model. The centralisation within a single body of strategic supervision and management functions - together with a balanced system of powers and fair debate within the board – was seen as conducive to pursue the dual objective of greater efficiency of the governance function and of safeguarding, the immediacy, incisiveness and effectiveness of the control function, centralised within the Management Control Committee.

The Ordinary Shareholders' Meeting, on 27 April 2016, also decided to set the number of members of the Board of Directors at 19 for the financial years 2016-2018, and subsequently appointed the members of the Board of Directors and the Management Control Committee for such years. The 19 members appointed are listed in the "*Management – Board of Directors*" below. The shareholders resolved to distribute dividends for 2015 (€0.14 per ordinary share and €0.151 per savings share, before tax, for a total dividend disbursement of €2,361,146,684.19) and approved a number of resolutions concerning remuneration of the Board of Directors and other staff, variable remuneration for specific and limited professional categories and business segments, the share-based incentive system for 2015 covering risk-takers and other managers and professionals and purchase of own shares to service the system as well as the criteria for determining compensation in case of early termination. The Board of Directors' meeting of 28 April 2016 appointed Carlo Messina as Managing Director and CEO, granting him the powers necessary and appropriate to ensure consistent management of Intesa Sanpaolo.

Mergers of Banca dell'Adriatico and Cassa di Risparmio dell'Umbria into Intesa Sanpaolo

On 4 May 2016, the Issuer entered into a deed of merger by incorporation of Banca dell'Adriatico (wholly owned subsidiary) into Intesa Sanpaolo. The merger became effective as of 16 May 2016, with accounting and tax effects dating back to 1 January 2016.

A deed was signed on 9 November 2016 relating to the merger by incorporation of Casse di Risparmio dell'Umbria into Intesa Sanpaolo, with a share capital increase of the surviving company totalling €109,617.56, through the issue of ordinary shares. The merger came into legal effect from 21 November 2016, with the accounting and tax effects as of 1 January 2016. Therefore, 210,803 Intesa Sanpaolo ordinary shares were issued, with regular dividend entitlement, at a nominal value of €0.52 each, with a resulting share capital increase from €8,731,874,498.36 to €8,731,984,115.92, broken down into 15,859,786,585 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of €0.52 each.

Deferred Tax Assets

Law Decree No. 59 of 3 May 2016, converted into Law No. 119 of 30 June 2016, introduced special rules on deferred tax assets (DTAs), aimed at avoiding the classification as "State aid" of the national legislation which lays down the automatic convertibility into tax credits of "qualified" DTAs (relating to adjustments to loans or goodwill and other intangible assets) even in the presence of statutory and/or tax losses.

Article 11 of said Law Decree (as modified by Law Decree No. 237 of 23 December 2016) provides that the convertibility into tax credits of the aforementioned DTAs continues to be applied automatically, upon the occurrence of the conditions envisaged by law, only with regard to "qualified" DTAs covered by already paid taxes, whilst for "qualified" DTAs in excess of the taxes already paid, the convertibility into tax credits instead can only be maintained on irrevocable choice provided an annual fee is paid. The fee amounts to 1.5% of any positive difference between: (a) the sum of the "qualified" DTAs recorded since 2008, including those already converted into tax credits, and (b) the sum of the taxes paid since 2008. In the event of participation in a "fiscal consolidation procedure", the DTAs and taxes should be calculated at fiscally consolidated group level. This fee, which is deductible for the purposes of IRES and IRAP, must be calculated (and, if due, paid) with respect to each year from 2016 to 2030 and, for 2016, it was payable by 31 July 2016.

In the Intesa Sanpaolo Group financial statements as at 31 December 2016, the "qualified" DTAs entered into by the Italian companies that are part of the fiscal Consolidation of Intesa Sanpaolo were entirely covered by taxes paid. In the period 2008-2016, the taxes paid by the Intesa Sanpaolo Group were more

than the said DTAs. Therefore, the convertibility of these DTAs is guaranteed without the Intesa Sanpaolo Group being liable for the payment of any fees.

Outcome of the 2016 Supervisory Review and Evaluation Process

On 12 December 2016, Intesa Sanpaolo received notification of the ECB's final decision concerning the capital requirement it has to meet on a consolidated basis as of 1 January 2017, following the results of the 2016 Supervisory Review and Evaluation Process (SREP). The overall capital requirement Intesa Sanpaolo has to meet in terms of Common Equity Tier 1 ratio is 7.25% under the transitional arrangements for 2017 and 9.25% on a fully loaded basis. This is the result of the following reasons:

- a SREP requirement for a Total Capital ratio of 9.5% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is Common Equity Tier 1 ratio, and an additional Pillar 2 capital requirement of 1.5% made up entirely of Common Equity Tier 1 ratio; and

- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to a Capital Conservation Buffer of 1.25% under the transitional arrangements for 2017 and 2.5% on a fully loaded basis in 2019, and an O-SII Buffer (Other Systemically Important Institutions Buffer) of zero under the transitional arrangements for 2017 and 0.75% on a fully loaded basis in 2021.

Conclusion of ordinary share buy-back programme for free assignment to employees

On 17 November 2016, Intesa Sanpaolo announced that it had concluded, on 16 November 2016, the ordinary share buy-back programme launched on the same day. The programme executes a plan, approved at the Shareholders' Meeting of Intesa Sanpaolo on 27 April 2016 that assigns, free of charge, ordinary shares of Intesa Sanpaolo to the Intesa Sanpaolo Group's employees; this covers the share-based incentive plan for 2015 reserved for the so-called "risk takers", as well as managers or professionals accruing a "relevant bonus". In addition, Intesa Sanpaolo's subsidiaries included in the announcement have terminated their purchase programmes of the Intesa Sanpaolo's shares to be assigned, free of charge, to their employees. The programmes were approved by their respective corporate bodies within their remits and are analogous to the programme approved at the Intesa Sanpaolo's Shareholders' Meeting.

On the day of execution of the programme (16 November 2016), the Intesa Sanpaolo Group purchased a total of 8,440,911 Intesa Sanpaolo ordinary shares through Banca IMI (which was responsible for the programme execution). These represent approximately 0.05% of the ordinary share capital and total share capital of Intesa Sanpaolo (comprising ordinary shares and savings shares) at an average purchase price of €2.149 per share, for a total counter value of €18,139,446. Intesa Sanpaolo purchased 3,582,633 shares at an average purchase price of €2.149 per share, for a counter value of €7,697,307.

Contributions to the National Resolution Fund and the Single Resolution Fund

The resolution process of four Italian banks under extraordinary administration (Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio della Provincia di Chieti and Cassa di Risparmio di Ferrara) was launched on the basis of the BRRD Decrees and Law Decree No. 183 of 22 November 2015 (the so-called Decreto Salvabanche, converted by Law 208/2015, "Law Decree 183/2015") issued by the President of the Republic of Italy.

At the end of 2015, the National Resolution Fund called up extraordinary contributions, in an amount equal to three times the annual amount of ordinary contributions, to finance the measures to resolve the crises of these four banks. The total amount of contributions called up from the banking system thus came to €2,352 million, out of a total measure of the National Resolution Fund of approximately €3.7 billion.

As part of the resolution measures for these banks, four good banks were established for the purpose of ensuring the continuity of the essential functions previously carried out by the banks under resolution measures, as well as an intermediary (REV Gestione Crediti) to take over the bad loans acquired from the latter. The required liquidity was provided in advance by a pool of banks, including Intesa Sanpaolo, through a bridge loan at market rates with a maximum maturity of 18 months, subsequently partially repaid using the amounts deriving from the ordinary and extraordinary contributions mentioned above. At the end of 2016, the residual on-balance sheet exposure of Intesa Sanpaolo amounted to €235 million. At the end of December 2016, the National Resolution Fund called up additional contributions, equal to two annual amounts, for a total amount for the Intesa Sanpaolo Group banks of €316 million (€1,524 million for the banking system). This is due to the fact that according to Law Decree 183/2015, if the financial resources available to the National Resolution Fund are insufficient to support the resolution measures implemented over time, the contributions may be increased, only for 2016, by twice the annual amount of contributions

determined in line with Article 70 of SRM Regulation and Council Implementing Regulation (EU) No. 2015/81.

Overall, in 2015, the Intesa Sanpaolo Group has paid the National Resolution Fund (ordinary and extraordinary) contributions amounting to €459 million, in addition to the ordinary contributions paid by the Intesa Sanpaolo Group's international subsidiary banks to their respective funds of , as a result of the entry into force of BRRD, €14 million.

Contributions of the Intesa Sanpaolo Group to the Single Resolution Fund in 2016

The total was approximately €148 million (€103 million net of taxes). For a description of the Single Resolution Fund, see further "Risk Factors – Intesa Sanpaolo Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism".

The National Interbank Deposit Guarantee Fund

The Articles of Association of the National Interbank Deposit Guarantee Fund (Fondo Interbancario di Tutela dei Depositi, "FITD") - consistent with the provisions of Directive 2014/49 (DGS – Deposit Guarantee Schemes) which has been implemented into Italian law by Italian Legislative Decree No. 30 of 15 February 2016 and published in the Official Gazette on 8 March 2016, provide that the FITD shall establish available financial resources so the target level of 0.8% of the total deposits protected is reached by 3 July 2024, through ordinary contributions of the member banks. The target level of the FITD is estimated at approximately €5.4 billion. In particular, the banks belonging to the FITD as at 30 September of each year are obliged to pay an annual ordinary contribution based on the amount of covered deposits as well as the degree of risk incurred by the respective members. Contribution quotas are calculated by referring to the contributory bases recognised as at 30 September of the current year and are adjusted to the risk on the basis of operating indicators referred to the last half-yearly report available. Additional contributions may also be required in certain circumstances.

The board of the FITD set the amount of the total ordinary contribution for 2016 at €449 million, to be divided among the member banks based only on the amount of protected deposits, save for subsequent adjustments triggered by correction based on risk. However, the board decided to allocate an amount of €100 million to the Solidarity Fund (Fondo di solidarietà) established by Law No. 208/2015 (the so-called Stability Law 2016) for the compensation of subordinate bondholders impacted by the resolution measures of the four banks in November 2015 and, subsequently, governed by Law Decree No. 59 of 3 May 2016 (converted by Law No. 119 of 30 June 2016) which assigned to the FITD the task to manage and fund the Solidarity Fund. As a result, the difference of €100 million needed to reach the target of €449 million will be divided over the subsequent years, by 2024.

Total contributions by the banks to the FITD for 2016 amounted to €449 million. At the level of the Intesa Sanpaolo Group, the total contribution in 2016 amounted to over €114 million, gross of taxes.

The Voluntary Intervention Scheme

In order to overcome the negative stance taken by the European Commission with regard to the use of compulsory contributions in support measures in favour of banks in crisis, at the end of 2015, a Voluntary Intervention Scheme was created as part of the FITD, as an additional tool not subject to the constraints of EU legislation and the European Commission. After the intervention in the restructuring of Banca Tercas, the reinstatement of a provision of the Voluntary Intervention Scheme was envisaged for a maximum amount of €700 million to be used to provide support in favour of small banks in difficulty and subject to extraordinary administration proceedings but with real prospects of turnaround, in order to avoid higher charges for the banking system as a result of winding up or dissolution orders.

The resources are not subject to immediate payment by the member banks, which simply assume the commitment to pay them when called upon to do so for specific interventions. All the banks in the Intesa Sanpaolo Group joined the Voluntary Intervention Scheme and consequently recognised a commitment, in the 2016 half-yearly report, for their own relevant share of the approved €700 million (approximately €150 million). Drawing on this sum, on 15 June 2016, the management board of the FITD approved the participation in the recapitalisation of Cassa di Risparmio di Cesena. With a decision of 15 September 2016, the ECB authorised the purchase of the equity investment in Cassa di Risparmio di Cesena by the Voluntary Intervention Scheme and on 20 September 2016 all the member banks paid their pro-rata amount of the total sum called up of €281 million, including €280 million for the capital increase (€60 million of which was the Intesa Sanpaolo Group's initial share, written down by a gross amount of €15 million in the 2016 financial statements) and €1 million for expenses relating to the intervention and to operating the Voluntary Intervention Scheme. Consequently, the total commitment in the Voluntary Intervention Scheme

is brought to the pro-rata amount of the remaining €420 million, approximately €90 million for the Intesa Sanpaolo Group.

The contributions paid by the banks participating in the Voluntary Intervention Scheme are classified as assets, and posted in the balance sheets of the member banks. The recognition of the asset is also supported by the explicit provision in the articles of association of the FITD regarding the Voluntary Intervention Scheme which states that any gains deriving from the purchase of the equity investment shall be reattributed to participating banks.

The Atlante Fund and the Atlante II Fund

On 15 April 2016, Intesa Sanpaolo's Management Board and Supervisory Board, authorised the participation in an investment fund created for the dual purpose of investing in banks with inadequate capital and in transactions for the enhancement of non-performing loans (NPLs). Intesa Sanpaolo thus participated in the creation of an alternative investment fund called Atlante (the "Atlante Fund"), managed by Quaestio Capital Management ("Quaestio"), an autonomous asset management company (SGR) by subscribing a commitment to invest €845 million in the fund (equal to 19.89% of the fund), out of a total capital endowment of the Atlante Fund of €4.249 billion supplied by banks and private-sector investors.

During 2016, Quaestio initially called up resources of €2.5 billion, (€503 million from Intesa Sanpaolo), to subscribe the capital increases of Banca Popolare di Vicenza and Veneto Banca. In particular, the capital increase of Banca Popolare di Vicenza, amounting to €1.5 billion, was underwritten in full by the Atlante Fund which thus acquired a stake of 99.33%. The capital increase of Veneto Banca, amounting in total to €1 billion, was underwritten for approximately €989 million by the Atlante Fund, which acquired a stake of 97.64%. Subsequently, in December 2016, the Atlante Fund requested additional resources totalling €754 million for investment in the Atlante II Fund which, in turn, called up funds for a possible investment in the securitisation of NPLs of Banca Monte dei Paschi di Siena. As the operation in question was not finalised, in December 2016 the Atlante Fund returned the amounts paid in. Lastly, on 19 December 2016, Quaestio made a fourth request for payment from subscribers of a total of €917 million, of which €182 million were contributed by Intesa Sanpaolo on 3 January 2017. The amount was called up by the asset management company for the capital increases it will subscribe in Banca Popolare di Vicenza and Veneto Banca, which it paid in advance to such banks through a payment for future capital increases at the end of 2016 (€310 million to Banca Popolare di Vicenza and €628 million to Veneto Banca). Following this additional payment, 81.2% of the initial resources were called up. Also considering the payment of January 2017, Intesa Sanpaolo has paid in a total of €686 million to the Atlante Fund with an additional €159 million continuing commitment.

For the purpose of evaluating the Atlante Fund's equity investments, the asset management company specified in a press release dated 31 January 2017 that, as it did not manage and coordinate the investee banks, it must necessarily rely on objective and publicly available data, taking into account the long-term prospects (as the Atlante Fund has a five-year duration) and was unable to refer to market prices as its investees are not listed. Also considering that the then last available financial statements dated back to 30 June 2016, the fact that the net assets of the investee banks at that date was significantly higher than the value of the total investment made, and considering the last payment for future capital increases in December 2016 and the short time which has passed since the investment was made, the asset management company decided that there were no adequate factors to deviate from an evaluation of the investments at the historical cost. Therefore, in compliance with the AIF (Alternative Investment Fund) regulations, the asset management company decided that the historical cost was the best applicable standard and estimated a net asset value (NAV) of the Atlante Fund as at 31 December 2016 of €3.48 billion. The asset management company finally noted that the report of Deloitte Financial Advisory S.r.l., independent value that was assigned to appraise the assets of the fund, noted a then current valuation of the investees showing a total NAV of the fund of €2.63 billion. As stated by the valuer, this valuation was subject to significant uncertainty deriving from the limited availability of objective data and a calculation method which was based only on equity market multiples, even though the companies were unlisted and at the start of an extensive process of restructuring and merger.

In the Intesa Sanpaolo financial statements as at 31 December 2016, as the Atlante Fund is classified under financial assets available for sale, based on the international accounting standards, it must be measured at fair value. Lacking additional information aside from the public information already available to the independent valuer assigned by the asset management company to be used to conduct a financial/income measurement, for the purposes of determining the fair value, reference was made to the assessment of Banca Popolare di Vicenza and Veneto Banca made by the assigned expert and published by the asset management company. The net asset value determined by the expert was adjusted to also take account of the current value of the payment made by Intesa Sanpaolo on 3 January 2017, which, in the Intesa Sanpaolo

2016 financial statements, is posted under commitments. The fair value of Intesa Sanpaolo's units of the Atlante Fund as at 31 December 2016 came to €336 million, which, compared with the related carrying amount of €503 million, resulted in a value adjustment of €167 million posted to the income statement. The measurement conducted also returned a current value of the payment made by Intesa Sanpaolo in January 2017 of €122 million. The difference from the amount paid, equal to €60 million, was posted as a charge to the 2016 income statement through an allocation to allowances for risks and charges. As a result, the total amount of the charge generated by the Atlante Fund to the Intesa Sanpaolo Group's 2016 income statement was €227 million gross of taxes (equal to approximately 33% of the total amount paid by Intesa Sanpaolo) and €152 million net of taxes. In the 2016 reclassified income statement, the entire amount is attributed to the caption "Levies and other charges concerning the banking industry".

As previously mentioned, in July 2016, Quaestio launched a new closed-end alternative investment fund named "Atlante II", reserved exclusively for professional investors for the purpose of investing in enhancing the non-performing loans of numerous Italian banks. The duration of the Atlante II Fund is set until 31 March 2021, with possibility for the asset management company to extend it a further three years through binding decision of the Investors' Committee. The total amount of the Atlante II Fund has been set by the regulations from a minimum of €1,250 million to a maximum of €5,000 million. The underwriting commitments may be collected until 31 July 2017. As at 31 December 2016, the fund has collected commitments of €2.15 billion. Intesa Sanpaolo underwrote a commitment to pay in €155 million. The share Intesa Sanpaolo directly holds in the Atlante II Fund amounts to 7.2%. Also considering the share Intesa Sanpaolo holds in the Atlante Fund (19.89%), a unitholder of Atlante II with 37.1%, the Intesa Sanpaolo Group's total commitment to the Atlante II Fund to approximately 14.6%. On 2 December 2016, the Atlante II Fund requested a payment from Intesa Sanpaolo of around €109 million, for the fund to invest in the securitisation of NPLs of Banca Monte dei Paschi di Siena. As this operation was not concluded, the fund returned the payments made by unitholders, with the exception of the share retained by the fund to reimburse the expenses incurred to structure the operation. For Intesa Sanpaolo, this share amounted to approximately €1 million and was recognised in the 2016 income statement. As at 31 December 2016, therefore, Intesa Sanpaolo had no exposure to the Atlante II Fund, but only a commitment of €154 million.

Intesa Sanpaolo in 2017 - highlights

The Atlante Fund and the Atlante II Fund

On 27 January 2017, Quaestio announced that it had signed a memorandum of understanding, on behalf of the Atlante II Fund, for the acquisition of a €2.2 billion portfolio of non-performing loans of Nuova Banche Marche S.p.A., Nuova Banca dell'Etruria S.p.A. and Nuova Cassa di Risparmio di Chieti di S.p.A. Atlante II Fund's intervention will consist of acquiring the mezzanine tranche and part of the junior tranche issued by a securitisation vehicle that will acquire the portfolio of non-performing loans from said banks, arising from the contribution to REV Gestione Crediti S.p.A. of bad loans in November 2015. The investment of the Atlante II Fund will come to a maximum of €515 million net of at least €200 million of loans.

In the second quarter of 2017, a total of 87.76% of the original commitments subscribed by the investors In the second quarter of 2017, the Atlante Fund made a fifth and sixth call, raising 280 million euro, of which 56 million euro provided by Intesa Sanpaolo, to fund the investment operations of the Atlante II Fund (see below). Including the payments made have been called up.

As at 30 June 2017, Intesa Sanpaolo had paid in a total of 742 million euro and had a residual commitment to the Atlante Fund of 103 million euro.

With regard to the Venetian Banks, on 25 June 2017 the Ministry for the Economy and Finance initiated the compulsory administrative liquidation proceedings for the two banks, as contemplated by the Consolidated Law on Banking, following the issue by the President of the Italian Republic of Law Decree 99 of 25 June 2017 concerning "Urgent provisions for the compulsory administrative liquidation proceedings of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A.". At the same time, Intesa Sanpaolo signed a contract with the liquidators concerning the acquisition, for a token price of 1 euro, of certain assets and liabilities belonging to the two banks. The placement of Banca Popolare di Vicenza and Veneto Banca in liquidation effectively voided the claims held by the Atlante Fund on the banks' capital. On 20 July 2017, the Atlante Fund announced that with the cancellation of the value of the Venetian bank investments, the unit value of its units was 78,100.986 euro, determined exclusively by the investment in the Atlante II Fund (plus a residual cash component). The valuations made by the expert appraiser engaged by the asset management company, including recent investments made by the Atlante II Fund, estimate the current value of the units held by Atlante to be in line with the subscription price.
As a result, the fair value as at 30 June 2017 of the stake held by Intesa Sanpaolo in the Atlante Fund was approximately 66 million euro (including the investment in the Atlante II Fund and the residual cash

component), and an impairment loss of 449 million euro (301 million euro net of tax) was recognised in the income statement for the first half of 2017. Considering the 227 million euro impairment loss posted in the income statement for 2016, the Atlante Fund has generated a comprehensive charge of 676 million euro for Intesa Sanpaolo, equal to 91% of the total amount paid in to date.

Finally, with the publication of the NAV of the Fund as at 30 June 2017, Quaestio Capital Management SGR announced that it was assessing the opportunity of liquidating the Atlante Fund, an option which will be analysed and discussed with the representatives of the investors.

Acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca

Intesa Sanpaolo signed a contract, effective as of 26 June 2017, with the liquidators of Banca Popolare di Vicenza S.p.A. ("Banca Popolare di Vicenza") and Veneto Banca S.p.A. ("Veneto Banca") concerning the acquisition, for a token price of €1, of certain assets and liabilities and certain legal relationships (the "Aggregate Set") of the two banks. The latter were placed into compulsory administrative liquidation on 25 June 2017, as envisaged by the Consolidated Law on Banking and Decree Law 99 of 25 June 2017 concerning "Urgent provisions for the compulsory administrative liquidation proceedings of Banca Popolare di Vicenza S.p.A. And Veneto Banca S.p.A." (the "Venetian Banks Decree").

Intesa Sanpaolo was awarded the contract through a transparent procedure involving six potential buyers. The outcome of the competitive procedure was announced on Wednesday 21 June 2017. The Bank's bid proved the better of two bids, in its ability to ensure business continuity and minimise the components left with the two banks in compulsory administrative liquidation.

The intervention of the Bank made it possible to avoid the serious social consequences that would have otherwise derived from an "atomistic" compulsory administrative liquidation of the two banks. This intervention will safeguard jobs at the banks involved, the savings of around two million households, the activities of around 200,000 businesses financially supported and, therefore, the jobs of three million people in the areas which record the country's highest economic growth rate. Without the deal, the Interbank Deposit Guarantee Fund would have been required to provide an upfront outlay of over €10 billion, to be recovered from future liquidation proceeds. Given the lack of resources immediately available to the Interbank Deposit Guarantee Fund, the banking system would have had to cover a large part of the funds needed to reimburse deposit holders in an extremely short amount of time, and the State would have had to cover the immediate exercise of the guarantee on liabilities undertaken by the two banks for a total amount of approximately €8.6 billion.

The Bank acquired an Aggregate Set which excludes NPLs (bad loans, unlikely-to-pay loans and past due exposures), subordinated bonds issued, as well as shareholdings and other legal relationships that the Bank does not consider functional to the acquisition. The Aggregate Set of acquisition includes, in addition to the selected assets and liabilities of Banca Popolare di Vicenza and Veneto Banca (as well the international branches of the latter, located in Romania), and subject to approval of the related authorisations, the shareholdings in Banca Apulia S.p.A. (excluding the shareholdings held by the latter in Apulia Pronto Prestito S.p.A. and Apulia Previdenza S.p.A.), in Banca Nuova S.p.A., in SEC Servizi S.c.p.a., in Servizi Bancari S.c.p.a., and in the banks located in Moldova, Croatia, and Albania.

In addition, the Aggregate Set of acquisition includes high-risk performing loans of around €4 billion. However, the Bank will have the right to give these back to the banks in compulsory administrative liquidation, should certain conditions occur, during the period up to the approval of the financial statements for as at and for the year ended 31 December 2020, requiring that these loans be classified as bad loans or unlikely-to-pay loans.

The Aggregate Set does not include a corresponding equity component, given that the entire shareholders' equity of the two banking groups is subject to the compulsory administrative liquidation procedure. The assets and liabilities transferred will be balanced by a loan backed by the government (to be repaid over 5 years at an interest rate of around 1%) granted by the Bank to the banks in compulsory administrative liquidation. The amount of that loan, and of the loans that will be granted to the subsidiary banks for the transfer of bad loans, unlikely-to-pay loans, and past due exposures and of the shareholdings not functional to the transaction, was negotiated and set at a provisional amount of €5,351 million (based on the balance sheet of the operations as at 31 March 2017). If at the end of the due diligence process, as reported further on, the amount necessary to ensure that the transferred assets and liabilities balance exceeds the loan amount, the excess part will be backed by a state guarantee for an amount of up to €6,351 million.

The terms and conditions of the contract aim to ensure that the acquisition by the Bank is fully neutral in terms of the Intesa Sanpaolo Group's Common Equity Tier 1 ratio and dividend policy. Specifically, they provide for:

- a public cash contribution, to offset the impact on the capital ratios. Its size will lead to a phased-in Common Equity Tier 1 ratio of 12.5% to the risk-weighted assets (RWA) acquired. This contribution, which amounts to €3.5 billion not subject to taxation, was recorded as income in the income statement, in accordance with the IAS 20 accounting standard, and was assigned to the Bank on 26 June 2017;

- an additional public cash contribution to cover integration and rationalisation charges in relation to the acquisition. These charges include those relating to the closure of around 600 branches and the use of the solidarity allowance mechanism in relation to the exit, on a voluntary basis, of around 3,900 people of the Intesa Sanpaolo Group resulting from the acquisition. These charges also relate to other actions to be taken to safeguard jobs, such as redeploying and retraining people. Also this contribution, which amounts to €1.285 billion not subject to taxation, was recorded as income in the income statement, in accordance with the IAS 20 accounting standard, and was assigned on 26 June 2017. This amount was set aside in a specific fund, considering the tax effects related to its use, and is therefore neutral for the year's net income; and

- public guarantees equal to €1.5 billion after tax, in order to sterilise risks, obligations and claims against The Bank due to events occurring prior to the sale or relating to assets/liabilities or relationships not included among those transferred. In any case, the banks in compulsory administrative liquidation will be liable for damages that may derive from past disputes and from disputes relating to the rules regulating the purchase of own shares and/or investment services. This includes disputes brought by parties who participated/did not participate in, or were excluded from the so-called "Offers for Settlement" and from "Welfare Incentives".

The Venetian Banks Decree introduced specific tax rules governing the transfer to the Bank of the assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. The rules are substantially designed to ensure for the acquiring bank a limited "continuity" in the tax treatment of the subjective positions of the sellers (as regard tax credits from the conversion of DTAs, the tax value of the assets, liabilities, and rights included in the sets acquired, income components with deferred taxation, tax losses, and the guarantee fees for non-eligible DTAs), and the "neutrality" of transfers and public contributions, as a result of which they will not generate tax liabilities for the acquiring bank.

Specifically:

- tax and non-tax assets and liabilities are transferred to the acquiring bank at the tax value they had for the sellers (in practice, at the effective date of the transfer, the acquiring bank is assigned the same tax position held by the sellers);

- tax credits deriving from the conversion of DTAs are transferred to the acquiring bank;

- similarly, the tax losses of the sellers are transferred to the acquiring bank;

- the transfer of the assets and liabilities is not subject to VAT and subject to a fixed registration, mortgage and cadastral tax of €200; and

- the contributions paid to the acquiring bank by the Ministry for the Economy and Finance to offset the impact on the capital ratios and support corporate restructuring measures are non-taxable for IRES and IRAP purposes, whereas the expenses incurred by the acquiring bank for the aforementioned restructuring will be deductible for tax purposes.

As regards anti-trust authorisations, on 10 July 2017 the Italian Competition Authority announced its decision not to investigate the arrangement, thereby giving its clearance for the deal.

With reference to the banking authorisations required to acquire control over the shareholdings of Banca Popolare di Vicenza and Veneto Banca, the terms set to formulate the offer and execute the contract did not allow the parties to ask and obtain from the European Central Bank, within 30 June 2017, the necessary authorisations to transfer the control and The Bank agreed to proceed with this transfer, on the assumption that it will have the possibility of returning the shareholdings whose transfer is not authorised and be completely indemnified from any and all negative effect as a consequence of the circumstance in which the transfer not previously authorised will be finalised.

Furthermore, should these authorisations not be obtained or be obtained with imposition of conditions or charges for the Bank, the latter will have the right to immediately return the shareholdings to the banks under compulsory administrative liquidation and with full indemnification of any negative effect deriving from the Bank maintaining these shareholdings and returning them.

In addition, with reference to the voting rights in the subsidiary banks, the Bank may not exercise its vote at meetings and intervene in their management and in the replacement of the corporate bodies until the authorisations are obtained, remaining at the same time fully indemnified from any ensuing negative effect or any effect in any case connected to their management as well as to the replacement (subject to possible removal) of the members of the management and control bodies of these banks. Therefore, when preparing the Half-yearly condensed consolidated financial statements, The Bank did not carry out the line-by-line consolidation of the shareholdings in question but provisionally recorded them as shareholdings within the acquired Aggregate Set.

In order to determine the final imbalance of the operations and definitively calculate the amount of public contribution paid by the State, the Ministry for the Economy and Finance and the Bank have jointly appointed a board of three independent experts, identified pursuant to the Venetian Banks Decree, which will conduct a specific due diligence leading to the generation of a detailed and analytic inventory of the captions comprising the final accounting position of assets and liabilities included within the acquired operations as at the execution date. As a result of the procedure to calculate the imbalance, the parties will ascertain the existence of any assets, liabilities or legal relationships not pertaining to the operations, with a consequent adjustment of the imbalance, and the Bank will have the right to return assets, liabilities or legal relationships to the Banks in compulsory administrative liquidation, in accordance with the provisions of the Venetian Banks Decree, also in this case with consequent adjustment of the imbalance. In addition, any positive or negative difference between the final calculated amount of the public contribution and the initial amount granted will be settled by the State or the Bank depending on the case. Within 5 days from the date on which the definitive amount of the imbalance of the operations is determined, the Bank will release its loan to the banks in liquidation, which will be immediately and automatically offset by the receivable arising from the imbalance, without prejudice to the obligation of the banks in compulsory administrative liquidation (and, jointly, the guarantor) to reimburse the loan under the terms and conditions thereof.

Finally, the contract includes termination clauses establishing that the contract is ineffective and the assets, liabilities and legal relationships acquired can be given back to the banks in compulsory administrative liquidation. These refer, specifically, to the event that the Venetian Banks Decree should not be converted into law or should be converted with amendments/integrations that make the transaction more expensive for The Bank, and should not be fully enacted within the terms provided by law. In this regard, we report that the decree was passed without substantial amendments by both the Chamber of Deputies and the Senate.

2017 Other highlights

In January 2017, Intesa Sanpaolo launched a 1.25 billion euro Additional Tier 1 issue targeted at professional investors and international financial intermediaries, with characteristics in line with the CRD IV regulation. It is listed on the Luxembourg Stock Exchange as well as the usual Over-the-Counter market.
The Additional Tier 1 is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be early redeemed by the issuer after 10 years from the issue date and on every coupon payment date thereafter.
The issuer will pay a fixed rate coupon of 7.75% per annum, payable semi-annually in arrears every 11 January and 11 July of each year, with the first coupon payment on 11 July 2017. The compounded yield to maturity is 7.90% per annum, equivalent to the 5-year Mid Swap Rate in Euro reckoned at the moment of issuance plus a spread equal to 719.2 basis points. In the event that the early redemption rights are not utilised on 11 January 2027, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier 1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.

In January Intesa Sanpaolo was ranked among the top 20 most sustainable companies in the world and the only Italian banking group in the classification, thanks to the implementation and further development of

the best strategies for managing risks and opportunities in the environmental, social and governance areas (*Source: Corporate Knights*). This recognition is the result of Intesa Sanpaolo's now consolidated commitment in the field of sustainability, which obtained further significant confirmation with the share's inclusion in the leading sustainability indices, including the Dow Jones Sustainability Indices (World and Europe), the CDP A-List and the FTSE4Good (Global and Europe).

As regards the stake in the Bank of Italy's share capital, in 2017 further stakes equal to a total of approximately 5.38% of the capital of the Bank of Italy were sold - at nominal value, coinciding with the carrying value - for a price of approximately €404 million. Following the completion of the transaction, the Intesa Sanpaolo Group's stake in the Bank of Italy's share capital decreased to 27.46%.

On 7 March 2017, the Intesa Sanpaolo Group announced that it signed an agreement in respect of the sale of its entire stake in Allfunds Bank.

Allfunds Bank is a multimanager distribution platform for asset management products targeted to institutional investors and is 50%-held by Eurizon Capital SGR (in turn, 100%-owned by Intesa Sanpaolo) and 50% by AFB SAM Holding (Santander Group).
On 21 November 2017, the sale was finalised for a cash consideration of around €930 million. The finalisation of the transaction generates a net capital gain of around €800 million for the Intesa Sanpaolo Group's consolidated income statement in the fourth quarter of 2017.

In May, Intesa Sanpaolo launched a 750 million euro Additional Tier 1 issue targeted at international markets, with characteristics in line with the CRD IV regulation. It is and listed on the Luxembourg Stock Exchange as well as the usual Over-the-Counter market.
The Additional Tier 1 is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be early redeemed by the issuer after 7 years from the issue date and on every coupon payment date thereafter.
The issuer will pay a fixed rate coupon of 6.25% per annum, payable semi-annually in arrears every 16 May and 16 November of each year, with the first coupon payment on 16 November 2017. The compounded yield to maturity is 6.348% per annum, equivalent to the 7-year Mid Swap Rate in Euro reckoned at the moment of issuance plus a spread equal to 585.6 basis points. In the event that the early redemption rights are not utilised on 16 May 2024, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier 1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.

For some time Intesa Sanpaolo has held an investment of 15.33% in the capital of the Chinese Bank of Qingdao (BQD). This was Intesa Sanpaolo's first investment on the Chinese market (2007), and was followed by additional investments in asset management through Eurizon Capital, which owns 49% of Penghua Fund Management, and the establishment in 2016 of its own operating company in wealth management, Qingdao Yicai Wealth Management Co. Ltd. (Yi-Tsai), whose shareholders are the parent company, Fideuram – Intesa Sanpaolo Private Banking and Eurizon Capital.

Intesa Sanpaolo has strongly contributed to developing the Chinese bank's business through a Framework Agreement and a Co-operation Agreement concerning reciprocal consulting and coordination on matters pertaining to appointments of managers, transactions on capital and/or extraordinary transactions, strategic plans and limits to investments by Intesa Sanpaolo in other Chinese commercial banks, while granting an exclusive as foreign banking investor in the capital of BQD. Cooperation has also been developed through direct appointment by Intesa Sanpaolo of several top managers of the bank.

In 2015 the Chinese bank began the process for listing on the Hong Kong stock exchange, which was completed with the IPO reserved for new shareholders, carried out in December 2015.

Following the listing and the dilution of Intesa Sanpaolo's equity interest, Intesa Sanpaolo and BQD were compelled to significantly revise the previous Co-operation Agreements and align them with the limits permitted by local laws on listed companies. In March the two banks signed a new Co-operation Agreement which, different to the previous one, which had set out precise commitments for the counterparties, exclusively envisages a type of commercial co-operation, without binding obligations of the parties, mainly between BQD and the recently established newco set up by Intesa Sanpaolo (Yi-Tsai). The

managers appointed by Intesa Sanpaolo, in the meantime, were also re-assigned to other positions as part of the Group's business relating to the Chinese market.

As a result of this changed relationship between Intesa Sanpaolo and BQD, the investment, which was previously classified under investments subject to significant influence, was reclassified to financial instruments available for sale, as the requirements of IAS 28 to classify the investment under associates ceased to exist. As a result of that reclassification, the investment was designated at fair value (equal to the stock exchange price) at the time of the reclassification, resulting in the recognition of a positive effect on the income statement of €131 million gross (€128 million net of taxes), to which the release of reserves for foreign exchange differences accrued since the start of the investment (equal to €58 million) and AFS reserves for €1 million must be added.

In 2008 Intesa Sanpaolo invested in the Nuovo Trasporto Viaggiatori (NTV), acquiring an initial stake of 20%, which was later raised, through the subscription of new rights issues, to 24.46%, for a total amount of €92 million. NTV was established in December 2006 as an alternative rail transport provider to Trenitalia, offering services on the country's high-speed rail network

The economic and financial difficulties faced by the company in its first few years of business led, over the years, to the need to write down the investment in the consolidated financial statements of Intesa Sanpaolo. As at 31 March 2017, the investment was carried at equity for a value of approximately €13 million and was classified as an investment subject to significant influence in accordance with IAS 28.

On 29 June 2017, Intesa Sanpaolo sold a 4.74% stake in NTV to the Luxembourg fund Peninsula Investments II S.C.A. for approximately €24 million. The disposal generated a net gain of approximately €21 million. More recently, thanks to its positive business performance, NTV had the opportunity to optimise its capital structure through the refinancing of its debt, most of which was held with the Intesa Sanpaolo Group. The refinancing initiative primarily involved the placement of a €550 million bond, which enabled NTV to close its finance lease exposure with the Intesa Sanpaolo Group's, thereby reducing the share of NTV debt held by the Intesa Sanpaolo Group significantly from 86% to 21%.

Following the disposal of the 4.74% stake in NTV, which reduced the stake currently held by Intesa Sanpaolo in NTV to 19.72%, and the new structure of the company's financial exposure, the investment was reclassified to financial instruments available for sale (AFS), given that the conditions envisaged by IAS 28 for the classification of the investment as subject to significant influence no longer held. The original NTV shareholder's agreement initially signed by the shareholders, under which Intesa Sanpaolo enjoyed veto rights, expired in 2013 and has since not be renewed. As required by IAS/IFRS, the remaining equity investment in NTV was remeasured at its fair value upon reclassification (corresponding to the pro-rata share held of the comprehensive value of the company as at the date the stake was sold), which resulted in the recognition of an additional gain of 87 million, net of tax, in the income statement. Overall, the partial disposal of the stake in NTV and the reclassification of the remaining equity investment to the AFS portfolio had a positive impact of €108 million, net of tax, on the consolidated income statement of Intesa Sanpaolo.

On 26 July 2017 Burlington Loan Management DA, Pirelli & C. S.p.A. Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Fenice S.r.l. (the latter four, the "sellers"), entered into a sale and purchase agreement, pursuant to which Burlington, through a directly or indirectly wholly-owned Italian newco will purchase from the Sellers 611,910,548 shares of Prelios S.p.A. at a price of €0.105 per share. The Sellers and Burlington subsequently executed, on 2 August 2017, an amendment agreement by virtue of which the price agreed for the purchase and sale of the shares was set at €0.116 per share, with an increase of 10.48%. Therefore, the total, which shall be paid by the purchaser to the sellers in one instalment at closing, is equal to €70,981,624 (€13,659,289 shall be paid to Intesa Sanpaolo). The closing of the operation, subject to a series of conditions precedent, is expected by the end of the year, with final date on 31 January 2018.

Pursuant to art. 106, first paragraph of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), the purchaser shall be required to launch a mandatory tender offer on the remaining ordinary shares of Prelios at the same price paid to the sellers for the acquisition of the shares. As a consequence, the market could benefit from the increase in the agreed price per share. At the same time, the sellers will benefit from any possible price increase offered by the purchaser in the context of the tender offer.

On 27 July 2017, Engineering and Intesa Sanpaolo signed an agreement for the sale of 100% of the share capital of Infogroup, held by the Intesa Sanpaolo Group. Infogroup serves companies within the Intesa Sanpaolo Group by providing transaction banking services, corporate customer assistance, competence centres, management services and solutions, bancassurance, compliance and document management. The

non-captive revenues are distributed mainly among services for banks and insurance companies, loyalty/e-commerce and financial information services.

The agreement includes, among other things, the establishment of a commercial agreement between Infogroup and the Intesa Sanpaolo Group, and maintaining employment levels. The transaction, expected to be completed by the end of the year, is only subject to the required authorisations from the competent authorities being received.

Pursuant to IFRS 5, the investment in Infogroup was reclassified under discontinued operations starting from the Interim Statement as at 30 September 2017, as illustrated in greater detail in the chapter on "Accounting policies".

On 23 August 2017, Intesa Sanpaolo and the shareholders of Morval Vonwiller Holding SA reached an agreement for the sale to Intesa Sanpaolo of the Swiss group of the same name, including Banque Morval SA, specialises in wealth and fund management through the Morval Vonwiller Holding Group. Through Banque Morval and the other companies of the Group, Morval Vonwiller Holding SA offers all the services of a banking organisation that specialises in wealth and fund management.

The agreement is in line with Intesa Sanpaolo's strategic plan to strengthen its presence on international markets in the field of private banking. The transaction is subject to obtaining all necessary regulatory authorisations. This process is expected to be concluded in the initial months of 2018.

On 13 September 2017, Intesa Sanpaolo and UniCredit completed the sale of 2,971,186 ordinary shares equal to 11.176% of the ordinary share capital of Eramet S.A., a French mining and metal processing company, equal to the respective entire investments held by the two banks in the company. Specifically, Intesa Sanpaolo sold 7.114% of the capital, which was posted under Assets available for sale. The transaction, realised through accelerated book-building targeted at Italian qualified investors and international institutional investors, closed with a final price of €57.00 per share.

On 18 September 2017, an ordinary share buy-back programme was launched and concluded. The programme executes a plan that assigns, free of charge, ordinary shares of Intesa Sanpaolo to the Intesa Sanpaolo Group's employees; this covers the share-based incentive plan for 2016 reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold", as well as for those who, among Managers or Professionals that are not Risk Takers, accrue "relevant bonuses", as approved by the Intesa Sanpaolo Shareholders' Meeting of 27 April 2017. Several subsidiaries also terminated their purchase programmes of the Parent Company's shares to be assigned, free of charge, to their employees. The programmes were approved by their respective corporate bodies within their remits and are analogous to the programme approved at the Parent Company's Shareholders' Meeting.

Specifically, on the day of execution of the programme, the Intesa Sanpaolo Group purchased a total of 8,091,160 Intesa Sanpaolo ordinary shares, through Banca IMI (which was responsible for the programme execution), representing approximately 0.05% of the ordinary share capital and total share capital of the Parent Company (comprising ordinary shares and savings shares), at an average purchase price of €2.937 per share, for a total countervalue of €23,762,245. The Parent Company purchased 4,263,325 shares at an average purchase price of €2.937 per share, for a countervalue of €12,520,115.

On 21 September 2017, the offering period relating to the subordinated Tier 2 bond issue targeted at qualified investors and high-net-worth individuals on the domestic market ended with the assignment of a nominal amount of €723,700,000. It is a 7-year, floating-rate bond issue to be redeemed in whole at maturity. The coupon, payable quarterly in arrears on 26 March, 26 June, 26 September and 26 December of each year, from 26 December 2017 to 26 September 2024, is equal to 3-month Euribor plus 190 basis points per annum. The offer price was set at 100%. The settlement date was 26 September 2017. The minimum denomination of each bond is €100,000.

On 29 September 2017, Intesa Sanpaolo and other Intesa Sanpaolo Group companies contributed a series of properties to two closed-end real estate funds managed by InvestiRE SGR. At the same time, the contributing companies sold 70% of the quotas of these two funds to third-party investors. A put & call agreement was signed for the full sale, within 18 months and at the same conditions, of the remaining 30% of the quotas of the two funds. A portion of the properties contributed was then leased by the same Intesa Sanpaolo Group companies that had contributed them.

As at 30 September 2017, levies and other charges concerning the banking industry (excluding items deriving from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca) amounted to

€639 million for the Intesa Sanpaolo Group, net of tax (€938 million before tax) compared to €182 million in the first nine months of 2016 (€263 million before tax), and consisted of charges for ordinary contributions to resolution and guarantee funds (€202 million net of tax, equal to €291 million before tax), charges deriving from the further impairment of the Atlante Fund investment (€301 million net of tax, equal to €449 million before tax), as well as charges relating to Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato (€101 million net of tax, equal to €150 million before tax), whose restructuring was approved by the Management Board of the Voluntary Scheme for the purpose of their subsequent sale to Cariparma, including an increase in the financial allocation of the Scheme by an additional €95 million and a new structure of the restructuring for a total amount of €640 million. The caption also included €35 million, net of tax, in charges incurred in relation to the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca.

Sovereign risk exposure

As at 30 June 2017, Intesa Sanpaolo Group's exposure in securities to Italian sovereign debt to a total of approximately €85 billion, in addition to receivables for approximately €14 billion. The security exposures increased slightly compared to €86 billion as at the 31 December 2016.

Management

Board of Directors

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

Member of the Board of Director	**Position**	**Principal activities performed outside Intesa Sanpaolo S.p.A., where significant with respect to the Issuer's activities (to be updated)**
Gian Maria Gros-Pietro	Chairman	Chairman of ASTM S.p.A. Director of Edison S.p.A.
Paolo Andrea Colombo [(a)]	Deputy Chairperson	Chairman of Colombo & Associati S.r.l. Chairman of Saipem S.p.A.
Carlo Messina [(*)]	Managing Director and CEO	None
Bruno Picca	Director	Director of Intesa Sanpaolo Group Services S.c.p.A.
Rossella Locatelli [(a)]	Director	Chairman of Bonifiche Ferraresi S.p.A. Member, Oversight Committee of Darma SGR, a company under compulsory liquidation Chairman of B.F. Holding Member, Oversight Committee of Sofia Gestione del Patrimonio SGR in special administration
Giovanni Costa	Director	Director of Edizione S.r.l.
Livia Pomodoro [(a)]	Director	None
Giovanni Gorno Tempini	Director	Director of Willis S.p.A. Chairman of Fondazione Fiera Milano

Member of the Board of Director	Position	Principal activities performed outside Intesa Sanpaolo S.p.A., where significant with respect to the Issuer's activities (to be updated)
		Director of Avio S.p.A.
Giorgina Gallo [(a)]	Director	Director of Zignago Vetro S.p.A.
Franco Ceruti	Director	Director of Intesa Sanpaolo Expo Institutional Contact Sr.l. Director of Intesa Sanpaolo Private Banking S.p.A. Director of Mediocredito Italiano S.p.A. Director of Banca Prossima S.p.A. Director of Intesa Sanpaolo Assicura S.p.A.
Gianfranco Carbonato [(a)]	Director	Chairman of Prima Industrie S.p.A. Chairman of Prima Power North America Inc., Arlington Heights, Chicago (Illinois), USA Director of Prima Power Suzhou Co. Ltd.., Suzhou, P.R.C.
Francesca Cornelli [(a)]	Director	Director of Swiss Re Europe Director of Swiss Re lnternational Director of Swiss Re Holding Director of Telecom Italia S.p.A.
Daniele Zamboni [(a)]	Director	None
Maria Mazzarella [(a)]	Director	None
Marco Mangiagalli [(a)]	Director and Chairman of the Management Control Committee	None
Edoardo Gaffeo [(a)]	Director and Member of the Management Control Committee	None
Milena Teresa Motta [(a)]	Director and Member of the Management Control	Director of Strategie & Innovazione S.r.l. Chairman, Board of Auditors of Trevi Finanziaria Industriale S.p.A.

Member of the Board of Director	Position	Principal activities performed outside Intesa Sanpaolo S.p.A., where significant with respect to the Issuer's activities (to be updated)
	Committee	Standing Statutory Auditors of Brembo S.p.A.
Alberto Maria Pisani [(a)]	Director and Member of the Management Control Committee	None
Maria-Cristina Zoppo [(a)]	Director and Member of the Management Control Committee	Chairman, Board of Auditors of Houghton Italia S.p.A. Standing Auditor of Coopers & Standard Automotive Italy S.p.A. Standing Auditor of U.S. Alessandria Calcio S.r.l.

(*) Carlo Messina was appointed Managing Director and CEO by the Board of Directors on 28 April 2016. He is the only executive member on the Board

(a) Meets the independence requirements pursuant to Article 13.4 of the Articles of Association, the Corporate Governance Code and Article 148, third paragraph, of Legislative Decree 24 February 1998 no. 58.

Administrative and Management bodies conflicts of interests

As at the date of this Prospectus and to Intesa Sanpaolo's knowledge (also upon the examinations provided under article 36 of Law Decree 6th December, 2011 No. 201 as converted into Law No. 214 dated 22 December, 2011), no member of the Board of Directors, the Management Control Committee, or the general management of Intesa Sanpaolo is subject to potential conflicts of interest between their obligations arising out of their office or employment with the Issuer or the Intesa Sanpaolo Group and any personal or other interests, except for those that may concern transactions put before the competent bodies of Intesa Sanpaolo and or/entities belonging to the Intesa Sanpaolo Group, such transactions having been undertaken in strict compliance with the relevant regulations in force. The members of the administrative, management and control corporate bodies of Intesa Sanpaolo are required to implement the following provisions aimed at regulating instances where there exists a specific interest concerning the implementation of a transaction:

- Article 53 (Supervisory regulations) of the Banking Law and the relevant implementing regulations issued by the Bank of Italy, with particular reference to the supervisory regulations relating to transactions with related parties;
- Article 136 (Duties of banking officers) of the Banking Law which requires the adoption of a particular authorisation procedure in case an officer, directly or indirectly, assumes obligations towards the bank in which such officer has an administrative, management or controlling role;
- Article 2391 of the Italian Civil Code (*Directors' interests*); and
- Article 2391-*bis* of the Italian Civil Code (*Transactions with related parties*).

The Issuer and its corporate bodies have adopted internal measures and procedures to guarantee compliance with the above mentioned provisions.

For information on compensation and transactions with related parties of the Intesa Sanpaolo Group, see Part H of the notes to the consolidated financial statements for 2016 of Intesa Sanpaolo. See *"Information Incorporated by Reference"* section of this Prospectus.

Principal Shareholders

As at 11 October 2017, the shareholder structure of Intesa Sanpaolo was composed as follows (holders of shares exceeding 3 per cent [(*)]).

SHAREHOLDER	ORDINARY SHARES	% OF ORDINARY SHARES
Compagnia di San Paolo	1,308,804,043	8.252%
Black Rock Inc. (1)	794,646,624	5.010%
Fondazione Cariplo	767,029,267	4.836%

(*) Shareholders being fund management companies may be exempted from disclosure up to the 5% threshold.
(1) Fund management. Shareholder owning aggregate investment equal to 5.106% as per form 120 B dated 4 July 2017.

Legal Risks

In addition to brief remarks on the litigation involving anatocism and other current account or credit facility conditions, other banking products and investment services, the following paragraphs provide concise information about the individual relevant disputes (indicatively, those with a remedy sought of more than 100 million euro and where the risk of an outlay is currently deemed probable or possible).

Dispute relating to anatocism and other current account or credit facility conditions

In 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interest payable on current accounts to be unlawful. Following this decision, a series of disputes emerged on the subject of the capitalisation of interest for contracts executed prior to that date, whereas the problem was partly resolved for contracts executed after the amendment of Art. 120 of the Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**") introduced in the interim by Legislative Decree No. 342/1999, which made it legal to capitalise interest payable and receivable, provided that both occur with the same frequency.

In many cases, lawsuits pertaining to anatocism also concern other current account or credit facility conditions, such as interest rates and overdraft charges (no longer applied). The overall economic impact of lawsuits in this area remain at an insignificant level in absolute terms. The risks related to these disputes are covered by specific, adequate provisions to the allowances for risks and charges.
A new version of Art. 120 of the Banking Act banning the compounding of interest in banking transactions – without prejudice to the authority delegated to the Interdepartmental Committee for Credit and Savings ("CICR") to establish the implementing provisions envisaged in the previous text – entered into force at the beginning of 2014. In 2015 the Consumers Movement Association ("AMC") sued various banks taken by the banking industry, i.e. that the implementing resolution by the CICR was necessary. During the trial, Court of Milan handed down an order on 1 July 2015, against Intesa Sanpaolo enjoining it from compounding interest payable by its consumer customers.

In April 2016, Art. 120 of the Banking Act was amended again to permit annual compounding of interest with the customer's authorisation. The implementing resolution by the CICR was published in August 2016. According to the new provisions, it applies to interest accrued from 1 October 2016.

For the time being, the compounding of interest is not applied to consumer customers of Intesa Sanpaolo, since the above order of the Court of Milan is still in effect. A motion has been filed to quash the above order and a decision is pending.

The dispute regarding account conditions also includes the class action suit brought in 2010 by Altroconsumo against Intesa Sanpaolo concerning the illegal nature of overdraft charges. The Court of Turin ruled that overdraft charges were void according to the principle that, in the absence of a formal credit facility, any overdraft would not justify the application of additional costs to the account-holder. The decision was upheld in the second instance. Intesa Sanpaolo has brought an action before the Court of Cassation in April 2017 and the judgement is still pending. In October 2012, the overdraft charge was replaced by the expedited approval fee.

Disputes concerning other banking products

In the context of the disputes relating to other banking products, which remained at normal, limited overall levels, in recent years, there was an increase, with regard to consumer credit business, in requests from customers who repaid their loans in advance to obtain a partial refund of sums paid at the signing of the contract (by way of financial fees or insurance costs).

In particular, the complaints revolve around an unclear distinction in contracts between fees for services rendered by the disbursing entity during the process of granting the loan, which thus are not eligible for a refund in the event of early repayment, and fees relating to management of the loan over time, which are therefore eligible for a pro-rated refund in the event of early repayment.

The foregoing contractual uncertainties relate to contracts entered into until 2010, in respect of which appropriate provisions have been set aside. In contracts entered into thereafter, the aspects outlined above have been clearly and explicitly stated. This was also acknowledged by an October 2016 decision by the Coordination Panel of the Financial and Banking Arbitrator, which supports the belief that there is not a significant risk for such contracts.

Dispute pertaining to investment services

In 2017 cases of this type of dispute continued to decrease in absolute terms and in value. The risks related to this type of dispute are also covered by specific, adequate provisions to the allowances for risks and charges.

ENPAM lawsuit

In June 2015 ENPAM sued Cassa di Risparmio di Firenze (wholly owned subsidiary of Intesa Sanpaolo), along with other defendants such as JP Morgan Chase & Co and BNP Paribas, before the Court of Milan.
ENPAM's allegations concern the issuance and trading (in 2005) of several complex financial products known as “JP Morgan 69,000,000” and “JP Morgan 5,000,000” and the subsequent "swap" (held on 26 May 2006) of those products with other products known as “CLN Corsair 74,000,000”, subsequently "restructured" in 2009 and 2010. In particular, the latter products were credit-linked notes, i.e. securities the repayment of whose principal at maturity was tied to the credit risk associated with a tranche of a synthetic CDO. Due to the defaults on the CDO portfolio, the investment allegedly resulted in significant losses, for which compensation is sought.

In the writ of summons, ENPAM petitions the court to make inquiries and hand down rulings on the basis of various legal concepts (contractual and tort liability and breach of Articles 23, 24 and 30 of the Legislative Decree No. 58 of 24 February 1998, as amended (the “Financial Services Act”). It also petitions the court to order the defendants to make restitution of the sum of €222,209,776.71, in addition to interest and additional damages, and compensation for damages to be paid on an equitable basis pursuant to Art. 1226 of the Italian Civil Code". The portion attributable to the position of Cassa di Risparmio di Firenze is argued to be €103,806,716 (in addition to interest and the purported "additional damages").

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

At a preliminary stage, Cassa di Risparmio di Firenze raised various objections (including a lack of standing to be sued and the time bar of the actions brought). On the merits, it argued, among other positions, that the provisions of the Financial Services Act indicated by ENPAM were not applicable and that there was no evidence of the damages. It also disputed the quantification of the damages by ENPAM and, alternatively, that it contributed to causing the damages in question. If an unfavourable judgment is rendered, Cassa di Risparmio di Firenze has requested that the court determine its internal share of the total liability of the defendants and that the other defendants be ordered to indemnify it against any sums that it may be required to pay by the court in excess of its share of the liability, and that BNP Paribas be ordered to indemnify Cassa di Risparmio di Firenze against any sums that it is ordered to pay ENPAM. The judgement is still in its initial phase due to some processual matters.

Therefore at present it is not possible to express a reliable assessment of the risk inherent in the trial since it is still in the initial phase.

Disputes regarding tax-collection companies

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

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

A technical roundtable has been formed with Equitalia in order to assess the parties' claims.

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

The SEC (the U.S. financial market supervisory authority) has launched an investigation concerning the dealings of certain brokers, including Intesa Sanpaolo's subsidiary IMI Securities of New York, involving particular financial instruments known as "ADRs" (deposit receipts for shares issued by non-U.S. companies). IMI Securities discontinued this line of business in 2014.

In October 2016, the Antitrust Division of the Department of Justice ("DOJ") of New York launched an investigation into such dealings in ADRs, and specifically into a possible cartel formed by certain participants, including IMI Securities. In recent months, our cooperation with the supervisory authority has continued in order to focus on the operating procedures adopted by our subsidiary. The SEC's analyses have ascertained alleged deficiencies in oversight obligations in the business area of pre-released ADRs, in response to which our subsidiary has submitted counter-pleas and explanations in its defence to the SEC to mitigate the conclusions the Authority has reached.

At the end of the half year ended 30 June 2017, the discussions between SEC and IMI Securities came to a close. After complex negotiations aimed at mitigating as much as possible the risk of sanctions due to breach of control obligations in the business area of pre-released ADRs, pursuant to Section 15(b)(4)(E) of the Exchange Act and to Section 17(a)(3) of the Securities Act, in third quarter a settlement agreement was reached on the basis of , which IMI Securities paid the total sum of approximately USD 35 million, entirely covered by a provision. As to the investigation launched in October 2016 by the Antitrust Division of the Department of Justice (DoJ), concerning the same business area of pre-released ADRs, for alleged cartel among certain broker-dealers – including IMI Securities – cooperation is being provided through the submission of specific documents and information in order to clarify the position of IMI Securities.

Administrative and judicial proceedings involving the New York branch

In December 2016 a final settlement was reached with the New York State Department of Financial Services (a New York State banking supervisor) in relation to a civil penalty imposed on the Bank following a public supervisory action which is still pending with the Federal Reserve Bank related to certain weaknesses and deficiencies in the anti-money laundering controls, policies and procedures at the New York branch.

The penalty (expensed to the income statement in 2016) was USD 235 million dollars (€225 million). The settlement reached with the New York State Department of Financial Services also provided that a Remediation Plan be agreed upon between Intesa Sanpaolo and the supervisor and put in place. The relevant executive actions are ongoing under the coordination and supervision of the New York State Department of Financial Services. The supervisory action was initiated in 2007 between Intesa Sanpaolo and the New York State Department of Financial Services and the Federal Reserve Bank. The Bank was also subject to a criminal investigation initiated in 2008 by the New York District Attorney's Office and the Department of Justice into the methods used by the Bank for clearing through the United States payments in dollars to/from countries subject to U.S. economic sanctions in the years from 2001 to 2008. The criminal investigation was concluded in 2012, when both law enforcement agencies determined to terminate their investigation and not to take any action against the Bank.

IMI/SIR dispute

In judgement 11135 filed on 21 May 2015, the Court of Rome ordered Giovanni Acampora and Vittorio Metta, the latter jointly liable with the Prime Minister's Office (pursuant to Law No. 117/1988 on the accountability of the judiciary), to pay Intesa Sanpaolo €173 million net of tax, plus legal interest running from 1 February 2015 to the date of final payment, plus legal expenses.

The above judgement followed on:

- the judgement of the Rome Court of Appeal No. 1306/2013, which overturned, on the basis of judicial corruption, the judgement handed down by that same Rome Court of Appeal in 1990, ordering IMI to pay the heir of entrepreneur Nino Rovelli (who passed away in the interim) the sum of approximately 980 billion Italian lire; and
- the compensation claim put forward by Intesa Sanpaolo (successor to IMI) on the basis of the judgements establishing the criminal liability of the corrupt judge (and his accomplices) and ordering the defendants to provide compensation for damages, referring the question of the amount of such damages to the civil courts.

The Court of Rome therefore proceeded to quantify the financial and non-financial damages due to Intesa Sanpaolo for a total of €173 million net of tax and after deduction of the amounts since received by the Bank as part of the settlements with the Rovelli family and with the counterparties Previti and Pacifico.

Given that it was calculated net of tax, the award was grossed up and accounted for net of the amounts relating to: sums already recognised in the balance sheet (but not taken into account in the ruling by the Court of Rome) and to tax credits sold to Intesa Sanpaolo by the Rovelli family by way of settlement. These related to taxes previously paid by IMI as a result of the revoked, corrupt ruling, and the fiscal authorities have already been asked to pay them back. Consequently, €211 million has been booked in other operating income, along with the related taxes of €62 million.

The opposing parties have filed an appeal with a motion for a stay. The appeal briefs do not introduce any substantially new issues not considered and deemed groundless by the court.

In July 2016, the Rome Court of Appeal stayed the enforcement of the judgment of the first instance for the amount exceeding of €130 million, in addition to accessory amounts and expenses, and continued the case for the entry of pleadings at the hearing of 12 June 2018. . As a result of this decision, in December 2016 the Office of the President of the Council of Ministers credited Intesa Sanpaolo with the sum of €131,173,551.58 (corresponding to the €130 million of the order, in addition to legal interest and reimbursement of expenses). To avoid dispute, for the time being only the exact amount of the decision, without applying the "gross-up", has been demanded and collected. The case has been continued until June 2018.

Labour litigation

There were no significant cases of labour litigation from either a qualitative or quantitative standpoint as at 31 December 2016. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

Tax litigation

The Intesa Sanpaolo Group's tax litigation risks are covered by adequate provisions to allowances for risks and charges.

As at 31 December 2016, Intesa Sanpaolo has had 234 pending litigation proceedings (303 as at 31 December 2015) for a total amount of €240 million (€847 million as at 31 December 2015, including three disputes in the settlement phase the value of which was €467 million), calculated considering proceedings in both in administrative and judicial venues at various instances. As regards those situations, actual risk was quantified at €81 million as at 31 December 2016 (€229 million at the end of 2015, of which €135 million relating to litigation being settled).

At the Intesa Sanpaolo Group's other Italian companies included in the scope of consolidation (with the exclusion of Risanamento S.p.A., not subject to management and coordination by Intesa Sanpaolo), tax litigation totalled €198 million as at 31 December 2016 (€217 million at the end of 2015), covered by specific provisions of €35 million (€27 million at the end of 2015).

Tax disputes involving international subsidiaries, totalling €8 million (€537 million at the end of 2015), are covered by allowances of €3 million (€10 million at the end of 2015). The significant decrease in potential risks observed during 2016 is related to the settlement of the charge of illegal use of an offshore tax structure brought by the Italian tax authorities against the Luxembourg subsidiary Eurizon Capital S.A., (described further below.).

The main events affecting Intesa Sanpaolo Group in 2016 included the following.

On 22 March 2016, by implementing the resolution of the Management Board of 23 February 2016, the Bank finalised a framework agreement with the Italian revenue agency (“Italian Revenue Agency”) to settle three important disputes deriving from two reports on findings by the Guardia di Finanza (“Italian Tax Police”), served in September 2013 and February 2015. Under the agreement, the above mentioned disputes, which represented approximately 55% of a total value of the pending litigation of Intesa Sanpaolo, were settled for a total through the payment of €125 million, by way of principal and interest. No penalties were levied.

During the year, also the procedure was completed for 2016, the implementation of the framework agreements stipulated with the Italian Revenue Agency in 2015 for complete settlement of the charges concerning the 2005 tax period 2005, resulting was also completed. The agreement resulted in a reduction of the revenue authority's Italian Revenue Agency’s claim from the original €376 million (including tax, penalties and interest) to approximately €6 million (the so-called “Castello Finance dispute”). On 5 February 2016, the settlement led a reimbursement of €107 million, previously disbursed on a preliminary

basis by Intesa Sanpaolo, and the related interest of €6 million.

With respect to the disputes concerning the recovery of registration tax on contributions of company assets and the subsequent sale of equity investments, reclassified by the tax authorities as transfer of business units, the Regional Tax Commission of Milan issued three rulings in our favour, filed on 20 February 2017, 25 May 2017 and 7 June 2017. The first tax dispute, having an approximate value of €2 million, concerns the reclassification of a transaction involving Cassa di Risparmio del Veneto, Cassa di Risparmio di Parma e Piacenza and Banca Popolare Friuladria; the second dispute (with a value of €1.7 million) concerns the reclassification of a transaction between Cassa di Risparmio di Firenze and Cassa di Risparmio di Parma e Piacenza; the third, with an approximate value of €28 million, concerns the assessment of the higher value of the company with regard to the securities services business line contributed to Intesa Sanpaolo Servizi Transazionali (which has since been sold to State Street Bank GMBH). Even though the rulings of the lower courts have all been in our favour except for one, in these types of cases Intesa Sanpaolo prudentially considers the often unfavourable rulings of the Court of Cassation, and has made provisions to cover potential charges, calculated taking into account joint liability (with the counterparties) and the clauses of the equity sale agreements, which generally make it possible to pass on to the buyer the taxes applying to the transaction.

On 20 April 2017, the Tax Authority lodged an appeal with the Court of Cassation in a tax dispute concerning IRES (corporate income tax) and IRAP (regional tax on production) for 2008, on which the first and second instance courts had ruled in Intesa Sanpaolo's favour. The Bank then filed its defence. Differently from the Bank, the Tax Authority considers as charges equivalent for tax purposes to interest payable - subject to a limited 97% deductibility - the negative components of the fair value hedging derivatives of liabilities consisting of bonds and deposits (recognised under caption 90 of the income statement "Fair value adjustments in hedge accounting"). The aggregate value of the two joined tax disputes is €1.2 million as to IRES tax and €0.27 million as to IRAP tax, plus interest.

As concerns the reimbursement of tax credits, total credits of €105 million have been confirmed and partly reimbursed; they consist mainly of positions of the former Cassa di Risparmio della Puglia for IRPEG (former corporation tax) and ILOR (former local tax on earnings) relating to 1985 and 1986, and from 1990 to 1994 (€42 million in capital, plus interest).

In 2016 four cases of litigation with a total value of approximately €22.2 million (taxes, interest and penalties) were brought to a positive conclusion. The cases concerned registration tax paid on certain rulings of the judicial authority rendered in favour of a number of financial institutions in respect of pool loans to the Costanzo Group.

In addition, in August and November 2016, two auditors' reports, dated 27 July 2015 and 29 March 2016, issued by the Italian Revenue Agency, Emilia Romagna Regional Office, concerning the Italian corporate income tax ("IRES") of the merged company Neos Finance in tax periods 2011 and 2012, were resolved by tax settlement proposal. The claims, concerning IRES and penalties of about €3.4 million, in addition to interest, concern the determination criteria of the threshold under which the impairment of loans covered by insurance policies contracted by customers could be immediately deducted. Since the effects of the tax claim were strictly temporary, as it concerned an issue of timing only, the total effective amount of penalties and interest was €0.7 million for the two years.

The most significant tax disputes of the former Centro Leasing, relating to the years from 2003 to 2007 (total value of approximately €41.7 million) and primarily concerning lease-back transactions, were resolved in December 2016. Resolution of the cases entailed the payment of €1.8 million (taxes of €0.8 million, interest of €0.2 million and penalties of €0.8 million), covered in their entirety by previous provisions.

Turning to the other Intesa Sanpaolo Group companies, an agreement was reached with the Italian Revenue Agency, Emilia Romagna Regional Office, to settle the claims concerning the tax treatment by Intesa Sanpaolo Group's banks based in the region (Cariromagna, Carisbo and the merged Banca Monte Parma) of the losses related to the transfer of loans to customers out of the performing category, subject to lump-sum write-downs, to positions subject to individual impairment testing, as a consequence of their involvement in insolvency procedures. The total risk associated with the claims in question, €61 million, was settled for a total charge of €3 million (taxes of €2 million, interest of €0.3 million and penalties of €0.7 million). Deferred tax assets were recognised on the basis of the tax charge, which may be recovered in tax periods after the periods of assessment, since they derive from a challenge of jurisdiction. Consequently, the actual charge in the income statement is represented by the interest and penalties only, for a total of €1 million.

With respect to Mediocredito Italiano, on 29 June 2016, the Italian Revenue Agency, Lombardy Regional Office, served a report on findings relating to a tax audit launched on 9 April 2014 concerning direct taxes, Italian regional tax on productive activities ("IRAP"), VAT and obligations of the tax collection agents

relating to the 2011 tax period. The audit concluded without any findings against Mediocredito Italiano. As for previous disputes, a dispute concerning VAT for 2007, involving allegedly non-existent transactions and boat leasing (€6 million), was settled in a manner partially favourable to the company.

The Regional Tax Commission rejected the main appeal lodged by the Revenue Agency and, granting the cross-appeal filed by Mediocredito Italiano, annulled completely the assessment notice issued by the Revenue Agency, Large Taxpayers Office of Lombardy, concerning VAT in 2007 on boat leasing contracts of the former Intesa Leasing (value of the dispute €6.6 million including tax and penalties, plus interest).

As regards to Intesa Sanpaolo Group Services, on 26 May 2017 the tax assessment concerning IRES and IRAP for tax years from 2011 to 2014 was settled. The assessment concerned the consideration paid for the services of a Intesa Sanpaolo Group company established in Romania supplying back office services to ISGS. The settlement led to payment of additional taxes of €1.04 million (plus interest of about €0.12 million), without penalties, and with a reduction of €0.46 million from the amount assessed (approximately 30%). Please note that in May 2017 the Revenue Agency office in Turin requested information via a questionnaire on the contribution of a business unit from Intesa Sanpaolo to Intesa Sanpaolo Group Services which took place in 2012; specifically, the information sought concerns the VAT treatment of the consideration for the services provided by Intesa Sanpaolo to some subsidiaries, through the transferred business unit, in the part of the year prior of the transfer, but which were then billed by the transferee company ISGS. To date, the company has received no tax assessment notice in this regard.

In a case involving abuse of the law, Banca IMI was served an auditors' report by the Italian Tax Police on 20 July 2016 concerning the reclassification as repurchase agreements of transactions in securities and single stock futures on regulated markets undertaken in tax periods 2011 and 2012. An agreement was reached with the Italian Revenue Agency for 2011, under which it settled the claims were settled for a total charge of €1.8 million , compared to total claims of €25.6 million . Negotiations to reach a settlement on the basis of the same criteria applied for 2011 (the total value of the dispute is €42 million) are also under way for 2012.

In October 2016, the Italian Revenue Agency, Veneto Regional Office, served the conclusive auditors' report in the audit of Cassa di Risparmio del Veneto launched on 22 January 2016 relating to tax periods 2011 to 2014. The claims related solely to the fairness of the spread applied to Intesa Sanpaolo Bank Ireland on a subordinated loan and were resolved by levying IRES and IRAP on a total additional amount of €1.4 million for all of the tax periods considered. In the subsequent negotiations with the Italian Revenue Agency, the Veneto-based bank was able to obtain recognition of the validity of the criteria used to price the disputed transaction and to have the charge for 2011 reduced to tax and interest of €0.02 million, without penalties. On this basis, claims relating to the 2011 tax period was resolved through a tax settlement proposal. The same criteria will also be applied to the subsequent years, from 2012 to 2014, which will be settled in 2017.

The dispute with the Italian revenue authority concerning the Luxembourg subsidiary Eurizon Capital S.A. ("EC LUX"), as set out in the auditors' report dated 10 February 2015 issued by the Italian Tax Police, was settled in December 2016. Based on the claim (supported by documentation obtained by the auditors while at the offices of Eurizon SGR ("EC SPA"))") that the company is resident in Italy for tax purposes due to the alleged presence in Italy of its administrative office and primary place of business, the auditors' report charged the company with failing to report income of approximately €731 million for the periods from 2004 to 2013. In June 2015, EC LUX received notices for the periods from 2004 to 2008 (a total of €122 million of IRES due, plus interest and penalties), which it appealed, providing evidence that it had operated in Luxembourg since 1988 with over 50 highly qualified employees primarily dedicated to managing, marketing and administering Luxembourg funds, it is subject to supervision by the local authorities and has always acted in full compliance with Italian tax law and the treaty for the avoidance of double taxation between Italy and Luxembourg.

In 2016 the Italian Revenue Agency, Lombardy Regional Office, which has jurisdiction over EC SPA, in coordination with Provincial Department 1 ("DP1"), reviewed the claims and conducted further inquiries concerning the relations between EC SPA and the Luxembourg subsidiary during the tax periods from 2011 to 2015. Following its review, the Regional Office concluded, in support of the soundness of the company's arguments, that during the periods 2003 to 2013 the Luxembourg company could not be considered to constitute an illegal offshore tax structure. However, according to the Regional Office, a part of the "profit" earned in the years in question by EC LUX should have been attributed to EC SPA, due to the alleged functional integration of the two companies and the contribution to management provided by the Italian parent to the Luxembourg subsidiary. According to a profit allocation model essentially based on a profit split, the Regional Office assigned EC SPA total taxable revenue for tax periods 2011 to 2015 of €102 million and total additional taxes due of €35 million, in addition to interest of €3 million, without any penalties. In addition, the Luxembourg company was permitted to file a petition (subject to review by the Luxembourg tax authority) to recover the taxes paid in Luxembourg on the taxable revenue attributed by

the Regional Office to EC SPA, estimated at approximately €8 million.

Although EC SPA considers its position on transfer prices to be sound, a settlement was viewed in a favourable light due to the connection to the dispute concerning the illegal use of an offshore tax structure involving the Luxembourg subsidiary, which the Italian Revenue Agency simultaneously dismissed. In the agreement, finalised in December 2016, the Italian Revenue Agency thus acknowledged that it "considered the claims of illegal use of an offshore tax structure brought against Eurizon Capital SA in the auditors' report drafted on 12 February 2015 for the years 2004-2013 to be no longer current" and that it had "taken internal review measures with regard to the assessments issued to Eurizon Capital SA". In this framework, EC SPA has also filed a petition for an international transfer pricing ruling, so as to subject the adequacy of the transfer pricing system currently applied in dealings with foreign subsidiaries to more impartial, technical review. The ruling will enter into effect from the tax period in which the agreement is signed with the Italian Revenue Agency, but with possible retroactive effect, without the application of penalties, from the tax period in which the petition is filed (2016).

In November 2016, the Italian Revenue Agency, Lazio Regional Office, served Fideuram Vita with an auditors' report in which it proposed IRES and IRAP be levied on the additional sums of €0.75 million in 2012 and €0.01 million in 2013. Negotiations with the Italian Revenue Agency to settle the dispute are in progress.

In December 2016, an auditors' report issued by the Italian Revenue Agency, Lombardy Regional Office, in 2015 to Fideuram Investimenti SGR concerning IRES and IRAP for 2011, and specifically the fairness of the prices applied to outsourced management of investment funds on behalf of the Irish sister company Fideuram Asset Management Ireland, was settled. Resolution of the dispute entailed a total cost, by way of taxes and interest, of €2.3 million. An appropriate provision continues to be carried to cover the risk of a potential liability in connection with the same alleged irregularities in the subsequent periods of 2012 and 2013.

Cassa di Risparmio di Firenze received a request for clarification, for the years 2011 to 2013, concerning the VAT deductibility regime applied to purchases of goods and services by the merged Immobiliare Nuova Sede S.r.l., the builder of a property complex intended for use as the Bank'sbank's new headquarters. At present, no assessment notices have been served.

In December 2016, Intesa Sanpaolo Private Banking and Intesa Sanpaolo, as consolidating entity, were served assessment notices by the Italian Revenue Agency, Lombardy Regional Office, concerning claims involving 2011 IRES and IRAP. The notices claim that the tax realignment pursuant to Law Decree 185/2008 of the goodwill resulting from the contribution of business units by Intesa Sanpaolo and by Cariromagna and the resulting deduction of amortisation charges were unlawful. Due to the inability to deduct the portion (one-tenth) amortised in 2011, amounting to €11.6 million, the Italian Revenue Agency claimed additional IRES and IRAP of €3.8 million, penalties of €3.4 million and interest. After verifying that its behaviour was consistent with practice (Revenue Agency Circular 8/E of 4 March 2010), the company decided to conduct a defence in the appropriate legal venues. No provision was recognised, since the risk of a tax liability was regarded as remote.

Intesa Bank Russia is a party to an ongoing tax dispute concerning 2010 and 2011. The local tax authorities have disputed the application of the withholding of 0% envisaged in the treaty for the avoidance of double taxation in effect between Russia and Luxembourg on the interest paid by the Russian bank to Intesa Sanpaolo Holding International S.A. ("ISPHI") in respect of certain financing contracts. According to the Russian tax authorities, the beneficial owner of the interest is Intesa Sanpaolo and not ISPHI, characterised as a mere "conduit company". As a result, the interest paid by Intesa Bank Russia should have been subject to the 10% withholding tax envisaged in the Italy - Russia treaty. The value of the dispute, approximately €1.6 million (taxes, interest and penalties), has already been paid in full to the local tax authority. The third instance of the dispute, as the first two, was unfavourable to the company. The dispute in question could be extended to other years and financing transactions undertaken with other Intesa Sanpaolo Group companies, but at present the risk of a potential tax liability is deemed remote in that no back-to-back loans have been issued since 2012.

With regard to tax disputes in the first half of 2017, Intesa Sanpaolo has incurred no new disputes for significant amounts. However, it should be noted that on 15 May 2017 a general tax audit was launched by the Piedmont Regional Office - Large Taxpayers Office, concerning tax period 2014.

The main developments in the tax disputes already under way at the end of 2016 concerning the Parent Company are reported hereunder.

On 20 April 2017, the Tax Authority lodged an appeal with the Court of Cassation in a tax dispute concerning IRES (corporate income tax) and IRAP (regional tax on production) for 2008, on which the first and second instance courts had ruled in Intesa Sanpaolo's favour. Intesa Sanpaolo then filed its defence. Differently from Intesa Sanpaolo, the Tax Authority considers as charges equivalent for tax purposes to interest payable - subject to a limited 97% deductibility - the negative components of the fair value hedging derivatives of liabilities consisting of bonds and deposits (recognised under caption 90 of the income statement "Fair value adjustments in hedge accounting"). The aggregate value of the two joined tax disputes is 1.2 million euro as to IRES tax and 0.27 million euro as to IRAP tax, plus interest.

As concerns the reimbursement of tax credits, total credits of 105 million euro have been confirmed and partly reimbursed; they consist mainly of positions of the former Cassa di Risparmio della Puglia for IRPEG (former corporation tax) and ILOR (former local tax on earnings) relating to 1985 and 1986, and from 1990 to 1994 (42 million euro in capital, plus interest).

Also considering the absence of significant changes compared to 31 December 2016, the tax litigation risks are deemed to be covered by adequate provisions to allowances for risks and charges.

OVERVIEW OF THE FINANCIAL INFORMATION OF THE INTESA SANPAOLO GROUP

Audited Consolidated Annual Financial Statements

The annual financial information below as at and for the years ended 31st December, 2015 and 31st December, 2016 has been derived from the consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December, 2016 (the "**2016 Audited Financial Statements**") and as of and for the year ended 31 December, 2015 (the "**2015 Audited Financial Statements**"). Statements") and as of and for the year ended 31 December, 2015 (the "**2015 Audited Financial Statements**"). Certain income statement comparative data related to 2015 has been restated, in accordance with IFRS 5, with respect to the data previously presented in the audited consolidated financial statements as of and for the year ended 31 December 2015 to account for the sale of the controlled subsidiaries Setefi and Intesa Sanpaolo Card. Also, certain income statement comparative data related to 2014 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 2014, in order to account for the reconsolidation of Pravex Bank - previously recorded as discontinued operations in accordance with IFRS 5 - following termination of the sale agreement in the first half of 2016.

Half-Yearly Financial Statements

The half yearly financial information below as at and for the six months ended 30 June 2017 has been derived from the unaudited condensed consolidated half yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2017 (the "**2017 Half-Yearly Unaudited Financial Statements**") that include comparative balance sheet figures as at 31 December 2016 and income statement figures for the six months ended 30 June 2016.

Incorporation by Reference

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

Accounting Principles

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

INTESA SANPAOLO
CONSOLIDATED ANNUAL BALANCE SHEET
AS AT 31/12/2016

	31.12.2016	31.12.2015
Assets	**Audited**	**Audited**
	(in millions of €)	
Cash and cash equivalents	8,686	9,344
Financial assets held for trading	43,613	51,597
Financial assets designated at fair value through profit and loss	63,865	53,663
Financial assets available for sale	146,692	131,402
Investments held to maturity	1,241	1,386
Due from banks	53,146	34,445
Loans to customers	364,713	350,010
Hedging derivatives	6,234	7,059
Fair value change of financial assets in hedged portfolios (+/)	321	110
Investments in associates and companies subject to joint control	1,278	1,727
Technical insurance reserves reassured with third parties	17	22
Property and equipment	4,908	5,367
Intangible assets	7,393	7,195
of which		
– *goodwill*	4,059	3,914
Tax assets	14,444	15,021
a) current	3,313	3,626
b) deferred	11,131	11,395
– *of which convertible into tax credit (Law no. 214/2011)*	8,491	8,749
Non-current assets held for sale and discontinued operations	312	27
Other assets	8,237	8,121
Total Assets	**725,100**	**676,496**

INTESA SANPAOLO
CONSOLIDATED ANNUAL BALANCE SHEET
AS AT 31/12/2016

Liabilities and Shareholders' Equity	**31.12.2016 Audited**	**31.12.2015 Audited**
	(in millions of €)	
Due to banks	72,641	59,327
Due to customers	291,876	255,258
Securities issued	94,783	110,144
Financial liabilities held for trading	44,790	43,522
Financial liabilities designated at fair value through profit and loss	57,187	47,022
Hedging derivatives	9,028	8,234
Fair value change of financial liabilities in hedged portfolios (+/-)	773	1,014
Tax liabilities	2,038	2,367
a) current	497	508
b) deferred	1,541	1,859
Liabilities associated with non-current assets held for sale and discontinued operations	272	-
Other liabilities	11,944	11,566
Employee termination indemnities	1,403	1,353
Allowances for risks and charges	3,427	3,480
a) post employment benefits	1,025	859
b) other allowances	2,402	2,621
Technical reserves	85,619	84,616
Valuation reserves	-1,854	-1,018
Redeemable shares	-	-
Equity instruments	2,117	877
Reserves	9,528	9,167
Share premium reserve	27,349	27,349
Share capital	8,732	8,732
Treasury shares (-)	-72	-70
Minority interests (+/-)	408	817
Net income (loss)	3,111	2,739
Total Liabilities and Shareholders' Equity	**725,100**	**676,496**

INTESA SANPAOLO
CONSOLIDATED ANNUAL STATEMENTS OF INCOME
FOR THE YEAR ENDED 31/12/2016

The annual financial information below includes comparative figures as at and for the year ended 31st December, 2015.

	31.12.2016 Audited	31.12.2015 Audited	31.12.2015 Restated Unudited
		(in millions of €)	
Interest and similar income	12,865	14,148	14,148
Interest and similar expense	-4,250	-4,910	-4,910
Interest margin	**8,615**	**9,238**	**9,238**
Fee and commission income	8,465	8,735	8,723
Fee and commission expense	-1,730	-1,686	-1,828
Net fee and commission income	**6,735**	**7,049**	**6,895**
Dividend and similar income	461	378	378
Profits (Losses) on trading	527	285	285
Fair value adjustments in hedge accounting	-34	-68	-68
Profits (Losses) on disposal or repurchase of	990	1,205	1,205
a) loans	-34	-44	-44
b) financial assets available for sale	990	1,452	1,452
c) investments held to maturity	-	-	-
d) financial liabilities	34	-203	-203
Profits (Losses) on financial assets and liabilities designated at fair value	1,051	977	977
Net interest and other banking income	**18,345**	**19,064**	**18,910**
Net losses / recoveries on impairment	-3,288	-2,824	-2,824
a) loans	-3,026	-2,751	-2,751
b) financial assets available for sale	-314	-203	-203
c) investments held to maturity	-	-	-
d) other financial activities	52	130	130
Net income from banking activities	**15,057**	**16,240**	**16,086**
Net insurance premiums	8,433	12,418	12,418
Other net insurance income (expense)	-10,508	-14,680	-14,680
Net income from banking and insurance activities	**12,982**	**13,978**	**13,824**
Administrative expenses	-9,505	-9,506	-9,430
a) personnel expenses	-5,494	-5,394	-5,364
b) other administrative expenses	-4,011	-4,112	-4,066
Net provisions for risks and charges	-241	-536	-535
Net adjustments to / recoveries on property and equipment	-354	-360	-357
Net adjustments to / recoveries on intangible assets	-577	-557	-554
Other operating expenses (income)	430	934	915
Operating expenses	**-10,247**	**-10,025**	**-9,961**
Profits (Losses) on investments in associates and companies subject to joint control	125	111	111
Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
Goodwill impairment	-	-	-
Profits (Losses) on disposal of investments	356	103	103
Income (Loss) before tax from continuing operations	**3,216**	**4,167**	**4,077**
Taxes on income from continuing operations	-1,003	-1,359	-1,331
Income (Loss) after tax from continuing operations	**2,213**	**2,808**	2,746
Income (Loss) after tax from discontinued operations	987	-2	60
Net income (loss)	**3,200**	**2,806**	**2,806**
Minority interests	-89	-67	-67
Parent Company's net income (loss)	**3,111**	**2,739**	**2,739**
Basic EPS – Euro	0.18	0.16	0.16

Diluted EPS – Euro	0.18	0.16	0.16

INTESA SANPAOLO
CONSOLIDATED HALF-YEARLY BALANCE SHEET
AS AT 30/06/2017

	30.06.2017	31.12.2016
	Unaudited	**Audited**
	(*in millions of €*)	
Assets		
Cash and cash equivalents	6,446	8,686
Financial assets held for trading	44,415	43,613
Financial assets designated at fair value through profit and loss	70,018	63,865
Financial assets available for sale	144,562	146,692
Investments held to maturity	2,305	1,241
Due from banks	78,147	53,146
Loans to customers	393,517	364,713
Hedging derivatives	5,209	6,234
Fair value change of financial assets in hedged portfolios (+/-)	-213	321
Investments in associates and companies subject to joint control	1,282	1,278
Technical insurance reserves reassured with third parties	16	17
Property and equipment	5,012	4,908
Intangible assets	7,413	7,393
of which		
- goodwill	4,059	4,059
Tax assets	15,951	14,444
a) current	3,656	3,313
b) deferred	12,295	11,131
– of which convertible into tax credit (Law no. 214/2011)	8,608	8,491
Non-current assets held for sale and discontinued operations	427	312
Other assets	13,511	8,237
Total Assets	**788,018**	**725,100**

INTESA SANPAOLO
CONSOLIDATED HALF-YEARLY BALANCE SHEET
AS AT 30/06/2017

	30.06.2017	31.12.2016
	Unaudited	**Audited**
	(*in millions of €*)	
Liabilities and Shareholders' Equity		
Due to banks	101,450	72,641
Due to customers	304,518	291,876
Securities issued	101,499	94,783
Financial liabilities held for trading	42,517	44,790
Financial liabilities designated at fair value through profit and loss	63,017	57,187
Hedging derivatives	8,254	9,028
Fair value change of financial liabilities in hedged portfolios (+/-)	596	773
Tax liabilities	1,972	2,038
a) current	348	497
b) deferred	1,624	1,541
Liabilities associated with non-current assets held for sale and discontinued operations	268	272
Other liabilities	20,236	11,944
Employee termination indemnities	1,445	1,403
Allowances for risks and charges	5,132	3,427
a) post employment benefits	961	1,025
b) other allowances	4,171	2,402
Technical reserves	83,593	85,619
Valuation reserves	-1,838	-1,854
Redeemable shares	-	-
Equity instruments	4,102	2,117
Reserves	10,986	9,528
Share premium reserve	26,006	27,349
Share capital	8,732	8,732
Treasury shares (-)	-62	-72
Minority interests (+/-)	357	408
Net income (loss)	5,238	3,111
Total Liabilities and Shareholders' Equity	788,018	725,100

INTESA SANPAOLO
CONSOLIDATED HALF-YEARLY STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED 30/06/2017

The half-yearly financial information below includes comparative figures as at and for the six months ended 30th June, 2016.

	First six months of 2017 Unaudited	First six months of 2016 Unaudited
	(in millions of €)	
Interest and similar income	6,165	6,542
Interest and similar expense	-1,886	-2,187
Interest margin	4,279	4,355
Fee and commission income	4,496	4,059
Fee and commission expense	-976	-817
Net fee and commission income	3,520	3,242
Dividend and similar income	183	326
Profits (Losses) on trading	231	251
Fair value adjustments in hedge accounting	-3	-64
Profits (Losses) on disposal or repurchase of	435	711
a) loans	-19	-1
b) financial assets available for sale	479	701
c) investments held to maturity	1	-
d) financial liabilities	-26	11
Profits (Losses) on financial assets and liabilities designated at fair value	556	435
Net interest and other banking income	9,201	9,256
Net losses / recoveries on impairment	-1,583	-1,359
a) loans	-1,091	-1,317
b) financial assets available for sale	-462	-90
c) investments held to maturity	-	-
d) other financial activities	-30	48
Net income from banking activities	7,618	7,897
Net insurance premiums	3,254	5,142
Other net insurance income (expense)	-4,267	-6,088
Net income from banking and insurance activities	6,605	6,951
Administrative expenses	-4,477	-4,470
a) personnel expenses	-2,686	-2,682
b) other administrative expenses	-1,791	-1,788
Net provisions for risks and charges	-1,951	-113
Net adjustments to / recoveries on property and equipment	-166	-169
Net adjustments to / recoveries on intangible assets	-236	-272
Other operating expenses (income)	5,162	340
Operating expenses	-1,668	-4,684
Profits (Losses) on investments in associates and companies subject to joint control	329	107
Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Goodwill impairment	-	-
Profits (Losses) on disposal of investments	6	9
Income (Loss) before tax from continuing operations	5,272	2,383
Taxes on income from continuing operations	-21	-678
Income (Loss) after tax from continuing operations	5,251	1,705
Income (Loss) after tax from discontinued operations	-	105
Net income (loss)	5,251	1,810

Minority interests	-13	-103
Parent Company's net income (loss)	**5,238**	**1,707**
Basic EPS – Euro	0.31	0.10
Diluted EPS – Euro	0.31	0.10

DESCRIPTION OF INTESA SANPAOLO BANK IRELAND P.L.C.

History and Legal Status

Intesa Sanpaolo Bank Ireland p.l.c. ("**INSPIRE**") is a public limited company and a wholly-owned subsidiary of Intesa Sanpaolo S.p.A.. INSPIRE was incorporated in Ireland on 22nd September, 1987 under the Irish Companies Acts, 1963 to 1986 (now the Irish Companies Act 2014, as amended) under company registration number 125216. On 2nd October, 1998, INSPIRE was granted a banking licence by the Central Bank of Ireland under section 9 of the Irish Central Bank Act 1971 which, in accordance with the SSM is, with effect from 4th November, 2014, deemed to be an authorisation granted by the ECB under the SSM Regulation.

Given the classification of the Intesa Sanpaolo Group as a significant supervised group within the meaning of the SSM Framework Regulation (see *Risk Factors – ECB Single Supervisory Mechanism*), INSPIRE has been classified as a significant supervised entity within the meaning of the SSM Framework Regulation and, as such, is 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 Central Bank of Ireland, as Ireland's national competent authority for the purposes of the SSM Regulation and the SSM Framework Regulation, continues to be responsible, in respect of INSPIRE, for supervisory functions not conferred on the ECB. See also *Risk Factors - ECB Single Supervisory Mechanism*.

INSPIRE's registered office is located at 2nd Floor, International House, 3 Harbourmaster Place, IFSC, Dublin 1, D01 K8F1, Ireland (tel: +353 1 6726 720).

Activities

As a licensed bank, the principal areas of business of INSPIRE include:

- International lending to corporate and credit institutions on a bilateral or syndicated basis;
- Management of a portfolio of securities held for liquidity purposes;
- Treasury activities;
- Intra-group lending; and
- Issuance of guarantees and transaction services.
-

INSPIRE operates in a number of countries and its credit exposures are widely diversified geographically, with an emphasis on Europe. Based on total assets as at 31st December, 2015, INSPIRE is ranked the twentieth largest bank in Ireland[6].

Board of Directors

The current composition of the Board of Directors of INSPIRE is as follows:

Name, Title and Business Address	Principal Activities outside INSPIRE

[6] Source: The Irish Times Top 1,000 Companies, 2016.

Name, Title and Business Address	Principal Activities outside INSPIRE
Richard Barkley	Director of Tearfund Ireland
40 Dodderbank	Director of Dodderbank Management CLG
Milltown Bridge	Director of Incaplex Ltd
Dublin 14	
Ireland	
Neil Copland	Director of BNP Paribas Ireland
9 Castlefield Way, Castlefield Manor	
Knocklyon	
Dublin 16	
Ireland	
Carlo Persico	Director of Exelia S.r.l.
Intesa Sanpaolo S.p.A.	Director of Intesa Sanpaolo Brasil S.A. - Banco Multiplo
Piazza della Scala, 6	
20121 Milan	
Italy	
Andrea Faragalli Zenobi	Director of Intesa Sanpaolo Bank Luxembourg S.A.
Via della Moscova, 44	Director of Intesa Sanpaolo Group Services S.C.P.A.
20121 Milan	Director of Intesa Sanpaolo Brasil S.A – Banco Multiplo
Italy	Director of Nuovo Trasporto Viaggiatori S.p.A.
	Director of N.U.O. CAPITAL S.A.
Massimo Ciampolini	
Intesa Sanpaolo SpA	
Via Verdi, 11	

20121 Milan

Italy

Daniela Migliasso

Intesa Sanpaolo SpA

Corso Inghilterra, 3

10138 Turin

Italy

John Bowden Director of Cuan Mhuire CLG

7, Silveracre Avenue

Sarah Curran Avenue

Rathfarnham

Dublin 16

Ireland

Conflicts of Interest

INSPIRE is not aware of any potential conflicts of interest between the duties to Intesa Sanpaolo Bank Ireland p.l.c. of each of the members of the Board of Directors listed above and his private interests or other duties.

OVERVIEW OF THE FINANCIAL INFORMATION RELATING TO INTESA SANPAOLO BANK IRELAND P.L.C.

The following tables show balance sheet and income statement information of INSPIRE as at and for the years ended 31st December, 2016 and 2015. Such financial information is derived from, should be read in conjunction with and is qualified entirely by reference to the full audited unconsolidated annual financial statements of INSPIRE as at and for the years ended 31st December, 2016 and 2015, together with the accompanying notes and auditors' report, all of which are incorporated by reference in this Prospectus.

The half-yearly financial information of INSPIRE as at and for the six months ended 30th June, 2017 and 30th June, 2016 is not audited. Such financial information is derived from, should be read in conjunction with and is qualified entirely by reference to the full unaudited half-yearly financial statements as at and for the six months ended 30th June, 2017 which include comparative balance sheet and income statement figures as at 30th June, 2016, and are incorporated by reference in this Prospectus.

Section 340 ("Section 340") of the Companies Act 2014 (as amended, the "2014 Act") and regulation 3(1) ("Regulation 3(1)") of the European Union (Credit Institutions: Financial Statements) Regulations 2015 (the "2015 Regulations")

This statement is included for the purpose of compliance with Section 340, as applied to INSPIRE by Regulation 3(1). The financial information in relation to any financial year, or half-year, of INSPIRE contained in this Prospectus does not constitute statutory financial statements of INSPIRE. Statutory financial statements of INSPIRE have been prepared for the financial years ended 31st December, 2015 and 31st December, 2016 and the statutory auditors to INSPIRE have given unqualified reports under, and in the form required by, applicable Irish law on such statutory financial statements which have been annexed to the relevant annual returns delivered to the Irish Registrar of Companies. Statutory financial statements of INSPIRE are not prepared for the financial half-years ended 30th June 2016 and 30th June, 2017, the statutory auditors to INSPIRE have not reported on the financial information relating to those financial half-years and such financial information has not, and will not, be delivered to the Irish Registrar of Companies. The reason for preparing the financial information in the abbreviated form contained in this Prospectus is to provide to investors an immediate source of this limited financial information, and to enable a comparison to be drawn between that information as prepared for the different periods in respect of which it is set out. Terms used in this section and not defined herein have the meanings given to them in the 2014 Act, subject to the 2015 Regulations.

INTESA SANPAOLO BANK IRELAND p.l.c.
ANNUAL BALANCE SHEETS

	31/12/2016 Audited	31/12/2015 Audited
	(in thousands of Euro)	
ASSETS		
Cash and balance with central banks	68,909	59,715
Loans and advances to banks	9,523,936	9,677,881
Financial assets at fair value through profit or loss	-	-
Derivative financial instruments	503,577	449,790
Loans and advances to customers	1,093,565	1,059,934
Available for sale debt securities	2,675,210	2,452,022
Property, plant and equipment	22	38
Prepayments and accrued income	52	95
Deferred tax assets	366	31
Current tax	74	-
Other assets	3,798	2,906
Total assets	**13,869,509**	**13,702,412**
LIABILITIES		
Deposits from banks	1,087,883	643,371
Derivative financial instruments	715,844	603,067
Due to customers	1,461,533	1,604,386
Debt securities in issue	8,861,958	9,310,563
Repurchase agreements	508,658	290,114
Accruals and deferred income	4,959	5,763
Other liabilities	967	633
Current tax	-	17
Corporation tax and deferred income tax	1,951	3,273
Provisions for liabilities and commitments	79	182
Total liabilities	**12,643,832**	**12,461,369**
EQUITY		
Share capital	400,500	400,500
Share premium	1,025	1,025
Available for sale reserves and other reserves	517,855	529,458
Retained earnings	306,297	310,060
Total equity	**1,225,677**	**1,241,043**
Total liabilities and shareholders' funds	**13,869,509**	**13,702,412**

INTESA SANPAOLO BANK IRELAND p.l.c.
ANNUAL INCOME STATEMENTS

	31/12/2016 Audited	31/12/2015 Audited
	(in thousands of Euro)	
Interest and similar income	239,569	272,728
(Interest expense and similar charges)	(167,953)	(192,374)
Net interest income	**71,616**	**80,354**
Fees and commissions income	1,892	1,342
(Fees and commissions expense)	(9,152)	(7,936)
Net trading income / (loss)	17,159	12,604
Dividend income	7	4
Foreign exchange (loss) / profit	(108)	(141)
Release / (charge) of provisions	916	(1,115)
Net operating income	**82,330**	**85,112**
(Administrative expenses and depreciation)	(4,402)	(3,981)
(Bank and Investment Firm Resolution Fund Levy) Levy)	(2,235)	(1,033)
Operating profit/profit on ordinary activities before tax-continuing activities	**75,693**	**80,098**
(Tax on profit on ordinary activities)	(9,456)	(9,748)
Profit for the financial year	**66,237**	**70,350**

INTESA SANPAOLO BANK IRELAND p.l.c.
HALF-YEARLY BALANCE SHEETS

	30/06/2017 Unaudited	30/06/2016 Unaudited
	(in thousands of Euro)	
ASSETS		
Securities - carried at fair value	-	-
Securities - available for sale	2,196,316	2,754,427
Securities - loans and receivables	-	-
Sundry debtors and deferred expenses	2,964	3,864
Bank deposits	817,339	697,978
Loans advanced	10,688,847	9,846,631
Fixed assets	506	26
Corporation tax receivable and deferred tax	261	267
Accrued interest receivable	85	105
Derivative financial instruments	480,709	556,045
Total assets	**14,187,027**	**13,859,343**
LIABILITIES		
Funds received	2,793,801	3,000,263
Debt securities in issue	9,612,442	8,884,256
Corporation tax payable and deferred tax	1,886	2,885
Accruals & deferred income	4.946	6,547
Derivative financial instruments	580,116	763,722
Provisions for liabilities and commitments	337	64
Other liabilities	-	-
Total liabilities	**12,993,528**	**12,657,739**
EQUITY		
Share capital	400,500	400,500
Share premium	1,025	1,025
Available for sale reserves and other reserves	514,464	525,904
Retained earnings	277,510	274,175
Total equity	**1,193,499**	**1,201,604**
Total liabilities and shareholders' funds	**14,187,027**	**13,859,343**

INTESA SANPAOLO BANK IRELAND p.l.c.
HALF YEARLY INCOME STATEMENTS

	30/06/2017 Unaudited	30/06/2016 Unaudited
	(in thousands of Euro)	
Interest and similar income	98,650	123,867
(Interest expense and similar charges)	(68,683)	(86,659)
Net interest income	**29,967**	**37,208**
Net fees	(3,120)	(3,519)
Other profit / (loss)	20,720	7,927
Exchange gain / (loss)	151	41
Net operating income	**47,718**	**41,657**
(Administrative expenses)	(2,425)	(2,056)
(Bank and Investment Firm Resolution Fund Levy)	(3,134)	(2,235)
Release / (Charge) of impairment provisions	(156)	1,081
Net profit before tax	**42,004**	**38,447**
(Tax on profit on ordinary activities)	(5,262)	(4,803)
Profit after tax	**36,742**	**33,644**

DESCRIPTION OF INTESA SANPAOLO BANK LUXEMBOURG S.A.

History and Legal Status

Intesa Sanpaolo Bank Luxembourg S.A. ("**Intesa Luxembourg**") is a *Société Anonyme* ("S.A."), originally incorporated under the name Société Européenne de Banque S.A. By a decision taken at an extraordinary shareholders meeting held on 5 October 2015, the legal name of the bank was changed from Société Européenne de Banque S.A. to Intesa Sanpaolo Bank Luxembourg S.A.

Intesa Luxembourg was incorporated in Luxembourg on 2 June 1976 under Luxembourg law, notably the law of 10 August 1915, as amended. Intesa Luxembourg holds a banking licence pursuant to Luxembourg law issued on 19 May 1976 under number 23906 by the *Ministère des Classes Moyennes*.

In the context of successive group consolidations having taken place, with effect from 1 January 2002, Intesa Luxembourg incorporated all assets and liabilities of Banca Intesa International S.A., Luxembourg. With effect from 7 July 2008, Intesa Luxembourg incorporated the non-investment fund assets and liabilities of Sanpaolo Bank S.A., Luxembourg.

With effect on 1 February 2016, the activities of the former Amsterdam branch of Intesa Sanpaolo S.p.A. were transferred to a newly created branch of Intesa Luxembourg situated in Amsterdam. The transfer was in kind against the issue of 13,750 new shares directly to Intesa Sanpaolo S.p.A. consisting of EUR 4,279,308.01 to share capital and EUR 7,720,691.98 to share premium.

On 22 September 2016, Intesa Luxembourg's capital was increased from EUR 539,370,828.01 to EUR 989,370,720.28, the increase being fully subscribed by Intesa Sanpaolo Holding international S.A., a company wholly controlled by Intesa Sanpaolo S,p,A., and authorised capital has been established at EUR 1,389,370,555.36

On 3 August 2017, Intesa Sanpaolo SpA sold its 0.4325% holding of Intesa Luxembourg's share capital to Intesa Sanpaolo Holding international S.A

On 25 October 2017, Intesa Luxembourg's capital was further increased from EUR 989,370,720.28 to EUR 1,389,370,555.36, the increase being fully subscribed by Intesa Sanpaolo Holding international S.A., which remains the sole direct shareholder.

Intesa Luxembourg is registered with the Register of Commerce and Companies (*Registre de Commerce et des Sociétés*) in Luxembourg under registration number B13859.

Its registered office is located at 19-21 Boulevard du Prince Henri, L-1724 Luxembourg (tel: +352 4614111).

Activities

As a licensed bank, the principal areas of business of Intesa Luxembourg include:

- Private banking and wealth management;
- International lending to corporate and credit institutions on a bilateral or syndicated basis;
- Management of a portfolio of securities held for liquidity purposes; and
- Treasury activities.

Intesa Luxembourg's credit exposures are diversified geographically, with however an emphasis on Europe, and more particularly on Italy and Italian related risks. Based on total assets as at 31 December 2016, Intesa Luxembourg is ranked the seventh largest bank in Luxembourg (*Source: KPMG Luxemburger Wort, Luxembourg Banking Insights 2017*).

As at the date of this Prospectus, Intesa Luxembourg has 181 employees.

Board of Directors

The current composition of the Board of Directors of Intesa Luxembourg is as follows:

Name and Title	**Principal Activities outside Intesa Luxembourg**
Frédéric Genet Chairman	Director of Edmond de Rothschild (Europe) SA Director of Edify S.A. Director of Paravranches S.A. Director of SB Partners SIF SICAV S.A. Member the Board of Direct lending SCA SIF SICAV Chairman of the Board of Lyxor Investment Funds SICAV Chairman of the Board of Lyxor Index Fund Chairman of the Board of Solys Chairman of the Board of MUL Director of Lyxor Debt Fund S.A. Manager of Lyxor Titrisation 1 Sàrl Member of the Board and Audit Committee of EdRE Director of International Bankers Club Luxembourg Director of Association Victor Hugo Manager of FRGconsulting sàrl Manager of GéVin Finances sàrl
Ferdinando Angeletti Managing Director & Chief Executive Officer	Director of Intesa Sanpaolo Sec S.A. Director of Lux Gest Asset Management S.A. Director of Luxicav SICAV Director of Luxicav Plus SICAV
Walter Ambrogi Deputy Chairman	Director of Lux Gest Asset Management S.A. Director of Banca Intesa, Moscow Director of Intesa Sanpaolo Brasil S.A. Banco Multiplo
Arthur Philippe	Chairman of the Board of Kieger (Luxembourg) S.A. Vice chairman of the Board of Directors of Intesa Sanpaolo Holding International S.A. Member of the Board of Banca Intesa A.D. Beograd Manager of Sharaf Holdings Sàrl. Member of the Board of MKS Pamp Group B.V.
Francesco Introzzi	Director of Lux Gest Asset Management S.A. Director of Intesa Sanpaolo Brasil S.A. Banco Multiplo
Marco Antonio Bertotti	Member of the ECB Money Market Contact group
Christian Schaack	

	Director of Intesa Sanpaolo Holding International S.A. Director of Intesa Sanpaolo Sec S.A. Director of Vseobecna uverova banka VUB a.s. Director of Intesa Sanpaolo Servitia S.A. Director of Internaxx Bank S.A. Director of Banque Internationale à Luxembourg S.A. Director of Macaria Tiñena S.L. Member of the Board of Intesa Sanpaolo Group Services Member of the Board of Intesa Sanpaolo Brasil S.A. - Banco Múltiplo Member of the Board of Intesa Sanpaolo Bank Ireland Member of the board of Nuovo Trasporto Viaggiatori S.p.A. Member of the Board of N.U.O. CAPITAL S.A. Member of the Comitato di Investimento del Fondo Atlante SEED IMI Fondi Chiusuri Sgr – IMI Investimenti Member of Comitato Investitori di Charme II and Charme III Montezemolo e Partners SGR S.p.A.
Andrea Faragalli Zenobi	Member of the Board of Intesa Sanpaolo Group Services Member of the Board of Intesa Sanpaolo Brasil S.A. - Banco Múltiplo Member of the Board of Intesa Sanpaolo Bank Ireland Member of the board of Nuovo Trasporto Viaggiatori SpA Member of the Board of N.U.O. CAPITAL S.A. Member of the Comitato di Investimento del Fondo Atlante SEED IMI Fondi Chiusuri Sgr – IMI Investimenti Member of Comitato Investitori di Charme II and Charme III Montezemolo e Partners SGR Spa
Paul Helminger	Chairman of the Board of Directors of Luxair S.A. Chairman of the Board of Directors of Cargolux Airlines International SA Director of Intesa Sanpaolo Holding International S.A. Director of Eurizon Capital S.A. Director of Intesa Sanpaolo House Immo S.A. Director of Intesa Sanpaolo Real Estate S.A. Director of Intesa Sanpaolo Immobiliere S.A. Director of Immobel Luxembourg S.A. Director of Brasserie Nationale Bofferding S.A. Director of SnapSwap International S.A.

The business address of each member of the Board of Directors listed above is 19-21 Boulevard du Prince Henri, L-1724 Luxembourg, except for Walter Ambrogi, whose business address is Via Manzoni 4, 20121 Milan.

Conflicts of Interest

Intesa Luxembourg is not aware of any potential conflicts of interest between the duties to Intesa Luxembourg of each of the members of the Board of Directors listed above and their private interests or other duties.

INTESA SANPAOLO BANK LUXEMBOURG S.A.
OVERVIEW OF THE ANNUAL STATEMENT OF FINANCIAL POSITION AS AT 31/12/2016

	31/12/2016 Audited	31/12/2015 Audited
	(in thousands of Euro)	
ASSETS		
Cash and cash balances with central banks	79,504	54,112
Financial assets held for trading	25,469	107,139
Financial assets designated at fair value through profit or loss	16,550	18,295
Available for sale financial assets	2,944,460	2,669,278
Loans and advances to credit institutions	8,357,144	9,809,861
Loans and advances to customers	6,536,601	3,476,394
Derivatives held for hedging	842	467
Property, plant and equipment	8,192	8,756
Intangible assets	4	5
Current tax assets	1,867	-
Deferred tax assets	7,883	4,658
Other assets	17,290	10,583
Total assets	**17,995,806**	**16,159,548**
LIABILITIES		
Deposits from central banks	1,316,971	591,260
Financial liabilities held for trading	88,695	17,094
Financial liabilities designated at fair value through profit or loss	16,065	17,670
Deposits from credit institutions	584,303	478,822
Deposits from customers	5,342,661	5,299,299
Debts evidenced by certificates	8,505,566	8,085,076
Derivatives held for hedging	97,583	112,145
Provisions	2,544	2,458
Current tax liabilities	2,225	-
Deferred tax liabilities	9,819	10,295
Other liabilities	50,058	-
Total liabilities	16,016,490	**14,642,100**
SHAREHOLDERS' EQUITY		
Issued capital	989,371	535,092
Share premium	7,721	-
Revaluation reserve	4,690	13,653
Other reserves and retained earnings	855,703	805,041
Net profit for the year	121,831	163,662
Total shareholders' equity	**1,979,316**	**1,517,448**
Total liabilities and shareholders' equity	**17,995,806**	**16,159,548**

INTESA SANPAOLO BANK LUXEMBOURG S.A.
ANNUAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31/12/2016

	31/12/2016 Audited	31/12/2015 Audited
	(in thousands of Euro)	
Interest and similar income	244,580	267,583
Interest expense and similar charges	(150,611)	(137,867)
Net interest income	**93,969**	**129,716**
Fee and commission income	66,165	32,643
Fee and commission expenses	(21,542)	(16,327)
Net fee and commission income	**44,623**	**16,316**

	31/12/2016 Audited	31/12/2015 Audited
	(in thousands of Euro)	
Dividend income	916	1,319
Net (un)realised gains (losses) on financial assets and liabilities held for trading	(5,186)	(12,178)
Net (un)realised gains (losses) on financial assets and liabilities at fair value through profit or loss	(60)	(160)
Net realised gains (losses) on financial assets and liabilities not at fair value through profit or loss	27,877	59,666
Net other operating income / expenses	(5,267)	(7,783)
Administrative expenses	(34,904)	(27,652)
Provisions	(75)	(190)
Depreciation and amortisation	(613)	-
Impairment	2,776	1,526
Tax (expense) income related to profit from continuing operations	(2,225)	3,530
Net profit for the year from continuing operations	**121,831**	**163,381**
Discontinuing operations	-	281
Net profit for the year	**121,831**	**163,662**
Other comprehensive income/(loss)		
Net change in fair value on available-for-sale assets	(12,664)	195
Deferred tax relating to the components of other comprehensive income	3,700	(57)
Other comprehensive income/(loss) for the year	**(8,964)**	**138**
Total comprehensive income/(loss)	**112,867**	**163,800**

INTESA SANPAOLO BANK LUXEMBOURG S.A.
CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION AS AT 31/12/2016

	31/12/2016 Audited	31/12/2015 Audited
	(in thousands of Euro)	
ASSETS		
Cash and cash balances with central banks	79,504	54,112
Financial assets held for trading	25,469	107,139
Financial assets designated at fair value through profit or loss	16,550	18,296
Available for sale financial assets	2,944,249	2,669,067
Held-to-maturity investments	-	-
Loans and advances to credit institutions	8,357,144	9,809,861
Loans and advances to customers	6,536,601	3,476,394
Derivatives held for hedging	842	467
Property, plant and equipment	8,192	8,757
Intangible assets	15	16
Current tax assets	1,867	-
Deferred tax assets	7,883	4,658
Other assets	18,912	11,845
Total assets	**17,997,228**	**16,160,612**
LIABILITIES		
Deposits from central banks	1,316,971	591,260
Financial liabilities held for trading	88,695	17,094
Financial liabilities designated at fair value through profit or loss	16,065	17,671
Deposits from credit institutions	584,303	478,822
Deposits from customers	5,341,398	5,297,792
Debts evidenced by certificates	8,505,566	8,085,076
Derivatives held for hedging	97,583	112,145
Provisions	3,049	2,529
Current tax liabilities	2,225	-
Deferred tax liabilities	9,819	10,295
Other liabilities	51,569	29,464
Total liabilities	**16,017,243**	**14,642,148**
SHAREHOLDERS' EQUITY		
Issued capital	989,371	535,092
Share premium	7,721	-
Revaluation reserve	4,690	13,653
Other reserves and retained earnings	856,719	806,414
Net profit for the year	121,484	163,305
Total shareholders' equity	**1,979,985**	**1,518,464**
Total liabilities and shareholders' equity	**17,997,228**	**16,160,612**

INTESA SANPAOLO BANK LUXEMBOURG S.A.
CONSOLIDATED ANNUAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31/12/2016

	31/12/2016 Audited	31/12/2015 Audited
	(in thousands of Euro)	
Interest and similar income	244,583	267,584
Interest expense and similar charges	(150,610)	(137,866)
Net interest income	**93,973**	**129,718**
Fee and commission income	72,066	41,006
Fee and commission expenses	(25,623)	(22,444)
Net fees and commission income	**46,443**	**18,562**
Dividend income	36	70
Net (un)realised gains (losses) on financial assets and liabilities held for trading	(5,183)	(12,175)
Net (un)realised gains (losses) on financial assets and liabilities at fair value through profit or loss	(60)	(161)
Net realised gains (losses) on financial assets and liabilities not at fair value through profit or loss	27,877	59,666
Net other operating income / expenses	(5,182)	(7,682)
Depreciation and amortisation	(613)	(729)
Administrative expenses	(36,277)	(29,103)
Provisions	(75)	(190)
Impairment	2,776	1,526
Tax (expense) income related to profit from continuing operations	(2,231)	3,522
Net profit for the year from continuing operations	**121,484**	**163,024**
Discontinuing operations	-	281
Net profit for the year	**121,484**	**163,305**
Other comprehensive income/(loss)		
Net change in fair value on available-for-sale assets	(12,664)	195
Deferred tax relating to the components of other comprehensive income	3,700	(57)
Other comprehensive income/(loss) for the year	**(8,964)**	**138**
Total comprehensive income/(loss)	**112,520**	**163,443**
Total comprehensive income attributable to:		
Equity holders of the Bank	**112,520**	**163,443**
Non controlling interests	-	-

TAXATION

ITALIAN TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. This summary is based upon the laws and/or practice in force as at the date of this Prospectus. Italian tax laws and interpretations may be subject to frequent changes which could be made on a retroactive basis.

Taxation of the Notes issued by Intesa Sanpaolo

Tax treatment of Notes issued by the Issuer

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree 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**") deriving from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, inter alia, by Italian banks.

The provisions of Decree No. 239 only apply to notes issued by the Issuer to the extent that they qualify as bonds or debentures similar to bonds pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented. 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 to the business in connection to which the securities were issued, nor to control the same.

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, inter alia, Italian banks, other than shares and assimilated instruments.

Otherwise, Notes that do not qualify as debentures similar to bonds are characterized for Italian tax purposes as "atypical securities" and as such regulated by Law Decree No. 512 of 30 September 1983.

Italian Resident Noteholders

Pursuant to Decree 239, where the Italian resident holder of Notes issued by Intesa Sanpaolo that qualify as *obbligazioni or titoli similari alle obbligazioni*, who is the beneficial owner of such Notes, is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected or

(b) a partnership (other than a *società in nome collettivo or società 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" (unless they have entrusted the management of his financial assets, including the Notes, to an authorised intermediary and have opted for the so called "*regime del risparmio gestito"* (the "**Asset Management Regime**") according to Article 7 of Italian Legislative Decree No. 461 of 21st November, 1997, as amended ("**Decree No. 461**").

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.

Subject to certain conditions, Interest in respect of Notes issued by Intesa Sanpaolo that qualify as *obbligazioni* or *titoli similari alle obbligazioni* received by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232 of 11 December 2016 ("**Law No. 232**").

Pursuant to Decree 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società 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 ("**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 that qualify as *obbligazioni* or *titoli similari alle obbligazioni* 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 holders of the Notes included in the abovementioned "net recipients" categories 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 investors 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.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of each tax period, to be subject to 20 per cent. substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions, Interest in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 – 114, of Law No. 232.

According to Decree 239, payments of Interest in respect of the Notes issued by Intesa Sanpaolo that qualify as *obbligazioni or titoli similari alle obbligazioni* will not be subject to the *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 included in the Decree of the Minister of Finance dated 4 September 1996, as amended and supplemented from time to time (last amendment being made by Italian Ministerial Decree dated 23 March, 2017 (the "**White List**") and updated every six month period according to Article 11, par. 4, let. c) of Decree 239; and

(f) all the requirements and procedures set forth in Decree 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 239 also provides for additional exemptions from the *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 with the relevant depository a statement (*autocertificazione*) in due time stating, *inter alia*, that he or she is resident, for tax purposes, 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), is 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 and 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 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident holder of the Notes.

Non-resident holders of the Notes who are subject to substitute tax might, 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.

Taxation of Notes issued by INSPIRE or by Intesa Luxembourg

Italian resident Noteholders

Decree 239 regulates the tax treatment of interest, premiums and other income from notes issued, *inter alia*, by non-Italian resident entities. The provisions of Decree 239 only apply to Interest from those Notes issued by INSPIRE or by Intesa Luxembourg which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Decree No. 917.

Where the Italian resident holder of Notes issued by INSPIRE or by Intesa Luxembourg that qualify as *obbligazioni* or *titoli similari alle obbligazioni*, who is the beneficial owner of such Notes, is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected); or

(b) a partnership (other than a *società in nome collettivo* or *società 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" (unless they have entrusted the management of his financial assets, including the Notes, to an authorised intermediary and have opted for the Asset Management Regime).

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 239, the 26 per cent. *imposta sostitutiva* is applied by Italian Intermediaries or by permanent establishments in Italy of Intermediaries resident outside Italy. Italian Intermediaries (or permanent establishment in Italy of foreign Intermediaries) must 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 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 Noteholders.

Subject to certain conditions, Interest in respect of Notes issued by INSPIRE or by Intesa Luxembourg that qualify as *obbligazioni* or *titoli similari alle obbligazioni* received by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232.

Payments of Interest in respect of Notes issued by INSPIRE or by Intesa Luxembourg that qualify as *obbligazioni* or *titoli similari alle obbligazioni* 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) Funds, SICAVs, SICAFs, Italian resident pension funds referred to in Decree No. 252, Italian resident real estate investment funds; and (iv) Italian resident holders of the Notes included in the abovementioned "net recipients" categories 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 permanent establishment in Italy of foreign Intermediary). Where the Notes and the relevant coupons are not deposited with an Italian authorised Intermediary (or permanent establishment in Italy of foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the Noteholder and 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 would 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, and such beneficial owners should be generally entitled to a tax credit for any withholding taxes applied outside Italy on Interest on Notes issued by INSPIRE or by Intesa Luxembourg.

Italian resident investors who have opted for the Asset Management Regime are subject to the 26 per cent. annual 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.

Italian collective investment funds, SICAVs and SICAFs are not subject to such substitute tax but it is included in the aggregate income of the investment fund, SICAV or SICAFs. The investment fund, SICAV or SICAFs will not be subject to tax on the Interest, but the Collective Investment Fund Tax at the relevant applicable rate may apply on income of the investment fund, SICAV or SICAF derived by unitholders or shareholders through distribution and/or upon redemption or disposal of the units and 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, 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 to the Pension Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions, Interest in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 – 114, of Law No. 232.

Where Interest on Notes issued by INSPIRE or by Intesa Luxembourg and beneficially owned by Noteholders qualifying as net recipients, as defined above, are not collected through the intervention of an Italian Intermediary and as such no *imposta sostitutiva* is applied, the Italian resident beneficial owners qualifying as net recipients will be required to declare Interest in their yearly income tax return and subject them to final substitute tax at a rate of 26 per cent., unless option for a different regime is allowed and made. Italian resident net recipients that are individuals not engaged in entrepreneurial activity may elect instead to pay ordinary personal income taxes at the progressive rates applicable to them in respect of Interest on such Notes: if so, the beneficial owners should be generally entitled to a tax credit for withholding taxes applied outside Italy, if any.

Non-Italian resident Noteholders

Interest payments relating to Notes issued by INSPIRE or by Intesa Luxembourg and received by non-Italian resident beneficial owners are not subject to taxation in Italy.

If Notes issued by INSPIRE or by Intesa Luxembourg and beneficially owned by non-Italian residents are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign Intermediary) or are sold through an Italian Intermediary (or permanent establishment in Italy of foreign Intermediary) or in any case an Italian resident Intermediary (or permanent establishment in Italy of foreign Intermediary) intervenes in the payment of Interest on such Notes, to ensure payment of Interest without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or other intermediary a statement (*autocertificazione*) stating that he or she is not resident in Italy for tax purposes.

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree 239, where Intesa Sanpaolo issues a new Tranche forming part of a single series with a previous 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.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, securities similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

In the case of Notes issued by an Italian-resident issuer, where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are connected, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, the withholding tax is a final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income

taxation, including the withholding tax on interest, premium and other income relating to the Notes not falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) and qualify as *titoli atipici* ("atypical securities") pursuant to Article 5 of Law Decree No. 512 of 30 September 1983, if such Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 -114 of Law No. 232.

For the sake of completeness it is worth pointing out that non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction of such 26 per cent. withholding tax under the double taxation treaty (generally, to 10 per cent. or to the other applicable rates, if more favourable), if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

If the Notes are issued by a non-Italian resident Issuer, the 26 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership or (iii) a commercial private or public institution.

Payments made by the Guarantor

There is no authority directly regarding the Italian tax regime of payments on Notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not support such an alternative treatment.

With respect to payments made by Intesa Sanpaolo as Guarantor under the Trust Deed in respect of Notes issued by Intesa Luxembourg or by INSPIRE, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 26 per cent. levied as a final tax or a provisional tax ("*a titolo d'imposta o a titolo di acconto*") depending on the residential "status" of the Noteholder, pursuant to Presidential Decree No. 600 of 29 September 1973 . In the case of payments to non-Italian residents, the withholding tax should be final and may be applied at the rate of 26 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or in certain cases, nil) rate applicable of the withholding tax in case of payments to non-Italian residents.

In that event, and in accordance with Condition 12 (*Taxation*), the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders (if relevant) after such withholding or deduction of such amounts as would have been received by them if no such withholding or deduction had been required.

In accordance with another interpretation, any such payment made by the Guarantor should be treated, in certain circumstances, as a payment by the relevant Issuer and made subject to the tax treatment described above under "*Taxation of Notes issued by Intesa Sanpaolo*" and "*Taxation of Notes issued by INSPIRE or by Intesa Luxembourg*".

Capital Gains

Notes Issued by Intesa Sanpaolo

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 realised from 1 January 2012 to 30 June 2014 may be offset against capital gains realised after that date for an amount equal to 76.92 per cent. of the same capital losses.

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 following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realised from 1 January 2012 to 30 June 2014 may be offset against capital gains realised after that date for an amount equal to 76.92 per cent. of the same capital losses. 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 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 following years up to the fourth. Pursuant to Decree No. 66, depreciations of the managed assets reported during the period from 1st January 2012 to 30 June 2014 may be offset against increases in value of the managed assets accrued after that date for an amount equal to 76.92 per cent, of the same. . 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 determine 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. 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 the 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. Subject to certain conditions, capital gains realised in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 – 114, of Law No. 232.

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 the *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 in a state or territory which allows an adequate exchange of information with the Italian tax authorities included in the White List updated every six months period according to Article 11, par. 4, let. c) of Decree 239. 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 self-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 self-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.

Subject to certain conditions, capital gains in respect of Notes issued by Intesa Sanpaolo that qualify as *obbligazioni* or *titoli similari alle obbligazioni* realised upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232.

Notes issued by INSPIRE or by Intesa Luxembourg

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

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

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

Subject to certain conditions, capital gains in respect of Notes issued by INSPIRE or by Intesa Luxembourg that qualify as *obbligazioni* or *titoli similari alle obbligazioni* realised upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232 of 2016.

Under the 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 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 Decree No. 66, capital losses realized from 1 January 2012 to 30 June 2014 may be offset against capital gains realised after that date for an amount equal to 76.92 per cent. of the same capital losses.

Alternatively to the Tax Declaration Regime, 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. 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 following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realised from 1 January

2012 to 30 June 2014 may be offset against capital gains realised after that date for an amount equal to 76.92 per cent. of the same capital losses.. 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.

If the Notes are part of a portfolio managed in a regime of 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 determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the following years up to the fourth. Pursuant to Decree No. 66, Depreciations of the managed assets reported during the period from 1 January 2012 to 30 June 2014 may be offset against increases in value of the managed assets accrued after that date for an amount equal to 76.92 per cent. of the same. 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 Notes contribute to determinate the increase in value of the managed assets of the Funds, SICAVs or SICAFs accrued at the end of each tax year. Funds, SICAVs and 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, subject to 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, 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 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 the 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, to be subject to the Pension Fund Tax. Subject to certain conditions, capital gains realised in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 – 114, of Law No. 232.

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, the same exemptions illustrated under the section "*Capital gains – Notes issued by Intesa Sanpaolo*" apply to the benefit of non-Italian residents if capital gains on the Notes might become taxable due to the holding of the Notes in Italy.

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, 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:

(a) the amount of Notes issued by Intesa Sanpaolo held abroad during each tax year; and

(b) the amount of Notes, issued by INSPIRE or by Intesa Luxembourg, held abroad during each tax year.

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

Furthermore, 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 par. 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 it 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.

IRELAND TAXATION

The following summary of the anticipated tax treatment in Ireland in relation to the payments on the Notes is based on the taxation law and practice in force at the date of this document. It does not purport to be, and is not, a complete description of all of the tax considerations that may be relevant to a decision to subscribe for, buy, hold, sell, redeem or dispose of the Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Notes and the interest on them. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of interest and distributions (whether or not on a winding-up) with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation. Prospective investors should be aware that the anticipated tax treatment in Ireland summarised below may change.

Irish Withholding Tax on the Notes

In general, withholding tax at the rate of 20 per cent. must be deducted from Irish source yearly interest payments made by a company. However no withholding for or on account of Irish income tax is required to be made from interest payments in respect of the Notes in a number of circumstances.

Notes issued by Intesa Sanpaolo or Intesa Luxembourg, as the case may be

Payments of interest in respect of Notes issued by Intesa Sanpaolo, or Intesa Luxembourg, as the case may be, will be made without deduction of withholding tax in circumstances where Intesa Sanpaolo, or Intesa Luxembourg, as the case may be, does not, in issuing the Notes or making the relevant payments:

(a) operate out of Ireland; or

(b) make the payments through a paying agent located in Ireland.

Notes issued by INSPIRE having a maturity less than one year

Payments of interest in respect of Notes issued may be made without deduction or withholding of tax where the maturity of the Notes is less than one year.

Notes issued by INSPIRE having a maturity over one year

Banking exemption

The obligation to withhold tax does not apply to interest payments made by a bank such as INSPIRE in the ordinary course of a bona fide banking business in Ireland.

Quoted Eurobond exemption

Section 64 ("**Section 64**") of the Taxes Consolidation Act 1997, as amended (the "**Taxes Act**") provides for the payment of interest on a "quoted Eurobond" without a deduction of tax in certain circumstances. A quoted Eurobond is defined in Section 64 as a security which:

(a) is issued by a company;

(b) is quoted on a recognised stock exchange (this term is not defined but is understood to mean an exchange which is recognised in the country in which it is established); and

(c) carries a right to interest.

There is no obligation to withhold tax on quoted Eurobonds where:

(a) the person by or through whom the payment is made is not in Ireland, or

(b) the payment is made by or through a person in Ireland, and

(i) the quoted Eurobond is held in a recognised clearing system within the meaning of section 246A of the Taxes Act (a "**Recognised Clearing System**") (Euroclear, Clearstream, Luxembourg and Monte Titoli S.p.A. have been designated as Recognised Clearing Systems); or

(ii) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration in the prescribed format to this effect.

The Revenue Commissioners of Ireland (the "**Revenue Commissioners**") have confirmed that definitive bearer Notes issued in exchange for interests in global Notes held within a Recognised Clearing System will continue to be regarded as held within a Recognised Clearing System for the purposes of (b)(i).

Section 246(3)(h) of the Taxes Act

The obligation to withhold tax does not apply in respect of, inter alia, interest payments made by a company such as INSPIRE in the ordinary course of a trade or business carried on by it to a company resident in a relevant territory under the laws of that relevant territory provided that either:

(a) that relevant territory imposes a tax that generally applies to interest receivable in that relevant territory by companies from sources outside that relevant territory; or

(b) the company is exempted from the charge to Irish income tax under a double tax treaty in effect with Ireland or would be so exempted if a double tax treaty signed by Ireland was in effect.

The interest must not relate to an Irish branch or agency of the recipient. A relevant territory for this purpose is a Member State of the European Union, other than Ireland, or not being such a Member State, a territory which has signed a double tax treaty with Ireland. The jurisdictions with which Ireland has signed a double tax treaty are as follows: Albania, Armenia, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia and Herzegovina, Botswana, Bulgaria, Canada, Chile, China, Croatia, Cyprus, the Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Hong Kong, Hungary, Iceland, India, Israel, Italy, Japan, Kazakhstan, Republic of Korea, Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Montenegro, Morocco, the Netherlands, New Zealand, Norway, Pakistan, Panama, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, the United States of America, Uzbekistan, Vietnam and Zambia.

Negotiations for new treaties are taking place with Azerbaijan, Ghana, Oman, Turkmenistan and Uruguay.

Applicable Double Tax Treaty

A requirement to operate Irish withholding tax on interest may be obviated or reduced pursuant to the terms of an applicable double tax treaty (see above) in effect.

Discounts

The Revenue Commissioners have confirmed that discounts arising on Notes will not be subject to Irish withholding tax.

Dividend Withholding Tax

In the case of the Notes, where the consideration given by INSPIRE for the use of the principal secured is dependent on the results of its business, interest payments made will be deemed to be a distribution as prescribed by Section 130 of the Taxes Act. Accordingly, dividend withholding tax may apply.

Section 172D of the Taxes Act

This section provides that the Irish law provisions whereby an Irish resident company must withhold tax (currently 20 per cent.) when it makes a relevant distribution shall not apply in certain circumstances. Provided the requisite declarations in the prescribed format, are in place, the following are included in the categories of shareholders exempted from the scope of dividend withholding tax:

(a) a person who is neither resident nor ordinarily resident in Ireland and is a resident of a country which Ireland has signed a double tax treaty with (a "**tax treaty country**") or is a resident of an EU Member State (other than Ireland);

(b) companies which are ultimately controlled by persons who are resident in another EU Member State or tax treaty country;

(c) companies not resident in Ireland which are themselves resident in an EU Member State or tax treaty country and are not under the control, whether directly or indirectly, of Irish residents; and

(d) a company, the principal class of whose shares are substantially and regularly traded on a stock exchange, in a tax treaty country or an EU Member State or on such other stock exchange as may be approved of by the Minister for Finance.

Deposit Interest Retention Tax ("DIRT")

No DIRT will be deductible in respect of Notes which are issued by Intesa Sanpaolo or Intesa Luxembourg provided that:

(a) Intesa Sanpaolo or, as the case may be, Intesa Luxembourg is not resident in Ireland for corporation tax purposes; and

(b) the relevant Notes are recorded in the books of Intesa Sanpaolo or, as the case may be, Intesa Luxembourg other than as a liability of a branch of Intesa Sanpaolo or, as the case may be, Intesa Luxembourg situate in Ireland.

A relevant deposit taker (as defined by Section 256 of the Taxes Act) such as INSPIRE is obliged to withhold tax (at a rate of 39 per cent. to be decreased to 37 per cent. for 2018, and further decreased by 2 per cent. each year until it reaches 33 per cent.) from certain interest payments or other returns. However there are certain exceptions to this as set out below.

Insofar as the Notes constitute a debt on a security issued by INSPIRE and are listed on a stock exchange, DIRT shall not apply.

Pursuant to section 246A of the Taxes Act, in respect of any Note that is not listed on any stock exchange and matures within two years or that is a certificate of deposit, DIRT will not apply where the Note is of the requisite denomination outlined in this Document and is held in a Recognised Clearing System. If the Note is not held in a Recognised Clearing System but is of the requisite minimum denomination outlined in this Document then provided that:

(a) either:

(i) the person by whom the payment is made; or

(ii) the person through whom the payment is made,

is resident in Ireland or the payment is made by or through an Irish branch or agency through which a company that is not resident in Ireland carries on a trade or business; and

(b)

(i) the person who is beneficially entitled to the interest is a resident of Ireland who has provided their tax reference number to the payer; or

(ii) the person who is the beneficial owner of the Note and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration in the prescribed form,

then DIRT will not apply to the interest or returns thereon.

The Revenue Commissioners agree that DIRT which would otherwise be applicable will not apply to interest or other returns paid in respect of unlisted notes (such as the Notes issued by INSPIRE) that do not mature within two years, subject to certain specified conditions which are set out in the selling restrictions or below. These conditions require that:

(a) as far as primary sales of any Notes issued by INSPIRE are concerned, the dealers as a matter of contract undertake to the relevant Issuer that their action in any jurisdiction will comply with then applicable laws and regulations and that the dealers will also undertake as a matter of contract to the relevant Issuer that they will not knowingly make primary sales (or knowingly offer to do so, or distribute any material in that connection in Ireland) to any Irish residents or persons;

(b) the Notes are cleared through a Recognised Clearing System (save that such Notes represented by definitive bearer Notes may be taken out of the Recognised Clearing System and cleared outside that system, it being acknowledged that definitive bearer Notes may be issued in exchange for interests in a Global Note held in Euroclear or Clearstream, Luxembourg (in accordance with the terms of the Global Note) and, in the case of Sterling, denomination Global Notes, on demand by the holder for as long as this is a requirement);

(c) the minimum denomination in which the Notes issue is made will be €500,000 or its equivalent.

In addition, DIRT will not apply to interest or other returns on Notes in certain situations including where the person that is beneficially entitled to the interest or returns thereon is not resident in Ireland and an appropriate declaration as referred to in section 256 of the Taxes Act is made.

Encashment tax

Interest on any Note issued:

(a) by Intesa Sanpaolo or Intesa Luxembourg, as the case may be, paid by a paying agent in Ireland; or

(b) by Intesa Sanpaolo or Intesa Luxembourg, as the case may be, paid to an agent in Ireland on behalf of a holder of the relevant Note; or

(c) by INSPIRE that is a quoted Eurobond and is either held in a Recognised Clearing System (see above) or where that payment of interest was not paid by or entrusted to any person in Ireland and, in each case, was paid to an agent in Ireland acting on behalf of a holder of the relevant Note,

will generally be subject to a withholding for Irish income tax at the standard rate (currently 20 per cent.) unless it is proved, on a claim made in the required manner to the Revenue Commissioners, that the beneficial owner of the relevant Note and entitled to interest is not resident in Ireland and such interest is not deemed, under the provisions of Irish tax legislation, to be income of another person resident in Ireland.

Liability of Noteholders to Irish tax

In general, persons who are resident and domiciled in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not resident or ordinarily resident in Ireland are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

Interest earned or discount realised on Notes issued by INSPIRE would be regarded as Irish source income. Accordingly, pursuant to general Irish tax rules, such income or discount, as the case may be, would be technically liable to Irish income tax (and the universal social charge if received by an individual). Credit is available for any Irish tax withheld from income on account of the related income tax liability. Non-Irish tax resident companies, where the income is not attributable to a branch or agency of the company in Ireland, are subject to income tax at the standard rate (currently 20 per cent.). Therefore any withholding tax suffered should be equal to and in satisfaction of the full liability. However, individuals are liable to tax at a higher rate of tax (40 per cent.) plus the universal social charge on taxable income exceeding a certain threshold, the level of which depends on their individual circumstances.

Section 198 of the Taxes Act

With regard to interest earned on the Notes, Section 198 of the Taxes Act provides an exemption from Irish income tax in each of the following circumstances:

(a) where

(i) the interest is paid by a company in the ordinary course of its trade or business; and

(ii) the recipient of the interest is a company resident in an EU Member State (other than Ireland) or in a country which has signed a double tax treaty with Ireland provided that either:

(A) that relevant territory imposes a tax that generally applies to interest receivable in that relevant territory by companies from sources outside that relevant territory; or

(B) the company is exempted from the charge to Irish income tax under a double tax treaty in effect with Ireland or would be so exempted if a double tax treaty signed by Ireland was in effect; and

(b) where:

(i) the provisions of Section 64 of the Taxes Act (quoted Eurobond exemption as described above) apply; and

(ii) the recipient is either:

(A) a person who is resident in a member state of the European Union (other than Ireland) or in a country which has signed a double tax treaty with Ireland; or

(B) a company controlled, either directly or indirectly, by persons resident in a member state of the European Union (other than Ireland) or in a country which has signed a double tax treaty with Ireland and who are not under the control, whether directly or indirectly, of a person who is, or persons who are not so resident; or

(C) a company, the principal class of whose shares are substantially and regularly traded on a stock exchange, in a country which has signed a double tax treaty with Ireland or an EU Member State (other than Ireland) or on such other stock exchange as may be approved of by the Minister for Finance; and

(c) where:

(i) the provisions of section 246A of the Taxes Act apply; and

(ii) the recipient is either:

(A) a person who is resident in a member state of the European Union (other than Ireland) or in a country which has signed a double tax treaty with Ireland and who are not under the control, whether directly or indirectly, of a person who is, or persons who are not so resident; or

(B) a company controlled, either directly or indirectly, by persons resident in a member state of the European Union (other than Ireland) or in a country which has signed a double tax treaty with Ireland; or

(C) a company, the principal class of its shares are substantially and regularly traded on a stock exchange, in a country which has signed a double tax treaty with Ireland or an EU Member State (other than Ireland) or on such other stock exchange as may be approved of by the Minister for Finance.

In addition, with regard to discount arising on the Notes, section 198 of the Taxes Act provides an exemption from Irish income tax where the Notes are issued by a company in the ordinary course of its trade and the recipient of the discount is a person resident in an EU Member State (other than Ireland) or in a country which has signed a double tax treaty with Ireland.

For the purposes of (a), (b) and (c) above, residence is determined under the terms of the relevant double taxation agreement, if such exists, or in any other case, the law of the country in which the recipient claims to be resident. Where the interest is paid to a foreign company carrying on a trade in Ireland through a branch or agency or a permanent establishment to which interest paid by INSPIRE is attributable, corporation tax is payable on the interest.

Applicable Double Tax Treaty

Many of Ireland's double tax treaties (see above) exempt interest from Irish tax when received by a resident of the other jurisdiction. Thus, a Noteholder may be entitled to exemption from Irish income tax on interest, and in some cases, discounts, under the terms of a double tax treaty in effect between Ireland and the jurisdiction in which the Noteholder is resident.

Section 153 of the Taxes Act

As mentioned above, in the case of the Notes, where the consideration given by INSPIRE for the use of the principal secured is dependent on the results of its business, interest payments made will be deemed to be a distribution as prescribed by Section 130 of the Taxes Act. However, Section 153 of the Taxes Act ("**Section 153**") provides exemption from income tax on distributions for certain non-residents. The exempted non-residents are:

(a) a person who is neither resident nor ordinarily resident in Ireland and is a resident of a tax treaty country or is a resident of an EU Member State (other than Ireland);

(b) a company which is not resident in Ireland and which is ultimately controlled by persons resident in another EU Member State or in a tax treaty country;

(c) a company which is not resident in Ireland and is, by virtue of the law of a tax treaty country or an EU Member State, resident for the purposes of tax in that tax treaty country or EU Member State, but is not under the control, whether directly or indirectly, of Irish residents;

(d) companies, the principal class of whose shares are substantially and regularly traded on a stock exchange, in a tax treaty country or an EU Member State or on such other stock exchange as may be approved of by the Minister for Finance;

(e) a parent company in another EU Member State in respect of distributions made to it by its Irish resident subsidiary company where withholding tax on such distributions is prohibited under the EU Parent-Subsidiaries Directive.

Section 153 also provides that, if dividend withholding tax (see above) has been applied, and the recipient is an individual then no further Irish tax liability should exist.

Other Circumstances

If, however, the payments are not exempt and there is no double tax treaty between Ireland and the jurisdiction in which the Noteholder is resident, there is no mechanism by which the Revenue Commissioners can collect residual income tax. Therefore, there is a long standing practice (as a consequence if the absence of a collection mechanism rather than adopted policy) whereby no action will be taken to pursue any liability to such residual Irish income tax in respect of persons who are not resident in Ireland except where such persons:

(a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or

(b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or

(c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Revenue Commissioners will apply this practice in the case of the holders of Notes, and, as mentioned above, there is a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment.

Capital Gains Tax

Provided the Notes are listed on a Stock Exchange, or the Notes do not derive their value, or the greater part of their value from certain Irish land or mineral rights, then a Noteholder will not be subject to Irish tax on capital gains *provided that* such Noteholder is neither resident nor ordinarily resident in Ireland and such Noteholder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency, or a permanent establishment, to which or to whom the Notes are attributable.

Capital Acquisitions Tax

If the Notes are comprised in a gift or inheritance taken from an Irish resident or ordinarily resident disponer or if the disponer's successor is resident or ordinarily resident in Ireland, or if any of the Notes are regarded as property situated in Ireland (that is, in the case of Bearer Notes, if the Notes are physically located in Ireland or, in the case of Registered Notes, if the register for the Notes is maintained in Ireland), the disponer's successor may be liable to Irish capital acquisitions tax. Accordingly, if such Notes are comprised in a gift or inheritance, the disponer's successor may be liable to Irish capital acquisitions tax, even though the disponer may not be domiciled in Ireland. For the purposes of capital acquisitions tax it is important to note that a non-domiciled person shall not be treated as resident or ordinarily resident in Ireland except where that person has been resident in Ireland for five consecutive years of assessment immediately preceding the year of assessment in which the date of the gift or inheritance falls.

Stamp Duty

No Irish stamp duty is payable on the issue of the Notes.

Transfer of Notes issued by Intesa Sanpaolo or Intesa Luxembourg

In the case of Notes issued by Intesa Sanpaolo or Intesa Luxembourg, no Irish stamp duty is chargeable *provided that* the instrument of transfer (if any):

(a) is not executed in Ireland; and

(b) does not relate (wherever executed) to any property situated in Ireland or to any matter or thing to be done in Ireland.

Transfer of Notes issued by INSPIRE

Irish stamp duty is not chargeable on the transfer by delivery of Notes issued by INSPIRE. In the event of written transfer of such Notes no stamp duty is chargeable *provided that* the Notes:

(a) do not carry a right of conversion into stocks or marketable securities (other than loan capital) of a company having a register in Ireland or into loan capital having such a right;

(b) do not carry rights of the same kind as shares in the capital of a company, including rights such as voting rights, a share in the profits or a share in the surplus upon liquidation;

(c) are issued for a price which is not less than 90 per cent. of their nominal value (thus certain Notes issued at a discount may not qualify for this exemption); and

(d) do not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices (based wholly or partly and directly or indirectly on stocks or marketable securities) specified in any instrument or other document relating to the Notes.

Where the above exemptions or another exemption does not apply, the instrument of transfer is liable to stamp duty at the rate of one per cent. of the consideration paid in respect of the transfer (or if greater, the market value thereof) which must be paid in euro by the transferee (assuming an arm's length transfer) within 30 days of the date on which the transfer instrument is executed, after which interest and penalties will apply.

Automatic Exchange of Information for Tax Purposes

Council Directive 2011/ 16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/ 107/EU) ("DAC2") provides for the implementation among EU Member States (and certain third countries that have entered into information exchange agreements) of the automatic exchange of information in respect of various categories of income and capital and broadly encompasses the regime known as the Common Reporting Standard ("CRS") published by the OECD as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions.

Under the CRS, governments of participating jurisdictions (currently more than 100 jurisdictions) are required to collect detailed information to be shared with other jurisdictions annually. A group of over 40 countries, including Ireland, have committed to the early adoption of the CRS from 1 January 2016 with the first data exchanges taking place in September 2017. All EU Member States except Austria introduced the CRS from 1 January 2016. Austria will introduce the CRS from 1 January 2017.

CRS is implemented in Ireland pursuant to the Returns of Certain Information by Reporting Financial Institutions Regulations 2015, S.l. 583 of 2015, made under Section 891F of the Taxes Act.

DAC2 is implemented in Ireland pursuant to the Mandatory Automatic Exchange of Information in the Field of Taxation Regulations of 2015, S.I. No. 609 of 2015 made under Section 891G of the Taxes Act.

Pursuant to these regulations, INSPIRE will be required to obtain and report to the Revenue Commissioners annually certain financial account and other information for all new and existing accountholders (other than Irish and US accountholders) in respect of Notes issued by INSPIRE (and. in certain circumstances, their controlling persons). The first returns were required to be submitted on or before 4 September 2017 with respect to the year ended 31 December 2016 and by 30 June annually thereafter. The information will include amongst other things, details of the name, address, taxpayer identification number ("TIN"), place of residence and. in the case of accountholders who are individuals, the date and place of birth, together with details relating to payments made to accountholders and their holdings. This information may be shared with tax authorities in other EU Member States (and in certain third countries subject to the terms of Information Exchange Agreements entered into with those countries) and jurisdictions which implement the CRS.]

LUXEMBOURG TAXATION

The following is based on the laws presently in force in Luxembourg and is subject to any change that may come into effect after that date, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be

subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. In addition, any reference to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably applies to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

A holder of Notes may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

Withholding Tax

Non-resident holders of Notes

Under Luxembourg general tax laws currently, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes, provided that the interest on the Notes does not depend on the profit of the Issuer.

Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23rd December, 2005, as amended (the "**Relibi Law**") and mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes, provided that the interest on the Notes does not depend on the profit of the Issuer.

However, under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law would be subject to a withholding tax of 20%.

Further, Luxembourg resident individuals acting in the course of the management of their private wealth, who are the beneficial owners of interest or similar income made or ascribed by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area may also opt for a final 20% levy, providing full discharge of Luxembourg income tax. In such case, the 20% levy is calculated on the same amounts as the 20% withholding tax for payments made by Luxembourg resident paying agents. The option for the 20% final levy must cover all interest payments made by the paying agents to the Luxembourg resident beneficial owner during the entire civil year. Responsibility for the declaration and the payment of the 20% final levy is assumed by the individual resident beneficial owner of the interest or similar income.

Income Taxation

Non-resident holders of Notes

A non-resident holder of Notes, who has neither a permanent establishment, a permanent representative nor a fixed place of business in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under

the Notes. A gain realized by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment, a permanent representative or fixed place of business in Luxembourg to which/whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal, in any form whatsoever, of the Notes.

Resident corporate holders of Notes

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is governed by the law of 11th May, 2007 on family estate management companies, as amended, or by the law of 17th December, 2010 on undertakings for collective investment, or by the law of 13th February, 2007 on specialized investment funds, as amended, or by the law of 23*rd* July 2016 on reserved alternative funds is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

Resident individual holders of Notes

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 20% tax in full discharge of income tax in accordance with the Relibi Law.

A gain realized by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income or assimilated thereto (*e.g.*, issue discount, redemption premium, *etc*.) is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual holder of Notes acting in the course of the management of a professional or business undertaking must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes in its taxable basis for income tax purposes.

Net Wealth Taxation

A corporate holder of Notes, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is governed by the law of 11th May, 2007 on family estate management companies, as amended, or by the law of 17th December, 2010 on undertakings for collective investment, or by the law of 13th February, 2007 on specialized investment funds, as amended, or by the law of 23*rd* July 2016 on reserved alternative funds, or is a securitization company governed by the law of 22nd March, 2004 on securitization, as amended, or is a capital company governed by the law of 15th June, 2004 on venture capital vehicles, as amended.

However, please note that securitisation companies governed by the law of 22nd March, 2004 on securitization, as amended, or capital companies governed by the law of 15th June, 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23rd July, 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

This minimum net wealth tax amounts to EUR 4,815, if the relevant holder of Notes holds assets such as fixed financial assets, receivables owed to affiliated companies, transferable securities, postal checking accounts, checks and cash, in a proportion that exceeds 90% of its total balance sheet value and if the total balance sheet value of these very assets exceeds EUR 350,000. Alternatively, if the relevant holder of Notes holds 90% or less of financial assets or if those financial assets do not exceed EUR 350.000, a minimum net wealth tax varying between EUR 535 and EUR 32,100 would apply depending on the size of its balance sheet.

An individual holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Other Taxes

Inheritance and Gift Tax

Under present Luxembourg tax law, in the case where a holder of Notes is a resident for tax purposes of Luxembourg at the time of his death, the Notes are included in his taxable estate, for inheritance tax purposes. In addition, gift tax may be due on a gift or donation of Notes, if the gift is recorded in a Luxembourg deed.

Registration Tax

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption or repurchase of the Notes, except if the Notes are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*). In such cases, as well as in case of a voluntary registration, the Notes will be subject to a fixed EUR 12 duty payable by the party registering, or being ordered to register, the Notes.

Value Added Tax

There is no Luxembourg value added tax payable by a holder of Notes in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes, or the transfer of the Notes.

TAXATION IN SINGAPORE

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines issued by the Monetary Authority of Singapore (MAS) in force as at the date of this Prospectus and are subject to any changes in such laws or administrative guidelines, or the interpretation of those laws or guidelines, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Prospectus are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes (particularly structured Notes) and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as financial institutions in Singapore holding the Financial Sector Incentive – Standard Tier tax status) may be subject to special rules. Prospective Noteholders are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposal of the Notes, including the effect of any foreign, state or local tax laws to which they are subject.

It is emphasised that neither any Issuer nor the Guarantor nor any Dealer nor any other persons involved in the Programme accept responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of the Notes.

The descriptions below are not intended to apply to any Notes issued by, or issued for the purposes of funding, the Singapore Branch of any Issuer

Interest and Other Payments

If the Dealer or Dealers for more than half of any tranche of Notes issued under the Programme or after the date of this Prospectus but on or before 31st December, 2018 are distributed by Financial Sector Incentive (Bond Market) Companies or Financial Sector Incentive (Standard Tier) Companies or Financial Sector Incentive (Capital Markets) Companies within the meaning of the Income Tax Act, Chapter 134 of Singapore ("**ITA**"), that tranche of Notes ("**Relevant Notes**") would be "qualifying debt securities" for the purposes of the ITA and, subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities for the Relevant Notes), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, "**Specified Income**") from the Relevant Notes derived from an Issuer by any company or body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10 per cent.

However, notwithstanding the foregoing:

(a) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer, such Relevant Notes would not qualify as "qualifying debt securities"; and

(b) even though a particular tranche of Relevant Notes are "qualifying debt securities", if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer, Specified Income from such Relevant Notes derived by:

(i) any related party of the relevant Issuer; or

(ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the relevant Issuer,

shall not be eligible for the concessionary rate of tax of 10 per cent. as described above.

The terms "break cost", "prepayment fee" and "redemption premium" are defined in the ITA as follows:

"**break c<Zost**" means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

"**prepayment fee**" means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

"**redemption premium**" means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore taxation section have the same meaning as defined in the ITA.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who are adopting Singapore Financial Reporting Standard 39 ("**FRS 39**") may, for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "Adoption of FRS 39 Treatment for Singapore Income Tax Purposes".

Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax Implications arising from the adoption of FRS 39 — Financial Instruments: Recognition & Measurement" (the "**FRS 39 Circular**"). The ITA has since been amended to give effect to the FRS 39 Circular.

Subject to certain "opt out" provisions, taxpayers who are required to comply with FRS 39 for financial reporting purposes are generally required to adopt FRS 39 for Singapore income tax purposes as well.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

On 11th December, 2014, the Accounting Standards Council issued a new financial reporting standard for financial instruments, FRS 109 – Financial Instruments, which will become mandatorily effective for annual periods beginning on or after 1st January, 2018. It is at present unclear whether, and to what extent, the replacement of FRS 39 by FRS 109 will affect the tax treatment of financial instruments which currently follow FRS 39.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15th February, 2008.

The Proposed Financial Transactions Tax ("FTT")

On 14th February, 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued on 8 December 2015 by participating Member States, except Estonia, indicate an intention to implement the FTT by the end of June 2016. On 16 March 2016, Estonia completed the formalities required to leave the enhanced co-operation on FTT. On 17 June 2016, the Council of the European Union announced that the work on FTT will continue during the second half of 2016. The Council of the European Union discussed the state of the dossier in June 2017 and reiterated that further work at the Council and its preparatory bodies is still required, before a final agreement on this dossier can be reached.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT

The Italian Financial Transaction Tax ("IFTT")

Transactions in Notes issued by the Issuer which qualify as banking bonds, *obbligazioni* and capital adequacy financial instruments are excluded from **IFTT**, pursuant to Law no. 228/2012 ("**Law 228**"), implemented by Ministry Decree 21st February, 2013, as subsequently amended by Ministry Decree 16th September, 2013. IFTT should not apply to Notes which qualify as atypical securities. However, an official position of the Italian Tax Authority in this regards is not available.

Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including Ireland, Luxembourg and the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS RELATING TO RENMINBI

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled under in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, was generally required to be made in foreign currencies. Under progressive reforms, foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually by PBoC, the Ministry of Commerce of the PRC ("**MOFCOM**") and the State Administration of Foreign Exchange of the PRC ("**SAFE**").

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE and PBoC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBoC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBoC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

The Dealers have in a dealer agreement (as amended, supplemented and/or restated, the "**Dealer Agreement**") dated 18 December 2017, agreed with Intesa Sanpaolo, INSPIRE and Intesa Luxembourg a basis upon which they or any of them may from time to time agree to subscribe or procure subscribers for Notes. Any such agreement will extend to those matters stated under "*Forms of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Dealer Agreement, Intesa Sanpaolo, INSPIRE and Intesa Luxembourg have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and update of the Programme and the issue of Notes under the Programme.

United States

Neither the Notes nor the Guarantee thereof have been nor will they be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States 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 Bearer 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. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer 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 comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer 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 comprising any Tranche, 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.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive (as defined below); and

(b) the expression an “offer" includes 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.

Prior to 1 January 2018, and from that date of the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, 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 which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) 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 (ec above shall require the Issuer or any Dealer 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.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed that:

(a) **No deposit-taking:** in relation to any Notes issued by Intesa Luxembourg which have a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not, or, in the case of the Issuer or the Guarantor would not, if it was not an authorised person, apply to the Issuer or the Guarantor; and

(c) **General compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes issued by Intesa Sanpaolo, INSPIRE or Intesa Luxembourg 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 24th February, 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14th 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:

(a) be 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 29th October 2007 and Legislative Decree No. 385 of 1st September, 1993, as amended (the "**Banking Act**");

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Ireland

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to further represent and agree) that:

(a) in connection with offers for sale of any Note issued by INSPIRE that is not listed on any stock exchange and that does not mature within two years, it will not:

  (i) knowingly sell or offer for sale any Notes issued by INSPIRE to any person, including any body corporate, resident in Ireland or having its usual place of abode in Ireland (an "**Irish Person**");

  (ii) knowingly issue or distribute, or knowingly cause to be issued or distributed, any documentation offering for subscription or sale any Notes issued by INSPIRE, to any Irish Person;

  (iii) as far as primary sales of any Notes issued by INSPIRE are concerned, its actions in any jurisdiction will comply with the then applicable laws and regulations;

  (iv) offer, sell or deliver any such Note to any person in a denomination of less than €500,000, or its equivalent in any other currency. In addition, such Notes must be cleared through a Recognised Clearing System;

(b) in connection with offers for sale of any Notes issued by INSPIRE that is not listed on any stock exchange that matures within two years, it will not offer, sell or deliver any such Note to any person in a denomination of less than €500,000 if the relevant Note is denominated in euro, US$500,000 if denominated in U.S. dollars, or if denominated in a currency other than euro or U.S. dollars, the equivalent of €500,000 at the date the Programme is first publicised. In addition, such Notes must be cleared through a Recognised Clearing System; and

(c) with respect to anything done by it in relation to the Notes or the Programme, it has complied and will comply with:

(i) all applicable provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 or from 3 January 2018, the European Union (Markets in Financial Information) Regulations 2017 (together the "**MiFID Regulations**"), if operating in or otherwise involving Ireland, and of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments or from 3 January 2018, Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 and Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) (together, "**MiFID**") and all implementing measures, delegated acts and guidance in respect thereof;

(ii) if acting under the terms of an authorisation for the purposes of MiFID, the terms of that authorisation and any applicable codes of conduct or practice and any applicable requirements of the MiFID Regulations or as imposed, or deemed to have been imposed, by the Central Bank of Ireland pursuant to the MiFID Regulations;

(iii) if acting under the terms of an authorisation granted to it for the purposes of 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 supervisions of credit institutions and investment firms, the Central Bank Acts 1942 to 2015, any codes of conduct or practice made under section 117(1) of the Central Bank Act 1989, any applicable requirements of the MiFID Regulations, any applicable requirements imposed, or deemed to have been imposed, by the Central Bank of Ireland pursuant to the MiFID Regulations or the Central Bank Acts 1942 to 2015 and, where applicable, any applicable requirements imposed by the European Central Bank pursuant to European Union legislation; and

(iv) Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the European Union (Market Abuse) Regulations 2016 and any Irish market abuse law, as defined in those Regulations or the Companies Act 2014, and any rules made and guidance issued by the Central Bank of Ireland in connection therewith.

References in this section to any legislation (including, without limitation, European Union legislation) shall be deemed to refer to such legislation as the same has been or may from time to time be amended, supplemented or replaced.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell 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 ("**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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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. The Base Prospectus or any information contained or incorporated by reference therein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The Base Prospectus, any information contained therein 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

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, 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 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.

Certain Restrictions applicable to Notes issued in Singapore dollars:

Notes issued in Singapore dollars by a person holding a wholesale bank license (the "Bank") with a maturity period of less than 12 months and a denomination of less than S$200,000 would be treated as deposits for the purposes of the Banking Act, Chapter 19 of Singapore (the "Singapore Banking Act") and shall only be issued to the following :

(a) an individual whose total net personal assets exceeds S$2 million (or equivalent in foreign currency) at the time of the issuance or whose income in the 12 months preceding the issuance exceeds S$300,000 (or equivalent in foreign currency); or

(b) a corporation whose total net assets (as determined by the last audited balance-sheet of the corporation) exceeds S$10 million (or equivalent in foreign currency) at the time of the issuance; or

(c) an officer or close relation of an officer of the Bank.

The Notes do not constitute or evidence a debt repayable by the Bank on demand to a holder of a Note. The value of the Note, if sold on the secondary market, is subject to market conditions prevailing at the time of the sale. The Bank, as issuer of the Notes, is subject to the restrictions on deposit-taking business under the Singapore Banking Act. Please refer to the relevant Final Terms or Drawdown Prospectus for the terms and conditions under which a holder of a Note may recover the principal sum from the Bank.

Japan

The 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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, FIEA and other relevant laws and regulations of Japan.

France

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, 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, the relevant Final Terms 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, (personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers), and/or (b) qualified investors (investisseurs qualifiés) acting for their own account, and 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 Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge 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 Final Terms 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 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 delivers and none of the Issuers, the Guarantor (where applicable), the Trustee and the other Dealers shall have any responsibility thereof.

Other than with respect to the admission to listing, trading and/or quotation by such one or more competent authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the relevant Issuer, the Guarantor (where applicable) or the Dealers 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 or any Final Terms comes are required by the relevant Issuer, the Guarantor (where applicable) and the Dealers 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.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer and, if applicable, the Guarantor. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Prospectus.

GENERAL INFORMATION

Listing, Approval and Admission to trading of the Notes to the Luxembourg Stock Exchange

This Prospectus has been approved by the CSSF as a base prospectus. Application has been made for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which are admitted to listing, trading and/or quotation by such competent authority, stock exchange and/or quotation system as the Issuer(s) and the relevant Dealer(s) may agree or which are not admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

The CSSF may at the request of the Issuer, send to the competent authority of another European Economic Area Member State (i) a copy of this Prospectus; and (ii) an Attestation Certificate. At the date hereof, the Issuers have requested the CSSF to send an Attestation Certificate and copy of this Prospectus to the Central Bank of Ireland in its capacity as competent authority in Ireland.

Authorisations

The establishment and update of the programme and the increases in the aggregate nominal amount of all Notes from time to time outstanding under the Programme were authorised by resolutions of the Boards of Directors of Banca Intesa S.p.A passed on 19th March, 2001, 24th June, 2003, 26th April, 2005 and 6th March, 2006 and of the Management Board of Intesa Sanpaolo passed on 18th June, 2007, 28th October, 2008, 6th September, 2011 and 15th January, 2013. The addition of INSPIRE as an Issuer under the Programme was authorised by a resolution of the Board of Directors of INSPIRE passed on 15th February, 2007. The addition of Intesa Luxembourg as an Issuer under the Programme was authorised by a resolution of the Board of Directors of Intesa Luxembourg passed on 19th October, 2011. Each of Intesa Sanpaolo, INSPIRE and Intesa Luxembourg has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be used for general funding purposes of the Intesa Sanpaolo Group, or as otherwise indicated in the relevant Final Terms or Drawdown Prospectus relating to the issuance including to be applied towards Eligible Green Projects or Eligible Social Projects.

Litigation

Save as disclosed on pages 131 to 138 none of the Issuers, the Guarantor or 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 or, as the case may be or INSPIRE (where INSPIRE is the Issuer) or, as the case may be, Intesa Luxembourg (where Intesa Luxembourg is the Issuer), is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

Auditors

From 28th 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 International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10,as at and for the years ended 31st December, 2015 and 2016.

KPMG S.p.A., auditors to Intesa Sanpaolo S.p.A. from 1st January, 2012, has performed a limited review on the 2016 Half-Yearly Unaudited Financial Statements as at and for the six months ended 30th June, 2017 in accordance with CONSOB Regulation No. 10867 of 31st July, 1997.

KPMG S.p.A. is a member of Assirevi, the Italian association of auditors, and is included in the register of certified auditors (*Registro dei revisori legali*) at the Ministry of Economy and Finance pursuant to Legislative decree no. 39/10 and established by Ministerial Decree no.145 of 2012.

From 25th April, 2012, the auditors of INSPIRE are KPMG, who are registered auditors with the Institute of Chartered Accountants in Ireland and have audited the unconsolidated annual financial statements of INSPIRE, in accordance with International Standards on Auditing (UK and Ireland) as at and for the years ended 31st December, 2015 and 2016.

From 1st January, 2012, the approved statutory auditors (*réviseur d'entreprises agréé*) of Intesa Luxembourg are KPMG Luxembourg, Société coopérative, Cabinet de révision agréé, who are members of the Institut des Réviseurs d'Entreprises and have audited the annual financial statements of Intesa Luxembourg, in accordance with generally accepted auditing standards in Luxembourg as at and for the years ended 31 December, 2015 and 2016.

No significant change and no material adverse change

Save as disclosed on pages 116 to 128, since 31 December, 2016 there has been no material adverse change in the financial position or situation or the prospects of the Issuers and, since 30 September, 2017 (in the case of Intesa Sanpaolo), 30 June, 2017 (in the case of INSPIRE) or 31 December, 2016 (in the case of Intesa Luxembourg), there has been no significant change in the financial position of the Intesa Sanpaolo Group.

Material contracts

None of Intesa Sanpaolo, INSPIRE, Intesa Luxembourg and Intesa Sanpaolo's other 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 Issuers' ability to meet their obligations to Noteholders.

Documents available for inspection

For so long as the Programme remains valid with the Luxembourg Stock Exchange or any Notes shall be outstanding, copies and, where appropriate, the following documents (translated into English, where applicable) may be obtained by the public during normal business hours at the specified office of the Principal Paying Agent and the Listing Agent in Luxembourg and at the registered offices of the Issuers, namely:

(a) this Prospectus and any supplements to this Prospectus (together with any prospectuses published in connection with any future updates in respect of the Prospectus) and any other information incorporated herein or therein by reference;

(b) a certified copy of the constitutive documents of Intesa Sanpaolo, INSPIRE and Intesa Luxembourg;

(c) the Agency Agreement;

(d) the Trust Deed (incorporating a form of the Deed of Guarantee by Intesa Sanpaolo in respect of payment of amounts due in relation to Notes issued by INSPIRE or Intesa Luxembourg, and any further issuer that may be appointed from time to time under the Programme);

(e) the Operating & Administrative Procedures Memorandum;

(f) any Final Terms relating to Notes which are listed on any stock exchange (save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Listing Agent as to its holding of Notes and identity);

(g) any Deed of Guarantee relating to Notes which are listed on any stock exchange (save that a Deed of Guarantee relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Listing Agent as to its holding of Notes and identity); and

(i) any supplemental agreement prepared and published in connection with the Programme.

In addition, copies of this Prospectus, any supplements to this Prospectus, each Final Terms relating to the Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

Financial statements available

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent, Intesa Sanpaolo Bank Luxembourg S.A., at 19-21, Boulevard Prince Henri, Luxembourg, Grand Duchy of Luxembourg and at the registered offices of the Issuers and the Guarantor:

(a) the audited consolidated annual financial statements of Intesa Sanpaolo as at and for the years ended 31 December, 2015 and 2016;

(b) the audited annual financial statements of INSPIRE as at and for the years ended 31 December, 2015 and 2016;

(c) the audited annual financial statements of Intesa Luxembourg as at and for the years ended 31 December, 2015 and 2016;

(d) 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 financial statements as at and for the nine months ended 30 September, 2017; and

(e) the most recent annual or interim financial information of INSPIRE published from time to time (whether audited or unaudited), commencing with its unaudited unconsolidated half-yearly financial information as at and for the six months ended 30 June, 2017,

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

INSPIRE does not currently publish any consolidated financial information.

The Trust Deed provides that the Trustee may rely on certificates or reports from KPMG S.p.A. (the "**Auditors**") whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any limit on liability (monetary or otherwise) of the Auditors.

Post-issuance information

The Issuers do not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities except to the extent required by any applicable laws and regulations.

Clearing systems

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 the ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Declaration of the officer responsible for preparing Intesa Sanpaolo's financial reports

The officer responsible for preparing the company's financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154-*bis* of the Consolidated Law on Finance (Legislative Decree No. 58 of 24th February, 1998, as amended and supplemented from time to time) that the accounting information contained in this Prospectus corresponds to Intesa Sanpaolo's documentary results, books and accounting records.

Dealers transacting with the Issuers

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of long and/or short positions in securities, including potentially the Notes issued under the Programme. Any such long and/or short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ANNEX 1
FURTHER INFORMATION RELATED TO INFLATION LINKED NOTES

The Issuers can issue Notes which are linked to an Inflation index pursuant to the Programme, where the underlying index is either (i) the CPI (the "**CPI Linked Notes**"), (ii) the U.K. Retail Price Index (RPI) (all items) published by the Office of National Statistics ("**RPI Linked Notes**") or (iii) the Non-revised index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP) ("**HICP Linked Notes**"). The following information provides an explanation to prospective investors about how the value of the Inflation Linked Notes is affected by the value of the underlying index.

"**CPI**"or "**ITL" – Inflation for Blue Collar Workers and Employees – Excluding Tobacco**

"Consumer Price Index Unrevised" means, subject to the Conditions, the "Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi" as calculated on a monthly basis by the ISTAT – Istituto Nazionale di Statistica (the Italian National Institute of Statistics) (the "**Index Sponsor**") which appears on Bloomberg Page ITCPIUNR (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such index), provided that for the purposes of the calculation of the Rate of Interest and the Final Redemption Amount, the first publication or announcement of a level of the Index (excluding estimates) by the Index Sponsor for a given month shall be final and conclusive and later revisions of the level for such month will not be used in any calculations.

UK Retail Price Index

The U.K. Retail Prices Index (the "**RPI**") is the most familiar general purpose domestic measure of inflation in the UK. The RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the UK Office of National Statistics (the "**ONS**") using a large and representative selection of approximately 650 separate goods and services for which price movements are regularly measured in approximately 150 areas throughout the UK. Approximately 120,000 separate price quotations are used each month in compiling the RPI. The UK Government uses the RPI for its own existing inflation-linked Notes. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes a couple of weeks for the ONS to compile the index, so they publish each month's RPI figure during the following month, i.e. the figure relating to February will be published in March. The RPI figures used in the calculation of interest payments on the RPI Linked Notes and the amount due to be repaid on the RPI Linked Notes at redemption are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on the RPI, including past and current levels, can be found at *www.statistics.gov.uk*.

Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the "**HICP**") is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the European Central Bank in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the Member States' individual harmonised index of consumer prices excluding tobacco ("**Individual HICP**"). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country's weight in the HICP for the Eurozone equals the share that such country's final household consumption constitutes

within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re-estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the European Union. This makes it possible to compare inflation among different Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries' indices.

HICP is calculated as an annual chain-index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone HICP starting from January of that year. The new Member State's weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat's internet site, according to a pre-determined official timetable. Publication generally occurs around the 14th – 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

Base Year Change

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are "price updated" to December of the previous year.

More information on the HICP, including past and current levels, can be found at: *http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction*

REGISTERED OFFICE OF INTESA SANPAOLO

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London E14 4QA
United Kingdom

Natixis

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United Kingdom

Société Générale
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United Kingdom

TRUSTEE

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United Kingdom

PRINCIPAL PAYING AGENT

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ITALIAN PAYING AGENT

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REGISTRAR AND TRANSFER AGENT

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LUXEMBOURG LISTING AGENT

Intesa Sanpaolo Bank Luxembourg S.A.
19-21, Boulevard Prince Henri
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L-1724 Luxembourg

Grand Duchy of Luxembourg

PROSPECTUS SUPPLEMENT

INTESA SANPAOLO S.p.A.

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

as Issuer and, in respect of Notes issued by Intesa Sanpaolo Bank Ireland p.l.c. and by Intesa Sanpaolo Bank Luxembourg S.A., as Guarantor and

INTESA SANPAOLO BANK IRELAND p.l.c.

(incorporated with limited liability in Ireland under registration number 125216)

as Issuer

and

INTESA SANPAOLO BANK LUXEMBOURG S.A.

(incorporated as a public limited liability company (société anonyme) in the Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B13859)

as Issuer

€70,000,000,000

Euro Medium Term Note Programme

This Prospectus Supplement ("**Supplement**") is supplemental to and must be read in conjunction with the base prospectus dated 18 December 2017 (the "**Prospectus**") prepared by Intesa Sanpaolo S.p.A. ("**Intesa Sanpaolo**"), Intesa Sanpaolo Bank Ireland p.l.c. ("**INSPIRE**") and Intesa Sanpaolo Bank Luxembourg S.A. (previously known as Société Européenne de Banque S.A.) ("**Intesa Luxembourg**", together with Intesa Sanpaolo and INSPIRE the "**Issuers**") in connection with their €70,000,000,000 Euro Medium Term Note Programme (the "**Programme**"). Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement has been approved by the Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority pursuant to the Luxembourg law on prospectuses for securities dated 10th July, 2005, as amended (the "**Luxembourg Act**") which implements Directive 2003/71/EC (the "**Prospectus Directive**"). In addition, the Issuers have requested that the CSSF send a certificate of approval pursuant to Article 18 of the Prospectus Directive, together with a copy of this Supplement, to the Central Bank of Ireland in its capacity as competent authority in Ireland.

Purpose of the Supplement

This Supplement has been prepared pursuant to Article 16.1 of the Prospectus Directive and Article 13, paragraph 1, of the Luxembourg Act for the purposes of (i) updating the front cover of the Prospectus; (ii) updating the "Important Information" section of the Prospectus; (iii) incorporating by reference in the Prospectus the press release dated 06 February 2018 relating to the annual financial statements of

Intesa Sanpaolo as at and for the year ended 31 December 2017; (iv) updating the "Form of Final Terms" section of the Prospectus; (v) updating the “Intesa Sanpaolo 2017 – Highlights” section in the Prospectus; (vi) inserting a section into the Prospectus titled “Intesa Sanpaolo 2018 – Highlights” (vii) updating the section of the Prospectus entitled "Intesa Sanpaolo Bank Luxembourg S.A. Overview of The Annual Statement"; (viii) inserting a subheading within the "Taxation of the Notes issued by Intesa Sanpaolo" section of the Prospectus; and (ix) updating the "Subscription and Sale" section of the Prospectus.

Copies of this Supplement and the documents incorporated by reference will be available without charge (i) from the offices of the Listing Agent in Luxembourg and (ii) on the website of the Luxembourg Stock Exchange at www.bourse.lu.

In accordance with Article 13, paragraph 2 of the Luxembourg Act, investors who have already agreed to purchase or subscribe for securities to which the Prospectus relates before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the publication of this Supplement, to withdraw their acceptances, such period expiring at the close of business on 16 February 2018.

The date of this Supplement is 14 February 2018.

Each of Intesa Sanpaolo, INSPIRE and Intesa Luxembourg accept responsibility for the information contained in this Supplement and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

Save as disclosed in this Supplement, there has been no other significant new factor and there are no material mistakes or inaccuracies relating to information included in the Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Prospectus. To the extent that there is any inconsistency between (i) any statement in this Supplement including any statement incorporated by reference into the Prospectus by this Supplement, and (ii) any other statement in or incorporated by reference into the Prospectus, the statements in this Supplement will prevail.

FRONT COVER

The paragraphs below are inserted on the front cover of the Prospectus as new paragraphs after the paragraph beginning "The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges, and or/quotation systems as may be agreed with the relevant Issuer":

Amounts payable under the Notes may be calculated by reference to either EURIBOR, EONIA or LIBOR, as specified in the relevant Final Terms. As at the date of this Prospectus, the administrators of EURIBOR, EONIA, LIBOR and any other Reference Rate are not included on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of Regulation (EU) 2016/1011 (the "**BMR**").

As far as the Issuers are aware, the transitional provisions in Article 51 of the BMR apply, such that the administrators of EURIBOR, EONIA and LIBOR are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

IMPORTANT NOTICES

The paragraph below replaces the paragraph titled "Important – EEA RETAIL INVESTORS" on page 4 of the Prospectus:

IMPORTANT – EEA Retail Investors

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

INFORMATION INCORPORATED BY REFERENCE

The information set out below supplements the section of the Prospectus entitled "Information Incorporated by Reference" on pages 45 to 48 of the Prospectus.

The following press release issued by Intesa Sanpaolo on 06 February 2018 and entitled "Intesa Sanpaolo: Consolidated Results as at 31 December 2017" (the "**Press Release**"), having previously been published and filed with the CSSF, is incorporated by reference in and forms part of this Supplement and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus.

For ease of reference, the table below sets out page references for specific items of information contained in the Press Release.

The Press Release will be published on the Luxembourg Stock Exchange website at *www.bourse.lu.*

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of Regulation (EC) 809/2004 (as amended).

The Issuers confirm that the figures contained in the Press Release dated 06 February 2018 are substantially consistent with the final figures to be published in the next annual audited financial statements. The unaudited results (the audit procedures by statutory auditors are in progress) for year ended 31 December 2017 have been compiled on the basis of the same accounting principles and standards utilized for the preparation of the consolidated financial statements of the Issuer for the year ended 31 December 2016 in all material respects.

FORM OF FINAL TERMS

The paragraph below replaces the paragraph titled "Prohibition of Sales to EEA Retail Investors" on page 99 of the Prospectus:

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

The paragraph below is inserted on page 99 of the Prospectus after the paragraph titled "Prohibition of Sales to EEA Retail Investors".

MIFID II Product Governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "MiFID II")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

INTESA SANPAOLO IN 2017 - HIGHLIGHTS

The paragraphs supplement the section of the Prospectus entitled "Intesa Sanpaolo in 2017 - Highlights" on page 128 of the Prospectus, before the paragraph titled "Sovereign risk exposure":

Intesa Sanpaolo has received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2018, following the results of the Supervisory Review and Evaluation Process (SREP). The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.145% under the transitional arrangements for 2018 and 9.33% on a fully loaded basis. This is the result of:

- a SREP requirement in terms of Total Capital ratio of 9.5% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is Common Equity Tier 1 ratio, and an additional Pillar 2 capital requirement of 1.5% made up entirely of Common Equity Tier 1 ratio;

- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:

▫ a Capital Conservation Buffer of 1.875% under the transitional arrangements for 2018 and 2.5% on a fully loaded basis in 2019,

▫ an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.19% under the transitional arrangements for 2018 and 0.75% on a fully loaded basis in 2021,

▫ a Countercyclical Capital Buffer of 0.08% (1).

Intesa Sanpaolo's capital ratios as at 30 September 2017 on a consolidated basis - net of around €2.2 billion dividends accrued for the first nine months of the year - were as follows:

• 13% in terms of Common Equity Tier 1 ratio (2)

• 17.6% in terms of Total Capital ratio (2)

calculated by applying the transitional arrangements for 2017, and

• 13.4% in terms of pro-forma Common Equity Tier 1 ratio calculated on a fully loaded basis (2) (3)

• 17.8% in terms of pro-forma Total Capital ratio calculated on a fully loaded basis (2) (3).

_____

(1) Calculated taking into account the exposures as at 30 September 2017 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating either to 2018-2019, where available, or to the latest update of the reference period (requirement was set at zero per cent in Italy for the fourth quarter of 2017).

(2) After the deduction of accrued dividends, assumed equal to the net income for the first nine months of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca.

(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the announced reserve distribution by insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with no benefit for the Common Equity Tier 1 ratio and a benefit of six basis points for the Total Capital ratio as at 30 September 2017).

Intesa Sanpaolo has announced that it has reached an agreement on 21 December 2017 with the trade unions that follows on from what previously agreed in relation to the acquisition of operations of the former Venetian Banks (Banca Popolare di Vicenza and Veneto Banca). Specifically, the agreement stipulates that the Group is prepared to:

- accept all the applications it has received with regard to voluntary exits, which have been subscribed by around 7,500 people under the Solidarity Allowance, with the last exits to take place by 30 June 2020;
- hire 1,000 new personnel with indefinite-term contracts, with a focus on the branch network, on the disadvantaged areas of the Country, on new professions, including the hiring of people being part of protected categories (compulsory employment) and taking into account people currently employed with fixed-term contracts;
- hire 500 new personnel with a mixed contract, each on an employed with part-time indefinite-term contract and on a self-employed basis, to perform the role of financial advisor having previously been enrolled on the register of financial advisors.

Therefore, the total voluntary exits will involve around 9,000 people. In detail:

- 1,500 people from the Intesa Sanpaolo Group who already fulfil pension requirements, by 31 December 2018;
- 1,000 people from the former Venetian Banks and 3,000 people from the Intesa Sanpaolo Group under the Solidarity Allowance, by 30 June 2019, in accordance with the contract signed on 26 June 2017 for the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca;
- 3,500 people from the Intesa Sanpaolo Group under the Solidarity Allowance, by 30 June 2020.

The exit deferral up until 30 June 2020 and the reduction in the average stay in the Solidarity Fund enable Intesa Sanpaolo to optimise the charges in relation to the voluntary exits expected to be borne by the Group, to be booked in the fourth quarter of 2017, that amount to around €45 million net of tax.

New hires are in addition to 150 hires already agreed on with the trade unions on 1 February 2017 and to around 100 hires with indefinite-term contracts reserved for people with fixed-term contracts working in the operations of the former Venetian Banks as at 25 June 2017.

Following the agreement, overall savings in personnel expenses of around €675 million per year are expected on a fully operational basis (starting from 2021).

INTESA SANPAOLO IN 2018 - HIGHLIGHTS

The heading and the paragraphs below shall be inserted before the paragraph titled "Sovereign risk exposure", on page 128 of the Prospectus:

Intesa Sanpaolo in 2018 – Highlights

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

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

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

The Incentive Plan consists of two systems:

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

  i) the assignment of new ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment and, as an alternative choice for employees,

  ii) the opportunity to subscribe to an Investment Plan in a certain proportion to the number of shares received free of charge.

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

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

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

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

Assuming all employees subscribe to the Incentive Plan, the total number of ordinary shares to be issued in the capital increase without payment and in the capital increase with payment is estimated to be equal to a maximum number representing around 3.5% of the ordinary share capital following the increase and 3.4% of the total share capital (comprising the ordinary shares and the savings shares) of Intesa Sanpaolo following the increase[(1)].

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(1) Assuming a market share price of euro 3 and a subscription discount for the discounted shares of 11%. This is a provisional estimate, given that the impact will only be determined upon the assignment of the Incentive Plan.

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

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

a) Mandatory Conversion of savings shares into ordinary shares and concurrent removal of the indication of nominal value for the shares of Intesa Sanpaolo from the Articles of Association.
b) Amendment of Articles 5 and 29 and removal of Article 30 of the Articles of Association. Pertinent and consequent resolutions.

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

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

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

a) the approval of the Conversion by the special savings shareholders' meeting;
b) the authorisations of the European Central Bank required under the current legal and regulatory framework, for the purposes of the amendments to the Articles of Association, the inclusion of the ordinary shares that are issued in connection with the Conversion in the CET 1 and the possible purchase by the company of own shares at the end of the liquidation procedure relating to withdrawing shareholders; and
c) the amount owed to those who elect to exercise the withdrawal right not exceeding Euro 400 million at the end of the pre-emption and pre-emptive rights offering period concerning any offer to the Intesa Sanpaolo shareholders of the shares held by the withdrawing savings shareholders pursuant to Art. 2437-quater, par. 1 and 2 of the Italian Civil Code.

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

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

Since the resolution approving the Conversion implies an amendment to the company's Articles of Association regarding voting and participation rights, the savings shareholders who do not take part in the approval of the related resolution of the special savings shareholders' meeting will be entitled to

exercise the right of withdrawal pursuant to Art. 2437, par. 1 (g) of the Italian Civil Code (the "Withdrawal Right"). The liquidation value of each savings share was calculated in accordance with Art. 2437-ter of the Italian Civil Code and set by the Board of Directors at Euro 2.74, equal to the arithmetic average of closing prices of the savings shares on the market in the six months prior to the date of publication of the notice of call of the special savings shareholders' meeting (6 February 2018). The Articles of Association do not derogate from the abovementioned legal criteria.

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

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

Please note that:

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

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

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

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

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

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

INTESA SANPAOLO BANK LUXEMBOURG S.A. OVERVIEW OF THE ANNUAL STATEMENT OF FINANCIAL POSITION

The numbers below are inserted into the tables titled "Intesa Sanpaolo Bank Luxembourg S.A. Overview of The Annual Statement of Financial Position as at 31/12/2016" and "Intesa Sanpaolo Bank Luxembourg S.A. Annual Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31/12/2016" on pages 160-161 of the Prospectus:

INTESA SANPAOLO BANK LUXEMBOURG S.A. OVERVIEW OF THE ANNUAL STATEMENT OF FINANCIAL POSITION AS AT 31/12/2016

Other liabilities as of 31/12/2015 (Audited): 27,981

INTESA SANPAOLO BANK LUXEMBOURG S.A. ANNUAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31/12/2016

Depreciation and amortisation as of 31/12/2015 (Audited): 729

TAXATION OF NOTES ISSUED BY INSPIRE OR BY INTESA LUXEMBOURG

The sub-heading below shall be inserted before the paragraph beginning "According to Decree 239," on page 166 of the Prospectus:

Non-Italian resident Noteholders

SUBSCRIPTION AND SALE

The section on page 192-193 of the Prospectus entitled "Prohibition of Sales to EEA Retail Investors" shall be replaced as follows:

Unless the Final Terms in respect of any Notes (or Drawdown Prospectus, as the case may be) specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, 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 which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) 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:

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

(c) ***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

(d) ***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 Dealer 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 by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.