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PROSPECTUS DATED 26 FEBRUARY 2020

INTESA SANPAOLO S.P.A.

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

€750,000,000 3.750% Additional Tier 1 Notes

€750,000,000 4.125% Additional Tier 1 Notes

The €750,000,000 3.750% Additional Tier 1 Notes (the "**3.750% Notes**") and the € 750,000,000 4.125% Additional Tier 1 Notes (the "**4.125% Notes**", and each of the 3.750% Notes and the 4.125% Notes also referred to as a "**Tranche of Notes**" or the "**Notes**") are issued by Intesa Sanpaolo S.p.A. (the "**Issuer**"), in each case, in denominations of €250,000 and integral multiples of €1,000 in excess thereof, up to (and including) €499,000. The Issue Price of each Tranche of Notes is 100.0 per cent.

Each Tranche of Notes will bear interest at their Outstanding Principal Amount (as defined in Condition 2 (*Definitions and Interpretation*) of the terms and conditions of the 3.750% Notes (the "**3.750% Notes Conditions**") and the terms and conditions of the 4.125% Notes (the "**4.125% Conditions**" and together with the 3.750% Notes Conditions, the "**Conditions**" and, each of them, a "**Condition**"), on a non-cumulative basis subject to cancellation as described below, semi-annually in arrear on 27 February and 27 August in each year (each, an "**Interest Payment Date**"). The rate of interest of the 3.750% Notes through to (and excluding) 27 February 2025 (the "**3.750% Notes First Reset Date**") will be 3.750 per cent. per annum, and will be reset on the 3.750% Notes First Reset Date and on each 5-year anniversary thereafter (each, a "**3.750% Notes Reset Date**"). The rate of interest of the 4.125% Notes through to (and excluding) 27 February 2030 (the "**4.125% Notes First Reset Date**") will be 4.125 per cent. per annum, and will be reset on the 4.125% Notes First Reset Date and on each 5-year anniversary thereafter (each, a "**4.125% Notes Reset Date**"). Each of the 3.750% Notes First Reset Date and the 4.125% Notes First Reset Date is also referred to as a "**First Reset Date**" and each of the 3.750% Notes Reset Date and the 4.125% Notes Reset Date is also referred to as a "**Reset Date**".

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

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

The Notes are perpetual securities and have no fixed maturity date. The Notes shall become immediately due and payable only in case voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 26 February 2020, provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority, as described in Condition 8

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

Each Tranche of Notes are expected, on issue, to be rated "Ba3(hyb)" by Moody's Investors Service, Inc. ("**Moody's**"), "BB-" by Standard & Poor's Rating Services, a division of The McGraw Hill Companies Inc., ("**S&P**"), "B+" by Fitch Ratings Ltd ("**Fitch**") and "BB(low)" by DBRS Ratings GmbH ("**DBRS Morningstar**"). Each of Moody's, S&P, Fitch and DBRS Morningstar is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended (the "**CRA Regulation**"). As such, each of them appears on the latest update of the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation. **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**

An investment in Notes involves certain risks. For a discussion of these risks, see the section entitled "*Risk Factors*" on page 7.

This document in respect of the Notes (the "**Prospectus**") constitutes a prospectus within the meaning of Article 6.3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the "**Prospectus Regulation**"). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), as competent authority under the Prospectus Regulation. The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should neither be considered as an endorsement of the Issuer nor of the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has also been made for the Notes to be admitted to the official list of the Luxembourg Stock Exchange and to trading on the Professional Segment of its Regulated Market, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU ("**MiFID II**").

This Prospectus will be valid until 26 February 2021 and may in this period be used for admission of the Notes to trading on a regulated market. In case of a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Notes, the Issuer will prepare and publish a supplement to the Prospectus without delay in accordance with Article 23 of the Prospectus Regulation. The obligation of the Issuer to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when a prospectus is no longer valid.

The Notes are not intended to be sold and should not be sold to retail clients in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"), as defined in the rules set out in MiFID II. Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" on page 3 of this Prospectus for further information.

Joint Lead Managers

Banca IMI | **Barclays**

BofA Securities | **BNP PARIBAS**

Citigroup | **HSBC**

Morgan Stanley

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

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

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

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

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

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

*In this Prospectus, references to "***EUR***", "***euro***", "***Euro***" or "***€***" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. Unless otherwise specified or where the context requires, references to laws and regulations are to the laws and regulations of Italy.*

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

FORWARD LOOKING STATEMENTS

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

STABILISATION

In connection with the issue of each Tranche of Notes, Citigroup Global Markets Limited (the "*Stabilising Manager*") (or persons acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over allotment shall be conducted in accordance with all applicable laws and rules.

CERTAIN DEFINITIONS

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

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

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

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

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes discussed in this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. See also "*Risk Factors – Risks related to the Notes*". In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the UK Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect on 1 October 2015 (the "**PI Instrument**"). In addition: (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (as amended or superseded, the "**PRIIPs Regulation**") became directly applicable in all

EEA member states; and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to: (i) the manufacture and distribution of financial instruments; and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Notes.

Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the Regulations.

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

(i) it is not a retail client in the EEA or the UK (as defined in MiFID II);

(ii) whether or not it is subject to the Regulations, it will not (a) sell or offer the Notes (or any beneficial interests therein) to retail clients (as defined in MiFID II) or (b) communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (as defined in MiFID II), and in selling or offering the Notes or making or approving communications relating to the Notes, each prospective investor may not rely on the limited exemptions set out in the PI Instrument;

(iii) if it is a purchaser in Singapore, it is an accredited investor or an institutional investor as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) and it will not sell or offer the Notes (or any beneficial interest therein) to persons in Singapore other than such accredited investors or institutional investors;

(iv) if it is a purchaser in Hong Kong, it falls within the category of persons described as "professional investors" under the Securities and Futures Ordinance (Cap. 571) of Hong King (the "SFO") and any relevant rules made under the SFO;

(v) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA and the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction; and

(vi) it will act as principal in purchasing, making or accepting any offer to purchase any Notes (or any beneficial interest therein) and not as an agent, employee or representative of any of the Joint Lead Managers.

Each prospective investor further acknowledges that:

(i) the identified target market for the Notes (for the purpose of the product governance obligations in MiFID II) is eligible counterparties and professional clients only;

(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and

(iii) no key information document under the PRIIPs Regulation has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor may be unlawful under the PRIIPs Regulation.

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

PRIIPs Regulation / Prohibition of Sales to EEA and UK 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 EEA or in the UK. 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), 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 the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of 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 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.

SINGAPORE: SECTION 309B(1)(C) NOTIFICATION

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018).

Websites

In this Prospectus, references to websites or uniform resource locators ("**URLs**") are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Prospectus unless expressly stated herein.

Benchmarks Regulation

Amounts payable under the Notes are calculated by reference to the 5-year Mid-Swap Rate (as defined in the "*Terms and Conditions of the Notes*") which is provided by ICE Benchmark Administration Limited or, in the limited circumstances referred to in Condition 5.8 (*Fallbacks*), by reference to EURIBOR which is provided by the European Money Markets Institute (EMMI). As at the date of this Prospectus, ICE Benchmark Administration Limited and EMMI are included in the register of administrators maintained by the

European Securities and Markets Authority (ESMA) under Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**").

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RISK FACTORS

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

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

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

Words and expressions defined in the "Terms and Conditions of the 3.750% Notes" *and the* "Terms and Conditions of the 4.125% Notes" *below or elsewhere have the same meanings when used in this section. References to a* "Condition" *is to such numbered condition in the Terms and Conditions of the 3.750% Notes or, as the case may be, the Terms and Conditions of the 4.125% Notes. Prospective investors should read the entire Prospectus, including the information incorporated by reference.*

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

RISK FACTORS RELATING TO THE ISSUER

The risks below have been classified into the following categories:

- *Risks relating to the financial situation of Intesa Sanpaolo Group;*
- *Risks related to legal proceedings;*
- *Risks related to the business sector of Intesa Sanpaolo;*
- *Risk related to the development of the banking sector regulation and the changes in the regulation on the solution of banking crises; and*
- *Risks related to the entry into force of new accounting principles and changes to the applicable accounting principles.*

Risks related to the financial situation of Intesa Sanpaolo Group

Risk exposure to sovereign debt

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

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

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

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

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

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

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

Furthermore, the downgrading of Italy's rating, or the forecast that such downgrading may occur, could make the markets unstable and have negative impacts on the results of operations and financial condition as well as prospects of the Bank and the Group.

For further information please refer to Part E (*Information on risks and relative hedging policies*) of the Notes to the consolidated financial statements for 2018, incorporated by reference in this Prospectus.

Risks related to legal proceedings

As at 30 June 2019 approx. 18,000 disputes were pending against the Group (not including disputes of those subsidiaries over which Intesa Sanpaolo does not exercise management and control), with overall claims of approx. 5,433 million Euros and provisions for approx. 609 million Euros to cover any "possible" disbursements.

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

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

For further details regarding legal disputes please refer to the paragraph headed "*Legal Proceedings*" in the section "*Description of Intesa Sanpaolo S.p.A.*" on pages 186 – 194 of the EMTN Base Prospectus incorporated by reference in this Prospectus.

Such paragraph also includes information concerning the disputes on the marketing of convertible and/or subordinated shares/bonds issued by Banca Popolare di Vicenza S.p.A. or Veneto Banca S.p.A. (together, the "**Veneto Banks**"), which were filed against respectively Banca Nuova and Banca Apulia (both subsequently merged by incorporation in Intesa Sanpaolo). In this respect, it should be noted that, as of 31 December 2018, the Securities and Financial Ombudsman (*Arbitro per le Controversie Finanziarie*) upheld no. 88 complaints filed by customers of Banca Nuova regarding shares of Banca Popolare di Vicenza, as well as no. 108 complaints filed by customers of Banca Apulia regarding shares of Veneto Banca. Banca Nuova and Banca Apulia (both now Intesa Sanpaolo) have not implemented the decisions as - in accordance with the provisions of Decision C(2017) 4501 of the European Commission on State Aid – every liability in relation to the marketing of shares of the former Veneto Banks shall be borne exclusively by Veneto Banca S.p.A. in compulsory administrative liquidation and Banca Popolare di Vicenza in compulsory administrative liquidation.

Risks related to the business sector of Intesa Sanpaolo

Risks related to the economic/financial crisis and the impact of current uncertainties of the macroeconomic context

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

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

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

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

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

With specific reference to point (e), the regulatory and politic uncertainties, along with the uncertainty of when Brexit will actually take place, imply risks of business and operational discontinuity. In such context, the main impacts of a hard Brexit scenario (*worst case scenario*)[1] that have been identified by the Bank and/or the Group through a dedicated project concern: (i) the loss of the European passport of the United Kingdom branches with consequent need, in order to ensure business continuity, to obtain a new authorisation to operate as a third country branch, to relocate certain business activities and review the operative model of certain branches located in the UK; (ii) the impossibility of accessing the post-trading infrastructures within the United Kingdom in absence of an equivalence decision of the European Commission, with consequent need to identify *ad hoc* solutions in order to guarantee the continuity of execution and access to the post-Brexit clearing systems by means of central compensation counterparties (CCP) and central securities depositaries (CSD); (iii) the discontinuity of certain contracts, with consequent need to perform their revision or substitution (i.e. by means of bilateral renegotiation, entering into a new agreement); (iv) certain British rules envisage, for Third Country Branches, the appointment of senior roles with well-defined responsibilities and, therefore, would require an adjustment of the organisational model of the Bank's branches in the United Kingdom, in order to guarantee the compliance with the post-Brexit regulatory framework.

Credit risk

It should be noted that as of 30 June 2019, Intesa Sanpaolo recorded a gross NPL ratio of 8.4%. On 31 December 2018, the same data corresponded to 8.8%, compared to 11.9%[2] recorded on 31 December 2017. The credit institutions which recorded a gross NPL ratio higher than 5% are required – in accordance with the "Guidelines on management of non performing and forborne exposures" of EBA – to prepare specific NPE strategy and operational plans for the management of such exposures.

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

The business activities, the financial condition and soundness of the Bank depend on the degree of credit reliability of its clients.

The Bank is exposed to credit risk related to its traditional lending and deposit taking business as well as to non-traditional businesses such as derivative transactions, securities, futures and commodities trading,

[1] Such scenario envisages that, following the exit from the European Union, the United Kingdom becomes a Third Country without any agreement with the European Union and any definition of a "Transitional Period", and assumes that the EU regulations cease to be applied in the UK.
[2] After the IFRS 9 FTA (first time adoption) ad including the two former Veneto Banks.

owning securities of third parties and other credit arrangements. Therefore, the clients' breach of the agreements entered into and of their underlying obligations, or any lack of information or incorrect information provided by them as to their respective financial and credit position, could have negative effects on the business, results of operation and/or financial condition of the Bank.

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

More generally, the counterparties may not satisfy their respective obligations towards the Bank by reason of bankruptcy, absence of liquidity, operational malfunction or any other reason. The bankruptcy of an important participant in the market, or any concerns about its default, could cause serious liquidity issues, losses or defaults by other institutions, which, in turn, could negatively affect the Bank. The Bank may also be subject to the risk, under specific circumstances, that some of its receivables from third parties are no longer collectable. Furthermore, a decrease of the creditworthiness of third parties, including sovereign States whose securities or bonds are held by the Bank, might cause losses and/or negatively affect the ability of the Bank to reinvest or to use in a different way such securities or bonds for liquidity purposes. A significant decrease of the creditworthiness of the counterparties of the Bank might, therefore, have a negative impact on the results of the Bank. Albeit, in many cases, the Bank could request additional collateral from counterparties which are in financial difficulties, disputes may arise with respect to the amount of collateral that the Bank is entitled to receive and the value of the assets to be provided as collateral. The levels of default, counterparties' rating downgrades and disputes with counterparties on the collateral assessment could be significantly increased during periods of market tensions and illiquidity.

For further information on the management of the "credit risk", please refer to Part E (*Information on risks and relative hedging policies*) of the Notes to the consolidated financial statements for 2018, incorporated by reference in this Prospectus.

Market risk

With reference to market risk of the trading book, the average daily VaR (Value at Risk) of Intesa Sanpaolo and Banca IMI together increased from an average of 69 million Euros for 2017 to an average of 74.1 million Euros for 2018. The average VaR for the first semester 2019 is equal to 170.4 million Euros, compared to 55 million for the first semester 2018. The dynamics of the indicator – mainly determined by Banca IMI – is ascribable to an increase of the risk measures, which are primarily attributable, consistently with the Risk Appetite Framework, to government bond transactions. Analysis of the VaR's composition indicates a prevalence of credit spread risk. It should be specified that in Banca IMI, the VaR limit also includes the HTCS (Held To Collect and Sell) component.

With reference to the banking portfoliothe interest rate risk, measured in terms of VaR, has recorded in the first six months of 2019 an average value of 103 million Euros (compared to an average value of 136 million for the first six months of 2018). On 30 June 2019, the VaR was equal to 126 million Euros, compared to 147 million Euros on 30 June 2018. On 31 December 2018, the VaR was equal to 91 million Euros, compared to 153 million Euros on 31 December 2017.

Market risk is the risk of losses in the value of financial instruments, including the securities of sovereign States, held by the Bank, due to the movements of market variables (by way of example and without limitation, interest rates, prices of securities, exchange rates), which could determine a deterioration of the financial condition and results of operations of the Bank and/or the Group. Such deterioration could be

produced either by negative effects on the income statement deriving from positions held for trading purposes, or from negative changes in the FVOCI (*Fair Value through Other Comprehensive Income*) reserve, generated by positions classified as financial activities evaluated at fair value, with an impact on the overall profitability.

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

For further information please see Part E (*Information on risks and relative hedging policies*) of the Notes to the consolidated financial statements for 2018, incorporated by reference in this Prospectus.

Liquidity risk of Intesa Sanpaolo

*The ratio between the loans to customers and direct deposits from banking business, as reported in the consolidated financial statements ("**Loan to deposit ratio**") on 30 June 2019 was at 93%, compared to 95% on 31 December 2018.*

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

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

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

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

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

The liquidity of the Bank may be prejudiced by the temporary impossibility of accessing capital markets by the issuance of debt securities (both secured and unsecured), the inability to receive funds from counterparties which are external to the Group, the inability to sell certain assets or redeem its investments, as well as unexpected cash outflows or the obligation to provide more guarantees. Such a situation may occur by reason of circumstances that are beyond the control of the Bank, such as a general market disruption or an operational issue which affects the Bank or any third parties, or also by reason of the perception among the participants in the market that the Bank or other participants in the market are experiencing a higher liquidity risk. The liquidity crisis and the loss of trust in the financial institutions may increase the Bank's cost of funding and limit its access to some of its traditional liquidity sources.

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

The table below details the participation of the Group in the TLTRO funding transactions with the ECB as at 30 June 2019.

Management data, not subject to audit (€ billion)

Starting date	**Maturity date**	**Amount**
29/06/2016	24/06/2020	approx. 40
28/09/2016	30/09/2020	approx. 5
21/12/2016	16/12/2020	approx. 4
29/03/2017	24/03/2021	approx. 12
Total		**approx. 61**

For further information please see Part E (*Information on risks and relative hedging policies*) of the Notes to the consolidated financial statements for 2018, incorporated by reference in this Prospectus.

Operational risk

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

Operational risk may be defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk and compliance risk, model risk, ICT risk and financial reporting risk; strategic and reputational risk are not included. The Bank has defined a framework for the operational risks management which consists of the following phases:

- Identification, which includes the activities of detection, collection and classification of the quantitative and qualitative information concerning the operational risks;
- Measurement and assessment, which includes the definition of the exposure to operational risks of the Intesa Sanpaolo Group, performed on the basis of information collected in the "identification" phase;
- Monitoring and control, which includes the supervision of operational risk profiles (including ICT and cyber risk) and of the exposures to relevant losses by promoting, through a proper reporting activity, an active risk management;
- Management (or mitigation), which consists of the activities aimed to manage the operational risks, which are undertaken by operating on the significant risk factors or through their transfer by means of use of insurance coverages or other instruments; and
- Communication, which consists of setting up adequate information flows related to the management of operational risks between the various actors involved, in order to enable the monitoring of the process and to provide adequate knowledge of the exposure to such risks.

Although the Bank constantly supervises its operational risks, certain unexpected events and/or events beyond its control may occur (including those mentioned above by way of example and without limitation), with possible negative effects on the business, results of operations and/or financial condition of the Bank and the Group, as well as on its reputation.

For further information please see Part E (*Information on risks and relative hedging policies*) of the Notes to the consolidated financial statements for 2018, incorporated by reference in this Prospectus.

Foreign exchange risk

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

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

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

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

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

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

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

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

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

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

Although the Bank undertakes to comply with the set of rules and regulations, any changes of the rules and/or changes in the interpretation and/or implementation of the same by the competent authorities could give rise to new burdens and obligations for the Bank, with possible negative impact on the results of operations and the financial condition of the Bank and the Group.

Starting from 1 January 2014, a part of the supervisory rules on credit institutions has been amended further to the so called "Basel III rules", mainly with the purpose to significantly strengthen the minimum capital requirements, restrict the build-up of excessive leverage and introduce policies and quantitative rules for the mitigation of the liquidity risk of the banks. The Basel III framework has been implemented in Europe through the CRD IV package, which has been recently amended by the EU Banking Reform package. See further "*Regulatory Section*" of the EMTN Base Prospectus incorporated by reference in this Prospectus.

As a bank of significant importance for the European financial system, Intesa Sanpaolo is subject to direct supervision of the European Central Bank (ECB). Following the Supervisory Review and Evaluation Process (SREP) the ECB provides, on an annual basis, a final decision of the capital requirement that Intesa Sanpaolo must comply with a consolidated level. On 8 February 2019, Intesa Sanpaolo received the final decision of the ECB concerning the capital requirement that it must meet in terms of Common Equity Tier 1 ratio, on a consolidated basis, starting from 1 March 2019, which was fixed at 8.88% according to the transitional arrangements for 2019 and at 9.25% on a fully-loaded basis.

As a result of the implementation of Directives 2014/49/EU (*Deposit Guarantee Schemes Directive*) of 16 April 2014 and the adoption of the (EU) Regulation no. 806/2014 of the European Parliament and the Council of 15 July 2014 (*Single Resolution Mechanism Regulation,* – so called "**SRMR**"), the Bank is legally obligated to make both ordinary and extraordinary contributions to the Deposit Guarantee Fund and the Single Resolution Fund. These contributions could have a significant impact on the financial and capital position of the Bank and the Group.

The Intesa Sanpaolo Group is subject to Directive 2014/59/EU of the European Parliament and the Council (Bank Recovery and Resolution Directive, the "**BRRD**"), which is intended to enable a wide range of actions that could be taken towards institutions considered to be at risk of failing (i.e. the sale of business, the asset separation, the bail-in and the bridge bank). The execution of any action under the BRRD towards the Intesa Sanpaolo Group could materially affect the value of, or any repayments linked to the Notes.

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

The ECB, on its own initiative after consulting with each national competent authority or upon request by a national competent authority, may declare an institution significant to ensure the consistent application of high-quality supervisory standards. Intesa Sanpaolo and the Intesa Sanpaolo Group have been classified, respectively, as a significant supervised entity and a significant supervised group within the meaning of Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the European Central Bank and each

national competent authority and with national designated authorities (the "**SSM Framework Regulation**") and, as such, are subject to direct prudential supervision by the ECB in respect of the functions granted to ECB by the SSM Regulation and the SSM Framework Regulation.

On 23 November 2016, the European Commission presented a package of reforms aimed at strengthening the resilience of EU banks by amending certain provisions of the CRD IV, CRR, BRRD and SRMR (the "**EU Banking Reform Package**"). New regulatory capital and other requirements introduced by the EU Banking Reform Package and the implementation of other regulatory initiatives, which must be complied by the Group, may affect its capital structure and could have a material adverse effect on its business, results of operations and financial condition.

For further details, please see the "*Regulatory Section*" on page 195 of the EMTN Base Prospectus incorporated by reference in this Prospectus.

Risks related to the entry into force of new accounting principles and changes to the applicable accounting principles

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

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

For an in depth analysis of the IFRS 9, the relevant implementation project and the effects of its first application (FTA), please refer to the chapter on "*Transition to IFRS 9*" at pages 19 to 41 of the consolidated financial statements for 2018, incorporated by reference in this Prospectus. It should be noted that upon the first application of the principle, the main impacts for the Intesa Sanpaolo Group arose from the enforcement of the new impairment accounting model (based on the concept of "expected loss" instead of the approach of the "incurred loss", previously envisaged by IAS 39), which caused an increase of the value adjustments.

Also with reference to the application of the IFRS 9, the Intesa Sanpaolo Group, as mainly a banking financial conglomerate, has decided to avail itself of the option of application of the so called "Deferral Approach" (or Temporary Exemption), by virtue of which the financial assets and liabilities of the insurance subsidiary companies continue to be recognised on the balance sheet in accordance with the provisions of IAS 39, awaiting the entry into force of the new international accounting principle on insurance agreements (IFRS 17), which is scheduled for 2021.

For further details on the first adoption of the new principle please refer to the specific qualitative and quantitative information included in the chapter "Transition to IFRS 9" at pages 19 to 41 of the consolidated financial statements for 2018, incorporated by reference in this Prospectus.

RISKS RELATED TO EACH TRANCHE OF NOTES

The following risks relate to an investment in each Tranche of Notes and references to the "Notes", a "Note", "Noteholder(s)" or "holder(s)" shall, with reference to a potential investor in the 3.750% Notes, refer to such 3.750% Notes or 3.750% Note, or a holder or holders of such 3.750% Note(s); and with reference to a potential investor in the 4.125% Notes, refer to such 4.125% Notes or 4.125% Note, or a holder or holders of such 4.125% Note(s).

The risks below have been classified into the following categories:

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

Risks related to the Notes generally;

Risks related to the structure of the Notes;

Risks related to the Additional Tier 1/subordinated nature of the Notes;

Risks related to the market generally.

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;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

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

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

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

Risks related to the Notes generally

Resolution Powers and contractual recognition of the BRRD

Under the BRRD framework the Relevant Authorities have the power to apply "resolution" tools if the Issuer is failing or likely to fail, as an alternative to compulsory liquidation proceedings. Specifically, these tools are: (1) the sale of business assets or shares of the Issuer; (2) the establishment of a bridging institution; (3) the separation of the unimpaired assets of the Issuer from those which are deteriorated or impaired; and (4) a bail-in, through write-down/conversion into equity of regulatory capital instruments (including the Notes) as well as other liabilities of the Issuer if the relevant conditions are satisfied and in accordance with the creditors' hierarchy provided under the relevant provisions of Italian law.

In particular, by its acquisition of a Note (whether on issuance or in the secondary market), each holder of the Notes acknowledges, accepts, agrees to be bound by and consents to the exercise of any resolution power by a Relevant Authority that may result in the cancellation of all, or a portion, of the principal amount of, or interest on, the Notes and/or the conversion of all, or a portion, of the principal amount of, or interest on, the Notes into equity or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by a Relevant Authority of such resolution power. Each holder of the Notes acknowledges, accepts and agrees that its rights as a holder of the Notes are subject to, and will be varied, if necessary, so as to give effect to, the exercise of any such power by any Relevant Authority. The exercise of any resolution power, which could result in the Notes being written down or converted into equity pursuant to such statutory measures, or any suggestion of such exercise could, therefore, materially adversely affect the rights of the Noteholders, the price or value of their investment in the Notes, the ability of the Issuer to satisfy its obligations under the Notes, and may have a negative impact on the market value of the Notes.

Please refer to the paragraph " - *The Intesa Sanpaolo Group is subject to the provisions of the EU Recovery and Resolution Directive*" in "*Regulatory Section*" of the EMTN Base Prospectus incorporated by reference in this Prospectus.

Modification and waivers

With reference to each Tranche of Notes, the Agency Agreement and the Conditions contain provisions for calling Noteholders' meetings for matters that may affect their interests in general. These provisions allow the establishment of majorities that shall be binding on 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. Condition 15.2 (*Meetings of Noteholders; Modification and Waiver – Modification and waiver*) also provides that the Fiscal Agent and the Issuer may, without the consent of Noteholders, agree to any modification of the Notes, the Coupons or the Agency Agreement which is (a) to cure or correct any ambiguity or defective or inconsistent provision contained therein, or which is of a formal, minor or technical nature, or (b) in the sole opinion of the Issuer, not prejudicial to the interests of the Noteholders and/or Couponholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Noteholders were held to consider such modification or (c) to correct a manifest error or (d) to comply with mandatory provisions of law.

The Notes may also be amended without the consent of the Noteholders in order to effect any amendment under Condition 5.9 (*Benchmark Replacement*) due to the occurrence of a Benchmark Event. The Notes may furthermore be amended without the consent of the Noteholders in the circumstances described in "- *The Notes may be subject to modification without Noteholder consent*" below.

Change of law

The Conditions are governed by Italian law. No assurance can be given as to the impact of any possible judicial decision or change to applicable law or administrative practice after the date of this Prospectus.

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

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

Notes have limited events of default and remedies

The Event of Default, being events upon the occurrence of which the Notes shall become immediately due and payable, are limited to circumstances in which Intesa Sanpaolo becomes subject to compulsory winding-up (*liquidazione coatta amministrativa*) pursuant to Articles 80 and following of Italian Legislative Decree number 385 of 1 September 1993, as amended and supplemented from time to time (the "**Italian Banking Act**") or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96-*quinquies* of the Italian Banking Act, otherwise than for the purposes of an Approved Reorganisation or on terms previously approved by the Noteholders, as set out in Condition 11 (*Enforcement Event*). Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the Noteholders will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Waiver of set-off

In Condition 4.1(ii) (*Status and Subordination of the Notes – Status of the Notes – No Set-off Rights)*, each holder of a Note or a Coupon 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 Note or Coupon.

Risks related to the structure of the Notes

Risks relating to the governing law of the Notes

The terms and conditions of the Notes are governed by Italian law and Condition 20 provides that contractual and non-contractual obligations arising out or in connection with them are governed by, and shall be construed in accordance with, Italian law. The Global Notes representing the Notes provide that all

contractual and non-contractual obligations arising out of, or in connection with, the Notes are governed by Italian law, save for the form and transferability of the Global Notes which are governed by English law.

Article 59 of Law No. 218 of 31 May 1995 (the "**Italian Private International Law**") provides that other debt securities (*titoli di credito*) are governed by the law of the State in which the security was issued. The Temporary Global Note and the Permanent Global Note representing the Notes will be signed by the Issuer in the United Kingdom and, thereafter, delivered to Deutsche Bank AG, London Branch as initial Fiscal Agent and Paying Agent, being the entity in charge of, *inter alia*, completing, authenticating and delivering the Temporary Global Note and Permanent Global Note and (if required) authenticating and delivering Definitive Notes.

The Issuer cannot foresee the effect of any potential misalignment between the laws applicable to the terms and conditions of the Notes and the laws applicable to their transfer and circulation for any prospective investors in the Notes, and any disputes which may arise in relation to, *inter alia,* the transfer of ownership in the Notes on the basis of the above-mentioned provisions of Italian Private International Law and the relevant applicable private international law legislation.

Integral multiples of less than €250,000

The Notes are issued in denominations of €250,000 and integral multiples of €1,000 in excess thereof, up to (and including) €499,000. A Noteholder who, as a result of trading such amounts, holds a principal amount of less than €250,000 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 at least such minimum denomination.

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

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

Potential conflicts of interest

The Calculation Agent is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent and the Noteholders, including with respect to certain determinations and judgments that the 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 Calculation Agent is a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst the Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

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

The 5-year Mid-Swap Rate used to calculate the Reset Rate of Interest on the First Reset Date and on each subsequent Reset Date is linked to the Euro Interbank Offered Rate ("**EURIBOR**") and the annual mid-swap rate for euro swap transactions, 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 the Notes.

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and entered into force on 30 June 2016. The Benchmarks Regulation applies, subject to certain conditions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Among other things, the Benchmarks Regulation (i) requires 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) prevents 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 may cause a benchmark to perform differently than it has done in the past or to be discontinued, including if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation, and 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". Any change in the performance of a benchmark or its discontinuation could have a material adverse effect on financial instruments referencing or linked to such benchmark, such as the Notes following the First Reset Date.

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

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

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

The Conditions provide that, if the Issuer determines that a Benchmark Event (as defined in the Conditions) has occurred, the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the

purposes of determining a Successor Rate or an Alternative Benchmark Rate (as further described in Condition 5.9 (*Benchmark Replacement*) and, if applicable, an Adjustment Spread. Please refer to Condition 2 (*Definitions and Interpretation*) for the full definition of a Benchmark Event. If the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser and the Issuer cannot agree upon, or cannot select, the Successor Rate or Alternative Benchmark Rate, the Issuer may determine the replacement rate, provided that if the Issuer is unable or unwilling to determine the Successor Rate or Alternative Benchmark Rate, the further fallbacks described in the Conditions shall apply. In certain circumstances (where the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page or where in the determination of the Issuer, operation of the provisions of Condition 5.8 (*Benchmark Replacement*) could reasonably be expected to cause the occurrence of a Regulatory Event), the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest of the last preceding Interest Period being used. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time. The use of a Successor Rate or an Alternative Benchmark Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Notes if the relevant benchmark remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Issuer fails to agree a Successor Rate or an Alternative Benchmark Rate or adjustment spread, if applicable, with the Independent Adviser, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Benchmark Rate or adjustment spread, if applicable, in a situation in which it is presented with a conflict of interest. In addition, while any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Notes may not do so and may result in the Notes performing differently (which may include payment of a lower interest rate) than they would do if the Reference Rate were to continue to apply in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes, investigations and licensing issues in making any investment decision with respect to the Notes.

Redemption for tax or regulatory reasons

The Issuer's option to redeem the Notes for tax or regulatory reason is likely to limit the market value of the Notes, as during any period when the Issuer may, or is perceived to be able to, elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. Pursuant to Condition 8.4 (*Redemption for tax reasons*), in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, or if the Issuer has lost or will lose the ability to deduct interest payable on the Notes from its taxable income, in each case, as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy, or any political subdivision or 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 (being - in the case of a redemption before five years after the Issue Date and if and to the extent then required under Applicable Banking Regulations - material and not reasonably foreseeable as of the Issue Date) becomes effective on or after the Issue Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all or part (but subject to the prior approval of the Relevant Authority) of the outstanding Notes in accordance with the

Conditions. In addition, the Issuer may, at its option, redeem the Notes for regulatory reasons, as described in further detail in " – *Regulatory classification of the Notes*" below.

In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

The Notes will be redeemed at their Outstanding Principal Amount, together with any accrued but unpaid interest to the date fixed for redemption, even if the principal amount of the Notes has been written down and not yet reinstated in full. Noteholders will not receive a make-whole amount or any other compensation in the event of an early redemption of the Notes.

The Issuer's right to redeem the Notes at its option may limit the market value of the Notes and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

The Issuer has an option to redeem the Notes on the First Reset Date and on each Interest Payment Date thereafter, pursuant to Condition 8.2 (*Redemption at the option of the Issuer*). Such an optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes or is perceived to be able to redeem the Notes, the market value of the 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 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 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.

The Notes will be redeemed at their Outstanding Principal Amount, together with any accrued but unpaid interest to the date fixed for redemption, even if the principal amount of the Notes has been written down and not yet reinstated in full. Noteholders will not receive a make-whole amount or any other compensation in the event of an early redemption of the Notes.

Risks related to the Additional Tier 1/subordinated nature of the Notes

The Notes are deeply subordinated obligations

If the event of compulsory winding up (*Liquidazione Coatta Amministrativa*) pursuant to Articles 80 and following of the Italian Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96-quinquies of the Italian Banking Act of the Issuer otherwise than for the purpose of an Approved Reorganization or on terms previously approved by the Noteholders, the rights of the Noteholders will be subordinated to the payment in full by the Issuer of the holders of senior debt and all other unsubordinated creditors (including unsecured creditors) and any subordinated creditors that rank senior to the Notes. If this occurs, Intesa Sanpaolo may not have enough assets remaining after these payments to pay amounts due under the Notes. For a full description of the subordination provisions relating to Notes, see Condition 4.1 (*Status of the Notes*).

The 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 tool, the BRRD contemplates that the Notes may be subject to a write-down or conversion into common shares at the point of non-viability. The BRRD is

intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the BRRD or the taking of any action under it could materially affect the value of the Notes. Additionally, there may be material tax consequences for holders of the Notes as a result of such write-down or conversion, and holders should consult their own tax advisors regarding such potential consequences. See also the risk factor "*Risks related to the Notes generally – Resolution Powers and contractual recognition of the BRRD*" above and the paragraph "- *The Intesa Sanpaolo Group is subject to the provisions of the EU Bank Recovery and Resolution Directive*" in "*Regulatory Section*" of the EMTN Base Prospectus incorporated by reference in this Prospectus.

Regulatory classification of the Notes – The Notes may be redeemed after a Regulatory Event

The intention of the Intesa Sanpaolo is for the Notes to qualify on issue as "Additional Tier 1 Capital", for regulatory capital purposes. Although it is Intesa Sanpaolo's expectation that the Notes qualify as "Additional Tier 1 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 "Additional Tier 1 Capital", the Issuer will have the right to redeem the Notes in accordance with Condition 8.3 (*Redemption due to a Regulatory Event*), subject to the prior approval of the Relevant Authority. There can be no assurance that holders of the 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 Notes. See also "*Early Redemption of the Notes may be restricted*" below.

Early redemption and repurchases of the Notes may be restricted

The rules under the CRR prescribe certain conditions for the granting of permission by the Relevant Authority to a request by the Issuer to redeem or repurchase the Notes. In this respect, the CRR provides that the Relevant Authority shall grant permission to a redemption or repurchase of the Notes in accordance with Article 78 of the CRR provided that either of the following conditions is met, as applicable to the Notes:

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

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds would, following such redemption or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary.

In addition to the satisfying the condition listed in paragraphs (i) or (ii) above, the rules under the CRR provide that the Relevant Authority may only permit the Issuer to redeem or repurchase the Notes before five years after the Issue Date of the Notes if and to the extent required under Article 78(4) of the CRR or the related implementing regulations, policies and guidelines:

(i) on or before the relevant redemption or repurchase, the Issuer replaces the relevant Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(ii) in the case of redemption pursuant to Condition 8.4 (*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 of the Issue Date; or

(iii) in case of redemption pursuant to Condition 8.3 (*Redemption due to a Regulatory Event*), a Regulatory Event has occurred; or

(iv) in the case of a repurchase of Notes, the Notes are repurchased for market making purposes, in accordance with Condition 8.6 (*Purchase*),

subject in any event to any alternative or additional conditions or requirements as may be applicable from time to time under the Applicable Banking Regulations.

In the case of a repurchase of Additional Tier 1 instruments for market making purposes, Article 29(3) of Commission Delegated Regulation 241/2014 provides that competent authorities may give their permission in accordance with the criteria set out in the CRR in advance for a certain predetermined amount, which shall not exceed the lower of: (1) 10% of the principal amount of the relevant issuance; or (2) 3% of the total amount of outstanding Tier 1 instruments or such other amount permitted to be purchased for market-making purposes under the Applicable Banking Regulations and to the extent the Notes are not purchased in order to be surrendered to any Paying Agent for cancellation.

The Notes may be subject to modification without Noteholder consent

If at any time a Tax Event or a Regulatory Event occurs and/or in order to ensure the effectiveness and enforceability of Condition 21 (*Acknowledgment of the Italian Bail-in Power*), then the Issuer may, subject to giving any notice required to, and receiving any consent required from, the Relevant Authority, if so required, (without any requirement for the consent or approval of the holders of the Notes), elect to modify the terms of all (but not only some) of the Notes so that they become or remain Qualifying Securities, *provided that* such variation does not itself give rise to any right of the Issuer to redeem the varied securities or otherwise provide the Issuer with a right of redemption pursuant to the provisions of the Notes. The Relevant Authority has discretion as to whether or not it will approve any variation of the Notes. Any such variation which is considered by the Relevant Authority to be material shall be treated by it as the issuance of a new instrument. Therefore, the Notes, as so varied, must be eligible as Additional Tier 1 Capital in accordance with then prevailing Applicable Banking Regulations, which may include a requirement that (save in certain prescribed circumstances) the Notes may not be redeemed or repurchased prior to five years after the effective date of such variation.

Qualifying Securities are securities issued directly by the Issuer that have terms not materially less favourable to the Noteholders, as reasonably determined by the Issuer, than the terms of the Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. Moreover, in respect of the effectiveness and enforceability of Condition 21 (*Acknowledgement of the Italian Bail-in Power*), the Qualifying Securities may have terms materially less favourable to a holder of the Notes, including but not limited to a change in governing law and/or to the jurisdiction and service of process provisions. Additionally, there may be material tax consequences for holders of the Notes as a result of such modification, and holders should consult their own tax advisors regarding such potential consequences.

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

Interest on any Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on

any Interest Payment Date. Furthermore, in accordance with Condition 6.2(i) and (ii) (*Restriction on interest payments*),

- the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts in respect of such interest payment, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and all other Own Funds instruments (including any Additional Amounts in respect thereof but excluding – for the avoidance of doubt – any such distributions or interest payments on Tier 2 Capital instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Instruments that have been written down, in each case paid and/or scheduled to be paid in the then current financial year;

- in circumstances where limitation on distributions by reference to Maximum Distributable Amount applies, no payments will be made on the Notes (whether by way of principal, interest or otherwise) if and to the extent that such payment – when aggregated with (x) other distributions of the kind referred to in the restrictions on distributions provisions contained in Article 141 of CRD IV and any other similar restrictions on distributions provisions contained in the Applicable Banking Regulations from time to time applicable to the Issuer or the Group (or, as the case may be, any provision of Italian law transposing or implementing such provisions, including Circular No. 285) and (y) the amount of any write-ups on any Loss Absorbing Instruments that have been written down, where applicable – would cause the Maximum Distributable Amount then applicable to the Issuer or the Group (as the case may be) to be exceeded, or would otherwise result in a violation of any other similar regulatory restriction or prohibition on payments on Additional Tier 1 instruments imposed on the Issuer or the Group pursuant to Applicable Banking Regulations.

Although the Issuer may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, it may only do so to the extent that such partial interest payment may be made without breaching the restrictions in the preceding paragraphs.

Furthermore, in accordance with Condition 6.2.1(iii) (*Restriction on interest payments*), the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), if and to the extent that the Relevant Authority orders or requires the Issuer to cancel the relevant interest payment on the Notes (in whole or in part) scheduled to be paid.

In particular, the Relevant Authority has the power under Article 104(1)(i) of the CRD IV to restrict or prohibit payments of interest by the Issuer to holders of Additional Tier 1 instruments such as the Notes. The risk of any such intervention by the Relevant Authority is most likely to materialise when the Issuer or the Group is failing, or is expected to fail, its capital requirements. Also, in accordance with Article 63(j) of the BRRD, as amended, the Relevant Authority has the power to amend or alter the maturity of debt instruments and other bail-inable liabilities (such as the Notes) issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for secured liabilities. The Relevant Authority also has intervention powers under Articles 53-*bis*, paragraph (1)(d) and 67-*ter*, paragraph (1)(d) of the Italian Banking Act to impose requirements on credit institutions, the effect of which can be to restrict or prohibit payments of interest to holders of financial instruments computed in the institution's regulatory capital (such as the Notes), which intervention power is most likely

to be exercised when a credit institution is failing, or is expected to fail, its capital or liquidity requirements. Under Article 45 of the BRRD, as amended by the EU Banking Reform, a breach of the minimum requirement for own funds and eligible liabilities can be addressed by the Relevant Authority also on the basis of measures under Article 104 of the CRD IV and therefore, the Relevant Authority's power to restrict or prohibit distributions or interest payments on Additional Tier 1 instruments such as the Notes.

Furthermore, upon the occurrence of a Trigger Event, accrued and unpaid interest on the Write-Down Amount through to the Write-Down Effective Date shall be automatically cancelled and shall not be due and payable. See Condition 6.5 (*Interest Amount in case of Write-Down*).

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

Because the Issuer is entitled to cancel Interest Amounts in its full discretion, it may do so even if it could make such payments without exceeding the limits of Distributable Items or Maximum Distributable Amounts described above, and the Issuer may pay dividends on its ordinary or preference shares notwithstanding such cancellation. If the Issuer does not make an interest payment on the Notes on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. The Issuer may without restriction use funds that could have been used to make such cancelled payments to meet its other obligations as they become due.

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

The ability of the Issuer to make payments under the Notes depends on its Distributable Items and, in certain circumstances, its Maximum Distributable Amount

The Issuer's ability to make interest payments under the Notes depends on the level of its Distributable Items which is determined by reference to the amount of the profits at the end of the last financial year plus any profits brought forward and available reserves. The availability of Distributable Items to fund interest payments on the Notes may be adversely affected by distributions paid and/or scheduled to be paid on instruments ranking equally with or senior to the Notes, as well as payments on instruments ranking junior to the Notes such as dividends on ordinary shares of the Issuer. Changes to accounting rules, allocations to reserves and other decisions by the Issuer that influence its profitability could also have an impact on the amount of Distributable Items.

The Issuer's ability to make interest payment on the Notes is furthermore limited in circumstances where the capital conservation measures contained in the Applicable Banking Regulations apply. In particular:

- an institution that fail to meet its combined buffer requirements is subject to restrictions on discretionary payments (including payments on Additional Tier 1 instruments such as the Notes) under Article 141 of the CRD IV (as amended), and may not distribute more than the Maximum Distributable Amount ("**MDA**"); and

- an institution that fail to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities is subject to restrictions on discretionary payments (including payments on Additional Tier 1 instruments such as the Notes) under Article 16a of the BRRD (as amended), and the resolution authority has the power to prohibit the institution from distributing more than the Maximum Distributable Amount related to the minimum requirement for own funds and eligible liabilities ("**M-MDA**").

Moreover, should the Issuer become a G-SII in the future, it shall be subject to restrictions on distributions by reference to the leverage ratio related maximum distributable amount under Article 141b of the CRD IV (as amended), and may not distribute more than the leverage ratio related maximum distributable amount ("**L-MDA**"). It is also possible that the L-MDA (or a similar concept) will be extended to Other Systemically Important Institutions (O-SIIs), including the Issuer, in the future.

Whether an institution shall be considered as failing to meet its combined buffer requirement depends on whether it has own funds in an amount and of the quality needed to meet the relevant capital requirements, including additional own fund requirements which are subject to fluctuations. The respective amount of the MDA, M-MDA and L-MDA are each calculated by reference to an institution's interim/year-end profits not included in its CET1 capital *net of* any distribution of profits or discretionary payments, which amount is necessarily difficult to predict. The Issuer also has discretion to determine how to allocate the MDA, the M-MDA and, where applicable, the L-MDA, amongst different types of discretionary payments, and payments made earlier prior to any specific date will reduce the amount of the MDA, the M-MDA or, as applicable, L-MDA available for payments on the Notes on or after such date. The risk of a cancellation of interest payments under the Notes and limitations on the Issuer's ability to reinstate principal following a Write-Down as a result of the operation of the aforementioned capital conservation measures is therefore difficult to predict.

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

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

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

The Issuer's current and future outstanding Junior Securities or Parity Securities (as defined in the Conditions) might not include in their contractual terms write-down or similar features with triggers comparable to those of the Notes. As a result, (without prejudice to the application of statutory loss absorption provisions) it is possible that the Notes will be subject to a write-down, while Junior Securities (including equity securities) and/or Parity Securities remain outstanding and continue to receive payments

and, as such, holders of the Notes may be subject to losses ahead of holders of Junior Securities (including equity securities) and/or Parity Securities. Although a Write-Down of the Notes is expected to occur concurrently (or substantially concurrently) and on a *pro rata* basis, with the write-down or equity conversion of other Loss Absorbing Instruments of the Issuer, to the extent that the write-down or equity conversion of such other instruments is not effective for any reason, such ineffectiveness shall not prejudice the Write-Down of the Notes; and any such write-down or equity conversion that is not effective shall not be taken into account in determining the Write-Down Amount of the Notes. Accordingly, a failure to write-down or convert other Loss Absorbing Instruments of the Issuer may result in an increase in the amount to be written down on the Notes.

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

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

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

Noteholders will bear the risk of changes in the CET1 ratio

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

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

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

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

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

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

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

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

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

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

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

their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Notes in global form will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Notes are of perpetual nature

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

The Notes may be traded with accrued interest, but the Issuer has full discretion to cancel, and in some circumstances, shall cancel, accrued interest

The Notes may trade, and/or the prices for the Notes may appear, on the Official List of the Luxembourg Stock Exchange and in other trading systems with accrued interest. If this occurs, purchases of Notes in the secondary market will pay a price that reflects such accrued interest upon purchase of the Notes. However, if a payment of interest is cancelled (in whole or in part) pursuant to the Conditions and thus is not due and payable, purchasers of the Notes will not be entitled to that interst payment on the relevant Interest Payment Date. This may affect the value of any investment in the Notes.

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

The 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. Instruments that are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors 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 the Notes. 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 Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or

principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes (which bear a fixed rate of interest to be reset on each Reset Date) involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

The Rate of Interest applicable to the Notes will be reset on every Reset Date. Such Rate of Interest will be determined two TARGET Settlement Days before the relevant Reset Date and as such is not pre-defined at the date of issue of the Notes. The uncertainty regarding the future Rate of Interest of the Notes may adversely affect their yield.

Credit ratings may not reflect all risks

The Notes are rated by Moody's, S&P, Fitch and DBRS Morningstar, each of which is established in the European Union and is registered under the CRA Regulation as set out in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/credit-rating-agencies/risk) in accordance with the CRA Regulation. Investors should be aware that:

(i) such rating will reflect only the views of the rating agency and 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;

(ii) a rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency; and

(iii) notwithstanding the above, an adverse change in a credit rating could adversely affect the trading price for the Notes.

Furthermore, 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 EEA or the UK and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA or the UK but is endorsed by a credit rating agency established in the EEA or the UK and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA or the UK which is certified under the CRA Regulation.

If the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

GENERAL OVERVIEW

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

*In this Prospectus, words and expressions defined in the "*Terms and Conditions of the 3.750% Notes*" and the "*Terms and Conditions of the 4.125% Notes*" below or elsewhere have the same meanings when used in this general overview and references to a "*Condition*" is to such numbered condition in such Terms and Conditions.*

Issuer:	Intesa Sanpaolo S.p.A.
Issuer's Legal Entity Identifier (LEI):	2W8N8UU78PMDQKZENC08
Joint Lead Managers:	Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, Merrill Lynch International and Morgan Stanley & Co. International plc
Principal amount:	€750,000,000 of 3.750% Notes €750,000,000 of 4.125% Notes
Issue price:	100.0 per cent. of the principal amount of the 3.750%Notes 100.0 per cent. of the principal amount of the 4.125%Notes
Issue date:	27 February 2020
Form and denomination:	Each Tranche of Notes will be issued in bearer form in denominations of €250,000 and integral multiples of €1,000 in excess thereof, up to (and including) €499,000.
Status of each Tranche of Notes:	The Notes constitute and will constitute unsecured, subordinated obligations of the Issuer. In the event of the voluntary or involuntary liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativ*a) of the Issuer, the rights of the holders of the Notes to payments of the then Outstanding Principal Amount (as reduced by any relevant Write-Down Amount in respect of a Trigger Event which has occurred but in respect of which the Write-Down Effective Date has not yet occurred, if any) of the Notes and any other amounts in respect of the Notes (including any accrued and uncancelled interest or damages awarded for breach of any obligations under the Conditions, if any are payable), will rank: (A) *pari passu* without any preference among the Notes; (B) at least *pari passu* with payments to holders of present or future outstanding Parity Securities of the Issuer;

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

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

"**Parity Securities**" means (i) any subordinated and undated debt instruments or securities of the Issuer which are recognized as Additional Tier 1 capital of the Issuer, from time to time by the Relevant Authority (including, in the case of the €750,000,000 3.750% Notes, the €750,000,000 4.125% Notes; and in the case of the €750,000,000 4.125% Notes, the €750,000,000 3.750% Notes) and (ii) any securities or other obligations of the Issuer which rank, or are expressed to rank, on a voluntary or involuntary liquidation or bankruptcy of the Issuer, *pari passu* with the Notes.

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

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

No fixed redemption: The Notes have no fixed redemption date. They shall become immediately due and payable only in case voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 26 February 2020, provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority.

With reference to each Tranche of Notes, the Notes may not be redeemed at the option of the Issuer except in accordance with the

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

Interest:

The Notes will bear interest at their Outstanding Principal Amount, on a non-cumulative basis subject to cancellation as described below, semi-annually in arrear on 27 February and 27 August in each year (each, an "**Interest Payment Date**").

In the case of the 3.750% Notes, the rate of interest through to (and excluding) 27 February 2025 (the "**3.750% Notes First Reset Date**") will be 3.750 per cent. per annum. The rate of interest will be reset on the First Reset Date and on each 5-year anniversary thereafter (each, a "**3.750% Reset Date**").

In the case of the 4.125% Notes, the rate of interest through to (and excluding) 27 February 2030 (the "**4.125% Notes First Reset Date**") will be 4.125 per cent. per annum. The rate of interest will be reset on the First Reset Date and on each 5-year anniversary thereafter (each, a "**4.125% Reset Date**").

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

Discretionary interest payments:

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

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

interest payment shall also not be due and payable.

Restriction on interest payments: With reference to each Tranche of Notes, payment of interest on the Notes on any Interest Payment Date is furthermore subject to restrictions by reference to the amount of Distributable Items and to the Maximum Distributable Amount applicable to the Issuer and/or the Group. Furthermore, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date if and to the extent that the Relevant Authority orders the Issuer to cancel the relevant interest payment. See further Condition 6.2 (*Restriction on interest payments*).

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

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating either to the Issuer and/or the Group (as the case may be) required to be calculated in accordance with the CRD IV and/or any other Applicable Banking Regulations (or any provision of Italian law transposing or implementing the foregoing).

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

Interest in case of Write-Down/Reinstatement: With reference to each Tranche of Notes, following a write-down of the Notes pursuant to Condition 7 (*Loss Absorption Mechanism*), holders of the Notes will not have any rights against the Issuer with respect to the payment of interest on any principal amount that has been so written down (without prejudice to any rights as to reinstatement as may be applicable to the Notes), and interest on the Write-Down Amount for the Interest Period ending on the Interest Payment Date following such write-down shall be deemed to have been cancelled. Furthermore, interest - otherwise due and payable

on an Interest Payment Date - on any principal amount that is to be written down on a date that falls after such Interest Payment Date as a result of a Trigger Event that has occurred prior to such Interest Payment Date will also be automatically cancelled, all as described in Condition 6.5 (*Interest Amount in case of Write-Down*).

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

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

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

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

A "**Trigger Event**" means, at any time, that the CET1 Ratio of either the Issuer on a solo basis, or the Group on a consolidated basis (as the case may be) on such date is less than the Trigger Level. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority and such calculation shall be binding on the holders of the Notes.

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

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

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

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

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

provided further that any Loss Absorbing Instrument that may be written down or converted to equity in full but not in part (save for any one cent floor) shall be treated as if its terms permitted partial write-down or conversion into equity, only for the purposes of determining the relevant pro rata amounts in the operation of write-down and calculation of the Write-Down Amount.

Reinstatement:

With reference to each Tranche of Notes, if a positive Net Income and a positive Consolidated Net Income is recorded at any time while the Outstanding Principal Amount of the Notes is less than their Original Principal Amount, the Issuer may, at its sole and absolute discretion, reinstate and write up the Outstanding Principal Amount of the Notes on a *pro rata* basis (based on the then prevailing Outstanding Principal Amount thereof) with other Equal Trigger Temporary Written Down Instruments, subject to compliance with the reinstatement limit pursuant to applicable banking regulations, on the terms and subject to the conditions set out in Condition 7.2 (*Reinstatement*).

In particular, in circumstances where limitation on distributions by reference to Maximum Distributable Amount applies, any

reinstatement of the Notes shall - when aggregated together with the reinstatement of the Outstanding Principal Amount of all other written down Loss Absorbing Instruments of the Issuer and/or the Group constituting Additional Tier 1 Capital, payments of interest or distributions in respect of the Notes and of such written down instruments and any other distributions of the kind referred to in Article 141 of CRD IV (or any provision of Italian law transposing or implementing such article, including Circular No. 285) - be limited to the extent necessary to ensure the Maximum Distributable Amount then applicable to the Issuer and/or the Group is not exceeded thereby. The amount by which the Outstanding Principal Amount of each Note is to be reinstated is furthermore subject to limitations by reference to the Maximum Reinstatement Amount. See further the paragraph headed "*Reinstatement Amount*" in Condition 7.2 (*Reinstatement*).

Redemption at the option of the Issuer:

With reference to each Tranche of Notes, the Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to the prior approval of the Relevant Authority, on any Optional Redemption Date (Call) at their Outstanding Principal Amount together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) up to, but excluding, the date fixed for redemption and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8.2 (*Redemption at the option of the Issuer*).

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

Redemption due to a Regulatory Event:

With reference to each Tranche of Notes, the Issuer may, at its option, redeem the Notes in whole, but not in part, subject to the prior approval of the Relevant Authority, following the occurrence of a Regulatory Event, at their Outstanding Principal Amount together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) up to, but excluding, the date fixed for redemption and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8.3 (*Redemption due to a Regulatory Event*).

"**Regulatory Event**" is deemed to have occurred if there is a change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Notes from the classification as of the Issue Date that would be likely to result in their exclusion in whole or (to the extent permitted by Applicable Banking Regulations) in part, from Additional Tier 1 capital of the Issuer and/or the Group or a reclassification as a lower quality form of Own Funds and, prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations, both of the following conditions are met: (i) the Relevant

Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as of the Issue Date.

Redemption for tax reasons:

With reference to each Tranche of Notes, the Issuer may, at its option, redeem the Notes in whole or in part (but subject to the prior approval of the Relevant Authority) at any time if:

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

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

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

Conditions to redemption and purchase:

Any redemption or purchase of each Tranche of Notes is subject to compliance with the then Applicable Banking Regulations, including:

(i) the Issuer having obtained the prior approval of the Relevant Authority in accordance with Articles 77 and 78 of the CRR, where either:

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

(b) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and, if applicable,

eligible liabilities would, following the redemption or purchase, exceed the requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary ; **and**

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

(A) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the relevant Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for income capacity of the Issuer and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; *and*

(B) in the case of redemption pursuant to Condition 8.4 (*Redemption for tax reasons*), the Issuer having 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

(C) in case of redemption pursuant to Condition 8.3 (*Redemption due to a Regulatory Event*), the Relevant Authority considers the change in regulatory classification to be sufficiently certain and the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date; or

(D) in the case of a repurchase of Notes, the Notes are repurchased for market making purposes,

subject in any event to any alternative or additional conditions or requirements as may be applicable from time to time under the Applicable Banking Regulations.

Redemption and Trigger Event: With reference to each Tranche of Notes, the Issuer shall not give any redemption notice in accordance with the provisions of Condition 8.2 (*Redemption at the option of the Issuer*), Condition 8.3 (*Redemption due to a Regulatory Event*) or Condition 8.4 (*Redemption for tax reasons*) after a Trigger Event occurs and has not been remedied. Furthermore, if the Issuer has elected to redeem the Notes in accordance with Condition 8.2 (*Redemption at the option of the Issuer*), Condition 8.3 (*Redemption due to a Regulatory Event*) or Condition 8.4 (*Redemption for tax reasons*)

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

Modification following a Regulatory Event or a Tax Event, or to ensure the effectiveness or enforceability of bail-in:

With reference to each Tranche of Notes, if at any time a Tax Event or a Regulatory Event occurs, or in order to ensure the effectiveness or enforceability of Condition 21 (*Acknowledgement of the Italian Bail-in Power*), then the Issuer may (without any requirement for the consent or approval of Noteholders), subject to giving any notice required to, and receiving any consent required from, the Relevant Authority (if so required), vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities, as described in Condition 15.3 (*Modification following a Regulatory Event or a Tax Event, or to ensure the effectiveness or enforceability of bail-in*).

Taxation:

All payments of principal and interest in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, taxes imposed by the Republic of Italy, unless such a withholding or deduction is required by law. In that event, the Issuer will (to the extent that such payment can be made out of the Distributable Items and if permitted by Applicable Banking Regulations), subject as provided in Condition 10 (*Taxation*), pay Additional Amounts on interests (but not on principal) as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required.

However, in certain circumstances and as more fully set out in Condition 10 (*Taxation*), the Issuer shall not be liable to pay any Additional Amounts to Noteholders and Couponholders with respect to any payment, withholding or deduction pursuant to Legislative Decree No. 239 of 1 April 1996 on account of Italian substitute tax (*imposta sostitutiva*).

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with them will be governed by Italian law.

Acknowledgement of the Italian Bail-In Power:

By its acquisition of the Notes each holder acknowledges, accepts, consents to and agrees to be bound by: (a) 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 the 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 (b) the variation of the Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Italian Bail-in Power by the Relevant Authority.
Listing and Trading:	Application has been made to list each Tranche of Notes on the official list of the Luxembourg Stock Exchange and to admit the Notes to trading on the Professional Segment of its Regulated Market.
Rating:	Each Tranche of Notes are expected to be rated "Ba3(hyb)" by Moody's, "BB-" by S&P, "B+" by Fitch and "BB(low)" by DBRS Morningstar. **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**
Selling restrictions:	For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the United Kingdom, Italy, Luxembourg, Hong Kong, China, Singapore, Japan and France, see "*Subscription and Sale*" below.
Clearing systems:	Euroclear and Clearstream, Luxembourg.
ISIN/Common code:	3.750% Notes: XS2124979753 / 212497975 4.125% Notes: XS2124980256 / 212498025

INFORMATION INCORPORATED BY REFERENCE

The following information, which has previously been published and filed with the CSSF, is incorporated in, and forms part of, this Prospectus, each to the extent specified in the cross-reference list further below:

(i) the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2018 (the "**Intesa Sanpaolo Group 2018 Annual Report**"), to the extent of those pages specified in the cross-reference list further below,

available at https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2018/CNT-05-000000052A83D/CNT-05-000000052F133.pdf;

(ii) the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2017 (the "**Intesa Sanpaolo Group 2017 Annual Report**"),

available at https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2017/CNT-05-00000004FCE48/CNT-05-000000050134A.pdf;

(iii) the unaudited condensed consolidated half-yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2019 (the "**Intesa Sanpaolo Group 2019 Half-yearly Report**"),

available at https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2019/document.pdf;

(iv) the unaudited condensed consolidated interim financial statements of the Intesa Sanpaolo Group as at and for the nine months ended 30 September 2019 (the "**Intesa Sanpaolo Group 2019 3Q Interim Statement**"),

available at https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2019/20191209_Trimestrale_Settembre_2019_Definitiva_UK.pdf,

in each case together with the accompanying notes and auditor's reports (where available) and to the extent of those pages specified in the cross-reference list further below, and

(v) the €70,000,000,000 Euro Medium Term Note Programme base prospectus dated 20 December 2019 (the "**EMTN Base Prospectus**"), to the extent of those pages specified in the cross-reference list further below,

available at https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/Contenuti/RISORSE/Documenti%20PDF/prosp_obg/20191223_EMTN_Base_Prospectus.pdf;

(vi) the press release dated 4 February 2020 announcing the approval by the board of directors of the consolidated results of the Intesa Sanpaolo Group as at and for the year ended 31 December 2019 (the "**2019 results press release**"), to the extent of those pages specified in the cross-reference list further below,

available at https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/comunicati-stampa-en/2020/20200204_RisFY19_uk.pdf;

(vii) the press release dated 17 February 2020 announcing Intesa Sanpaolo's decision to launch a voluntary public exchange offer in respect of all ordinary shares of UBI Banca S.p.A. (the "**17 February 2020 press release**"), to the extent of those pages specified in the cross-reference list further below,

available at https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/Contenuti/RISORSE/Documenti%20PDF/ubi/20200217_UBI_Ba_uk.pdf,

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

This Prospectus will be available, in electronic format, on the website of the Luxembourg Stock Exchange (*https://www.bourse.lu*) and at the following website:

http://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents/perpetual-subordinated–notes.

Any information contained in or incorporated by reference in any of the documents specified above that is not included in the cross-reference list in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference in this Prospectus, information contained on the website does not form part of this Prospectus.

Any documents which are themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus (unless they are being separately incorporated by reference in this Prospectus under this section).

Intesa Sanpaolo declares that the English translation of the consolidated 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 consolidated financial statements. Intesa Sanpaolo takes responsibility for the accuracy of such translations.

The Issuer confirms that the unaudited results and other figures contained in the 2019 results press release are consistent with the corresponding figures that will be contained in the Issuer's consolidated financial statements as at and for the year ended 31 December 2019 (the "**2019 Annual Report**"), and therefore have been prepared on the basis of the same accounting principles and standards utilised for the preparation of the consolidated financial statements of Intesa Sanpaolo as at and for the year ended 31 December 2018 in all material respects. Audit procedures by the statutory auditors on the 2019 Annual Report are currently in progress and the 2019 Annual Report will be available to the investors forthwith following its publication. See further "*General Information – Financial statements available*".

Cross reference list

The following table shows where the items of information required under Article 19(2) of the Prospectus Regulation can be found in the above-mentioned documents.

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TERMS AND CONDITIONS OF THE 3.750% NOTES

The following is the text of the terms and conditions which will be endorsed on each 3.750% Note in definitive form. The terms and conditions applicable to any 3.750% Note in global form will differ from those terms and conditions which would apply to the 3.750% Note were it in definitive form to the extent described under "Overview of Provisions Relating to each Tranche of Notes While in Global Form" *below.*

1. INTRODUCTION

1.1 The issue of the €750,000,000 3.750% Additional Tier 1 Notes (the "**Notes**") issued by Intesa Sanpaolo S.p.A. (the "**Issuer**" or "**Intesa Sanpaolo**") was authorised by a resolution of the board of directors of the Issuer passed on 4 February 2020.

1.2 The Notes are the subject of a fiscal agency agreement dated 27 February 2020 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

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

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

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Conditions the following expressions have the following meanings:

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

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

(ii) if such rate does not appear on the Relevant Screen Page at such time on such Reset Rate of Interest Determination Date, the Reset Reference Bank Rate determined in accordance with Condition 5.8 (*Fallbacks*) on such Reset Rate of Interest Determination Date;

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

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

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

(iii) has a floating leg (calculated on an Actual/360 day count basis) based on EURIBOR (the "**Mid-Swap Floating Leg Benchmark Rate**") for a six (6) month period ("**EURIBOR 6-month**"). EURIBOR 6-month shall – subject to Condition 5.9 (*Benchmark Replacement*) – be (x) the rate for deposits in euro for a six-month period which appears on the Relevant Screen Page as of 11.00 (CET) on the Reset Rate of Interest Determination Date; or (y) if such rate does not appear on the Relevant Screen Page at such time on such Reset Rate of Interest Determination Date, the arithmetic mean of the rates at which deposits in euro are offered by four major banks in the Eurozone interbank market, as selected by the Issuer, at such time on such Reset Rate of Interest Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on such Reset Date in a Representative Amount, with the quotation(s) of such rate(s) provided to the Calculation Agent by the principal Eurozone office of each such major bank;

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

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

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

"**Adjustment Spread**" means either a spread (which may be positive or negative or zero) or a formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines should be applied to the Successor Rate or the Alternative Benchmark Rate (as applicable), as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which: (i) in the case of a Successor Rate, is recommended or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or (ii) in the case of a Successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Benchmark Rate, the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate as a result of the replacement of the Reference Rate with the Successor Rate or Alternative Benchmark Rate (as applicable);

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then applicable to the Issuer or the Group including, without limitation, the BRRD, the BRRD Implementing Decrees, the CRD IV Package, the CRD IV Capital Instruments Regulations, Circular No. 285, the Banking Reform Package, the SRM Regulation and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or

policies have the force of law and whether or not they are applied generally or specifically to the Issuer) or of the institutions of the European Union;

"**Approved Reorganization**" means a solvent and voluntary reorganization involving, alone or with others, the Issuer, and whether by way of consolidation, amalgamation, merger, transfer of all or substantially all of its business or assets, or otherwise *provided that* the principal resulting, surviving or transferee entity (a "**Resulting Entity**") is a banking company and effectively assumes all the obligations of the Issuer, under, or in respect of, the Notes;

"**Banking Reform Package**" means: (i) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ration, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposure to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012; (ii) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms; (iii) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures; and (iv) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC;

"**Benchmark Event**" means: (i) the Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or (ii) a public statement by the administrator of the Reference Rate that it has ceased, or will cease, publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate); or (iii) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the Reference Rate that means that the Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or (v) a public statement by the supervisor of the administrator of the Reference Rate that, in the view of such supervisor, (i) the Reference Rate is no longer representative of an underlying market or (ii) the methodology to calculate the Reference Rate has materially changed; or (vi) it has or will become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Reference Rate (including, without limitation, under the BMR, if applicable), provided that a change of the Reference Rate methodology that is not material does not constitute a Benchmark Event. In the event of a change in the formula and/or (mathematical or other) methodology used to measure the Relevant Benchmark, reference shall be made to the Reference Rate based on the formula and/or methodology as changed;

"**BMR**" means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014;

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended and replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**BRRD Implementing Decrees**" means the Legislative Decrees No. 180 and 181 of November 16, 2015, implementing the BRRD in the Republic of Italy, as amended or replaced from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

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

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

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

"**CET1 Capital**" has the meaning, in respect of either the Issuer on a solo basis or the Group on a consolidated basis (as the case may be), given to it in Article 50 of the CRR complemented by the applicable transitional provisions under the Applicable Banking Regulations, in each case as calculated by the Issuer in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be), which calculation shall be binding on the Noteholders;

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

"**Circular No. 285**" means Bank of Italy Circular No. 285 of 17 December 2013, as amended, supplemented and integrated from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

"**Consolidated Net Income**" means the consolidated net income of the Group as calculated on a statutory basis and as set out in the most recently published audited annual consolidated financial statements after such financial statements have been formally determined by the board of directors;

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

"**CRD IV"** means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**CRD IV Capital Instruments Regulations**" means the Delegated Regulation and any other regulatory capital rules or regulations introduced by the Relevant Authority or which are otherwise applicable to the Issuer (on a solo or consolidated basis) or the Group, whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the

Issuer (on a non-consolidated or consolidated basis) to the extent required by (i) the CRD IV or (ii) the CRR;

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

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 setting out prudential requirements for credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

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

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

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

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

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

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

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

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

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

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

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

"**First Reset Date**" means 27 February 2025;

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

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

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense;

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

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

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

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

"**Interest Payment Date**" means 27 February and 27 August in each year from (and including) 27 August 2020;

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

"**Issue Date**" means 27 February 2020;

"**Italian Bail-in Power**" means any write-down, conversion, transfer, modification, or suspension power whether relating to the resolution or independent of any resolution action, of credit institutions, investment firms and/or Group entities, existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Republic of Italy, including those relating to (i) the transposition of the BRRD (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);

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

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

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

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

"**Loss Absorption Requirement**" means the power of the Relevant Authority to impose that Own Funds instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into CET1 Instruments or other instruments of ownership;

"Margin" means 4.102%, being equal to the margin used to calculate the Initial Rate of Interest;

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating either to the Issuer and/or the Group (as the case may be) required to be calculated in accordance with the CRD IV and/or any other Applicable Banking Regulation(s) (or any provision of Italian law transposing or implementing the foregoing);

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

"**Net Income**" means the non-consolidated net income of the Issuer as calculated on a statutory basis and as set out in the most recently published audited annual financial statements after such financial statements have been formally determined by the shareholders' meeting;

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

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

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

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

"**Parity Securities**" means (i) any subordinated and undated debt instruments or securities of the Issuer which are recognized as Additional Tier 1 capital of the Issuer, from time to time by the Relevant Authority (including the €750,000,000 4.125% Additional Tier 1 Notes (XS2124980256) and (ii) any securities or other obligations of the Issuer which rank, or are expressed to rank, on a voluntary or involuntary liquidation or bankruptcy of the Issuer, *pari passu* with the Notes;

"**Payment Business Day**" means:

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

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

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Rate of Interest**" means:

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

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

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

"**Regular Period**" means each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls;

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

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

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

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

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

"**Relevant Authority**" means the European Central Bank or the Bank of Italy or any successor authority in Italy (or other country in which the Issuer is then domiciled) or in the European Union having responsibility for the prudential supervision of the Issuer or the Group within the framework of the Single Supervisory Mechanism set out under Council Regulation (EU) No. 1024/2013 ("**SSM**") and in accordance with the Applicable Banking Regulations and/or, as the context may require, the Italian resolution authority, the Single Resolution Board established pursuant to the SRM Regulation, and/or any other authority in Italy or in the European Union entitled to exercise or participate in the

exercise of the Italian Bail-in Power or having primary responsibility for the prudential oversight and supervision of the Issuer from time to time;

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

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable): (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

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

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

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

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

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

"**Reset Reference Bank Rate**" means, in relation to a Reset Interest Period and the Reset Rate of Interest Determination Date in relation to such Reset Interest Period, the percentage rate determined in accordance with the provisions set out in Condition 5.8 (*Fallbacks*);

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

"**Risk Weighted Assets**" means, at any time, the aggregate amount of the risk weighted assets of the Issuer on a solo basis or the Group on a consolidated basis (as the case may be) as of such date, as calculated by the Issuer in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be), which calculation shall be binding on the Noteholders. For

the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as calculated by the Issuer in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be), and for avoidance of doubt, shall exclude the Basel 1 transitional calculation calculated in accordance with Article 500(1) of the CRR;

"**Relevant Screen Page**" means the display page on the relevant Reuters information service designated as: (a) in the case of the 5-year Mid-Swap Rate, the "ICESWAP/ISDAFIX2" page; or (b) in the case of EURIBOR 6-month, the "EURIBOR01" page, or in each case such other page, section or other part as may replace that page on that information service or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates equivalent or comparable thereto;

"**Representative Amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

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

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended, supplemented and integrated from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**Successor Rate**" means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser (with the Issuer's agreement) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body;

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

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

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

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

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

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

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

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

a "**Trigger Event**" means, at any time, that the CET1 Ratio of either the Issuer on a solo basis, or the Group on a consolidated basis (as the case may be) on such date is less than the Trigger Level. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority and such calculation shall be binding on the holders of the Notes;

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

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

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

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

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

provided further that any Loss Absorbing Instrument that may be written down or converted to equity in full but not in part (save for any one cent floor) shall be treated as if its terms permitted partial write-down or conversion into equity, only for the purposes of determining the relevant pro rata amounts in the operation of write-down and calculation of the Write-Down Amount;

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

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

2.2 **Interpretation**

In these Conditions:

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

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

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

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

3. FORM, DENOMINATION AND TITLE

The Notes are in bearer form in denominations of €250,000 and integral multiples of €1,000 in excess thereof, up to (and including) €499,000, with Coupons and Talons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

4. STATUS AND SUBORDINATION OF THE NOTES

4.1 Status of the Notes

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

In the event of the voluntary or involuntary liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativ*a) of the Issuer, the rights of the holders of the Notes to payments of the then Outstanding Principal Amount (as reduced by any relevant Write-Down Amount in respect of a Trigger Event which has occurred but in respect of which the Write-Down Effective Date has not yet occurred, if any) of the Notes and any other amounts in respect of the Notes (including any accrued and uncancelled interest or damages awarded for breach of any obligations under these Conditions, if any are payable), will rank:

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

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

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

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

(ii) ***No Set-Off Rights***

Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or the Coupons, and

each Noteholder and Couponholder shall, by virtue of its subscription, purchase or holding of any Note or Coupon, be deemed to have waived all such rights of set-off, counterclaim, abatement or other similar remedy.

(iii) ***Loss Absorption Requirement***

The Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under BRRD and/or SRM Regulation, in accordance with the powers of the Relevant Authority and where the Relevant Authority determines that application of the Loss Absorption Requirement to the Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

5. INTEREST

5.1 Accrual of interest

The Notes bear interest on their Outstanding Principal Amount, on a non-cumulative basis, at the relevant Rate of Interest from and including the Interest Commencement Date, payable, subject as provided in these Conditions, semi-annually in arrears on each Interest Payment Date. The first interest payment shall be made on 27 August 2020 in respect of the period from (and including) the Issue Date to (but excluding) 27 August 2020.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Outstanding Principal Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgement) until whichever is the earlier of:

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

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

5.2 Interest to (but excluding) the First Reset Date

The Rate of Interest for each Interest Period falling in the Initial Interest Period will be 3.750% per annum (the "**Initial Rate of Interest**"), being the rate calculated by reference to the sum of the mid-swap rate for euro swap transactions with a term of five (5) years commencing on the Issue Date plus the Margin.

5.3 Interest from (and including) the First Reset Date

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

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

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

5.5 **Publication of Reset Rate of Interest**

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

5.6 **Calculation of Interest Amount**

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

5.7 **Notifications etc.**

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

5.8 **Fallbacks**

(i) If on any Reset Rate of Interest Determination Date, the Relevant Screen Page is not available or the 5-year Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reset Reference Banks to provide it with its 5-year Mid-Swap Rate Quotations at approximately 11:00 a.m. (Central European time) on such Reset Rate of Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate for such Reset Interest Period will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided.

(ii) If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period will be (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period or (ii) in the case of the Reset Interest Period commencing on the First Reset Date, -0.317% per annum (being the 5-year Mid-Swap Rate at the time of pricing).

5.9 **Benchmark Replacement**

Notwithstanding the foregoing provisions of this Condition 5, if the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred with reference to the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) or, as applicable, the Mid-Swap Floating Leg Benchmark Rate (for the purposes of this Condition, the "**Reference Rate**"), then the following provisions shall apply:

(i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the "**Alternative Benchmark Rate**") and, in either case, an alternative screen page or source (the "**Alternative Relevant Screen Page**") and an Adjustment Spread (if applicable) no later than ten (10) Business Days prior to the relevant Reset Rate of Interest Determination Date relating to the next succeeding Reset Interest Period (the "**IA Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Notes for the relevant Reset Interest Period(s) (subject to the subsequent operation of this Condition 5.9);

(ii) the Alternative Benchmark Rate shall be such rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the Reference Rate in customary market usage for the purposes of determining reset rates of interest in respect of eurobonds denominated in Euro, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;

(iii) if the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select a Successor Rate or an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the IA Determination Cut off Date in accordance with sub-paragraph (i) or (ii) above, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine which (if any) rate has replaced the Reference Rate in customary market usage for purposes of determining reset rates of interest in respect of eurobonds denominated in Euro, or, if it determines that there is no such rate, which (if any) rate is most comparable to the Reference Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; *provided however that* if:

(a) this sub-paragraph (iii) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page no later than five (5) Business Days prior to the Reset Rate of Interest Determination Date relating to the next succeeding Reset Interest Period in accordance with this sub-paragraph (iii), or

(b) in the determination of the Issuer, operation of the provisions of this Condition 5.9 could reasonably be expected to cause the occurrence of a Regulatory Event,

then the Reference Rate applicable to such Reset Interest Period shall be determined by reference to fallback provisions set out in sub-paragraph (ii) of Condition 5.8 (*Fallbacks*) above. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Interest Period, and any subsequent Reset Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5.9;

(iv) if a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page is determined in accordance with the provisions of sub-paragraph (i) or (ii) above, such Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page shall be the benchmark and the Relevant Screen Page in relation to the Notes for all future Reset Interest Periods (subject to the subsequent operation of this Condition 5.9);

(v) if the Issuer, following consultation with the Independent Adviser and acting in good faith, determines that (a) an Adjustment Spread is required to be applied to the Successor Rate or Alternative Benchmark Rate and (b) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of a relevant Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate;

(vi) if a Successor Rate or an Alternative Benchmark Rate and/or Adjustment Spread is determined in accordance with the above provisions, the Independent Adviser (with the Issuer's agreement) or the Issuer (as the case may be), may also specify amendments to the Day Count Fraction, Relevant Screen Page, Business Day convention, Business Days, Reset Rate of Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or Alternative Benchmark Rate and/or Adjustment Spread, which amendments shall apply to the Notes for all future Reset Interest Periods (subject to the subsequent operation of this Condition 5.9); and

(vii) the Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page and Adjustment Spread (if any) give notice thereof and of any changes pursuant to sub-paragraph (vi) above to the Calculation Agent, the Fiscal Agent and the Noteholders in accordance with Condition 17 (*Notices*).

Prior to any amendment being effected under this Condition 5.9 due to a Benchmark Event (each, a "**Benchmark Amendment**") taking effect, the Issuer shall provide a certificate signed by two authorised signatories to the Fiscal Agent confirming, in the Issuer's reasonable opinion (following consultation with the Independent Adviser), (i) that a Benchmark Event has occurred, (ii) the Successor Rate or Alternative Reference Rate (as applicable), (iii) where applicable, any Adjustment Spread and (iv) where applicable, the terms of any Benchmark Amendments in each case determined in accordance with this Condition 5 that such Benchmark Amendments are necessary to give effect to any application of this Condition 5. The Successor Rate or Alternative Benchmark Rate (as applicable) or where applicable, any Adjustment Spread and any Benchmark Amendments will be binding on the Issuer, the Fiscal Agent, the other Paying Agents, the Noteholders and the Couponholders. For the avoidance of doubt, no consent of the Noteholders shall be required for a variation (as applicable) of the Notes in accordance with this Condition 5.9.

6. INTEREST CANCELLATION

6.1 Discretionary interest payments

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the

relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Any and all interest payments shall be paid out of Distributable Items.

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

6.2 **Restriction on interest payments**

6.2.1 Without prejudice to (i) full discretion of the Issuer to cancel interest payments on the Notes; and (ii) the prohibition to make payments on Additional Tier 1 instruments pursuant to Part One, Title II, Chapter 1, Section V of Circular No. 285 implementing Article 141(2) of CRD IV before the Maximum Distributable Amount (in circumstances where limitation on distributions by reference to Maximum Distributable Amount applies) is calculated:

(i) subject to the extent permitted in Condition 6.2.2 below, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts in respect of such interest payment, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and all other Own Funds instruments of the Issuer (including any Additional Amounts in respect thereof but excluding – for the avoidance of doubt – any such distributions or interest payments on Tier 2 Capital instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Instruments that have been written down, in each case paid and/or scheduled to be paid in the then current financial year;

(ii) subject to the extent permitted in Condition 6.2.2 below, in circumstances where limitation on distributions by reference to Maximum Distributable Amount applies, no payments will be made on the Notes (whether by way of principal, interest, or otherwise) if and to the extent that such payment – when aggregated with (x) other distributions of the kind referred to in the restrictions on distributions provisions contained in Article 141 of CRD IV and any other similar restrictions on distributions provisions contained in the Applicable Banking Regulations from time to time applicable to the Issuer or the Group (or, as the case may be, any provision of Italian law transposing or implementing such provisions, including Circular No. 285) and (y) the amount of any write-ups on any Loss Absorbing Instruments that have been written down, where applicable - would cause the Maximum Distributable Amount then applicable to the Issuer or the Group (as the case may be) to be exceeded, or would otherwise result in a violation of any other similar regulatory restriction or prohibition on payments on Additional Tier 1 instruments imposed on the Issuer or the Group pursuant to Applicable Banking Regulations; or

(iii) the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be

due and payable on such Interest Payment Date), if and to the extent that the Relevant Authority orders or requires the Issuer to cancel the relevant interest payment on the Notes (in whole or in part) scheduled to be paid (including in circumstances where the Relevant Authority prohibits the Issuer from distributing more than the Maximum Distributable Amount related to the minimum requirement for own funds and eligible liabilities).

6.2.2 The Issuer may, in its sole discretion, elect to make a partial or full interest payment on the Notes on any Interest Payment Date, only to the extent that such partial or full interest payment may be made without breaching the restrictions set out in sub-paragraphs (i) (ii) and (iii) of Condition 6.2.1 above.

6.3 **Effect of interest cancellation**

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with this Condition 6. Any interest cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter nor constitute (i) an Event of Default under Condition 11 (*Enforcement Event*) or any other default for any purpose; (ii) any breach of any obligation of the Issuer under the Notes; (iii) the occurrence of any event related to the insolvency of the Issuer, and shall not entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Issuer, and Noteholders shall have no rights thereto whether in a bankruptcy or liquidation of the Issuer or otherwise or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. Any such cancellation of interest imposes no restrictions on the Issuer. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

6.4 **Notice of interest cancellation**

The Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Noteholders on or prior to the relevant Interest Payment Date. The Issuer shall endeavour to provide such notice at least five (5) Business Days prior to the relevant Interest Payment Date. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant interest payment on the Notes that will be paid on the relevant Interest Payment Date. Notwithstanding the foregoing, failure to provide such notice (or the provision of a shorter notice) will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Noteholders any rights as a result of such failure.

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

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

Furthermore, any interest on any principal amount that is to be written down on the relevant Write-Down Effective Date, in respect of an Interest Period ending on any Interest Payment Date falling between the date of a Trigger Event and the Write-Down Effective Date shall be automatically cancelled (without further action from the Issuer and even if no notice has been given to that effect) upon the occurrence of such Trigger Event and shall not be due and payable. To the extent it is not

possible to determine, on such Interest Payment Date, the interest amount that is to be cancelled pursuant to this Condition 6.5 and therefore, the amount of interest due and payable (subject to these Conditions), if any, on such Interest Payment Date, the Issuer may, at its discretion, postpone the payment of interest to a date not later than the Write-Down Effective Date (and Noteholders shall not be entitled to any further interest or other payment in respect of such delay).

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

6.6 **Interest Amount in case of Reinstatement**

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

7. LOSS ABSORPTION MECHANISM

7.1 Write-down

(i) *Write-down upon Trigger Event*

If a Trigger Event has occurred at any time, then the Issuer shall write down the Outstanding Principal Amount of each Note (in whole or in part, as applicable) with effect as from the Write-Down Effective Date in accordance with the Write-Down Procedure. The write-down shall occur without undue delay (and within one month or such shorter period as the Relevant Authority may require at the latest) upon the occurrence of a Trigger Event.

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

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

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

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

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

(ii) *Write-Down Procedure*

Write-down notice

If a Trigger Event has occurred, the Issuer shall deliver a write-down notice to the Noteholders at the later of (a) 5 Business Days after the Trigger Event; and (b) as soon as commercially practicable after such Trigger Event, provided that failure to provide a notice shall not prevent the write-down of the Notes on the Write-Down Effective Date.

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

7.2 **Reinstatement**

(i) *Reinstatement after write-down*

If a positive Net Income and a positive Consolidated Net Income is recorded at any time while the Outstanding Principal Amount of the Notes is less than their Original Principal Amount, the Issuer may, at its sole and absolute discretion, reinstate and write up the Outstanding Principal Amount of the Notes in whole or in part, in accordance with the reinstatement procedure set out below and with Applicable Banking Regulations (a "**Reinstatement**"). There shall be no obligation for the Issuer to operate or accelerate a Reinstatement under any specific circumstances.

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

Trigger Level or (z) the Reinstatement (either alone or together with all simultaneous reinstatements of other Loss Absorbing Instruments) would cause a Trigger Event to occur.

(ii) *Reinstatement on a pro rata basis*

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

(iii) *Reinstatement procedure*

Reinstatement Notice

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

Reinstatement Amount

The Reinstatement Amount shall be set by the Issuer at its discretion, save that it is subject to the following limitations and any other limitations from time to time set forth in Applicable Banking Regulations:

(a) in circumstances where limitation on distributions by reference to Maximum Distributable Amount applies, any Reinstatement of the Notes shall - when aggregated together with the reinstatement of the Outstanding Principal Amount of all other written down Loss Absorbing Instruments of the Issuer and/or the Group constituting Additional Tier 1 Capital, payments of interest or distributions in respect of the Notes and of such written down instruments and any other distributions of the kind referred to in Article 141 of CRD IV (or any provision of Italian law transposing or implementing such article, including Circular No. 285) - be limited to the extent necessary to ensure the Maximum Distributable Amount then applicable to the Issuer and/or the Group is not exceeded thereby; and

(b) any reinstatement of the principal amount of the Additional Tier 1 instruments that have been subject to a write-down of the Issuer or, in the case of any reinstatement by reference to the Consolidated Net Income, of the Group (including the Notes) - together with the payment of interest payments or distributions in respect of such written down instruments that were calculated or paid on the basis of an outstanding principal amount that is lower than their principal amount upon issuance at any time after the end of the then previous financial year - may not exceed the reinstatement limit pursuant to the Applicable Banking Regulations (the "**Maximum Reinstatement Amount**"), which is equal to the lower of: (x) Net Income *multiplied* by the ratio of (i) the Original Principal Amount of all outstanding Additional Tier 1 instruments of the Issuer where the principal amount of such Additional Tier 1 instruments has been reduced, *divided* by (ii) the total Tier 1 Capital of the Issuer; and (y) Consolidated Net

Income multiplied by the ratio of (i) the Original Principal Amount of all outstanding Additional Tier 1 instruments of the Group where the principal amount of such Additional Tier 1 instruments has been reduced, *divided* by (ii) the total Tier 1 Capital of the Group, in each case, converted (where appropriate) in Euro and calculated at the date of the relevant Reinstatement.

Effecting the Reinstatement

If the Issuer exercises its discretion to effect a Reinstatement in accordance with and subject to the limits of this Condition 7.2 (*Reinstatement*), it shall give notice thereof to the Noteholders in accordance with Condition 17 (*Notices*) specifying the Reinstatement Amount (which shall be conclusive and binding on the Noteholders) and the Reinstatement Effective Date.

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

Any decision by the Issuer to effect, or not to effect, a Reinstatement on any occasion shall not prevent the Issuer from effecting, or not effecting, a Reinstatement on any other occasion pursuant to this Condition 7.2.

8. REDEMPTION AND PURCHASE

8.1 No fixed redemption

The Notes have no fixed redemption date.

The Notes shall become immediately due and payable only in case voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 26 February 2020, provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of this Condition 8. The Notes may not be redeemed at the option of the Noteholders.

8.2 Redemption at the option of the Issuer

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

8.3 **Redemption due to a Regulatory Event**

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

(i) the Issuer has given not less than 15 nor more than 30 days' notice to the Noteholders (such notice shall - subject to the provisions of Condition 8.9 (*Trigger Event post redemption notice*) and Condition 8.10 (*No redemption notice post Trigger Event*) – be irrevocable) specifying the date fixed for such redemption; and

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

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

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

8.4 **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole or in part (but subject to the prior approval of the Relevant Authority) at any time on giving not less than 15 but not more than 30 days' notice to the Noteholders in accordance with Condition 17 (*Notices*), at their Outstanding Principal Amount, together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) to the date fixed for redemption, if:

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

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

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

At least 15 days prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (i) a certificate signed by two duly authorized officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the circumstance that entitle the Issuer to redeem have occurred and (ii) an opinion of independent legal advisers of recognized standing to the effect that such circumstances prevail (and such evidence and opinion shall be sufficient to the Fiscal Agent and conclusive and binding on the Noteholders).

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

8.5 **No other redemption**

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

8.6 **Purchase**

The Issuer or any of its Subsidiaries may purchase Notes in the open market or otherwise and at any price, provided (*inter alia*) that all unmatured Coupons are purchased therewith. Such Notes may be held, resold or, at the option of the purchaser, surrendered for cancellation.

The Issuer or any agent on its behalf shall have the right at all times to purchase the Notes 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 principal amount of the Notes; and (ii) 3% of the total amount of outstanding Additional Tier 1 instruments of the Issuer from time to time outstanding or such other amount permitted to be purchased for market-making purposes under the Applicable Banking Regulations and to the extent the Notes are not purchased in order to be surrendered to any Paying Agent for cancellation. Any such purchase of the Notes shall be subject to Condition 8.7 (*Conditions to redemption and purchase*) and is subject to consent of the Relevant Authority and in compliance with Applicable Banking Regulations.

8.7 **Conditions to redemption and purchase**

Any redemption or purchase of the Notes is subject to compliance with the then Applicable Banking Regulations, including:

(i) the Issuer having obtained the prior approval of the Relevant Authority in accordance with Articles 77 and 78 of the CRR, where either:

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

(b) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and, if applicable, eligible liabilities would, following the redemption or purchase, exceed the requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; **and**

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

(A) on or before the relevant redemption or repurchase, the Issuer replaces the relevant Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for income capacity of the Issuer and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(B) in the case of redemption pursuant to Condition 8.4 (*Redemption for tax reasons*), the Issuer having 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

(C) in case of redemption pursuant to Condition 8.3 (*Redemption due to a Regulatory Event*), a Regulatory Event has occurred; or

(D) in the case of a repurchase of Notes, the Notes are repurchased for market making purposes in accordance with Condition 8.6 (*Purchase*),

subject in any event to any alternative or additional conditions or requirements as may be applicable from time to time under the Applicable Banking Regulations.

For the avoidance of doubt, any refusal of the Relevant Authority to grant a permission in accordance with Article 78 of the CRR shall not constitute a default of the Issuer for any purpose.

8.8 **Cancellation**

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

8.9 **Trigger Event post redemption notice**

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

8.10 **No redemption notice post Trigger Event**

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

9. PAYMENTS

9.1 Principal

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

9.2 Interest

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

9.3 Payments subject to fiscal laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

9.4 Unmatured Coupons void

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

9.5 Payments on business days

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

9.6 Payments other than in respect of matured Coupons

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

9.7 Partial payments

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

9.8 **Exchange of Talons**

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

10. **TAXATION**

10.1 **Gross up**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall – to the extent that such payment can be made out of Distributable Items subject to Condition 6 (*Interest Cancellation*) and if permitted by Applicable Banking Regulations - pay such additional amounts ("**Additional Amounts**") on interests (but not on principal) as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon presented for payment:

(i) for or on account of *Imposta Sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended, (the "**Legislative Decree No. 239**") or, for the avoidance of doubt, Italian Legislative Decree No. 461 of 21 November 1997 (as amended by Italian Legislative Decree No. 201 of 16 June 1998) (as any of the same may be amended or supplemented) or any related implementing regulations and in all circumstances in which the procedures set forth in Legislative Decree No. 239 in order to benefit from a tax exemption have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

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

(A) in the Republic of Italy; or

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

(C) by or on behalf of a Noteholder or Couponholder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or

(D) more than 30 days after the Relevant Date except to the extent that the Noteholder or the Couponholder would have been entitled to an additional amount on presenting such

Note or Coupon for payment on such thirtieth day assuming that day to have been a Business Day; or

(E) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

The Issuer will have no obligation to pay additional amounts in respect of the Notes and Coupons or otherwise indemnify an investor for any withholding or deduction required by the rules of Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any regulation or agreements thereunder, official interpretation thereof, or any law implementing an intergovernmental agreement thereto ("**FATCA Withholding**").

10.2 **Taxing Jurisdiction**

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any 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.

11. ENFORCEMENT EVENT

In the event of compulsory winding up (*Liquidazione Coatta Amministrativa*) pursuant to Articles 80 and following of the Italian Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96-*quinquies* of the Italian Banking Act of the Issuer, otherwise than for the purpose of an Approved Reorganization or on terms previously approved by the Noteholders (an "**Event of Default**"), then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable without further action or formality.

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

12. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and shall become void unless made within ten years (in the case of principal) and five years (in the case of interest) from the due date for payment thereof.

13. REPLACEMENT OF NOTES AND COUPONS

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

14. PAYING AGENTS

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

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

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

(b) the Issuer undertakes that it will ensure that it maintains a paying agent (i) outside the Republic of Italy, and (ii) in a Member State of the European Union or in the United Kingdom who is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

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

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

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

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

15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

15.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any

such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than one half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however,* that for voting on any Extraordinary Resolution in relation to a Reserved Matter, the quorum will be two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter, of the aggregate principal amount of the outstanding Notes. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

15.2 **Modification and waiver; Approved Reorganisation**

The Conditions may not be amended without the prior approval of the Relevant Authority (if applicable). The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons or the Agency Agreement which is (a) to cure or correct any ambiguity or defective or inconsistent provision contained therein, or which is of a formal, minor or technical nature, or (b) in the sole opinion of the Issuer, not prejudicial to the interests of the Noteholders and/or Couponholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Noteholders were held to consider such modification) or (c) to correct a manifest error or (d) to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and Couponholders and shall be notified to the Noteholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

No consent of the Noteholders or Couponholders shall be required for an Approved Reorganisation, *provided that* the Issuer shall deliver to the Fiscal Agent, to make available at its specified office to the Noteholders, a certificate signed by two directors of the Issuer stating that: (i) immediately prior to the assumption of its obligations, the Resulting Entity is solvent after taking account of all prospective and contingent liabilities resulting from its becoming the Resulting Entity; and (ii) the proposed consolidation, merger or amalgamation will be an Approved Reorganisation. Any Approved Reorganisation shall be notified to the Noteholders in accordance with Condition 17 (*Notices*).

15.3 **Modification following a Regulatory Event or a Tax Event, or to ensure effectiveness or enforceability of bail-in**

If at any time a Tax Event or a Regulatory Event occurs, or in order to ensure the effectiveness and enforceability of Condition 21 (*Acknowledgement of the Italian Bail-in Power*), then the Issuer may, subject to giving any notice required to, and receiving any consent required from, the Relevant Authority, if so required, (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders (which notice shall be irrevocable, except if a Trigger Event occurs, the relevant notice shall be automatically rescinded and shall be of no force and effect and write-down shall apply in

accordance with Condition 7 (*Loss Absorption Mechanism*)), at any time vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities, provided that such variation does not itself give rise to any right of the Issuer to redeem the varied securities or otherwise provide the Issuer with a right of redemption pursuant to the provisions of the Notes.

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

(i) (A) contain terms such that they comply with the then-current minimum requirements under the Applicable Banking Regulations for inclusion in the Tier 1 Capital of the Issuer or the Group (as applicable); (B) provide for a ranking at least equal to that of the Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes; (D) have the same redemption rights as the Notes; (E) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of variation; and (F) are assigned (or maintain) the same credit ratings with the same outlook as were assigned to the Notes immediately prior to such variation, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 21 (*Acknowledgement of the Italian Bail-in Power*); and (G) other than in respect of the effectiveness and enforceability of Condition 21 (*Acknowledgement of the Italian Bail-in Power*), have terms that are not materially less favourable to the Noteholders, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Notes; and

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

16. FURTHER ISSUES

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

17. NOTICES

Notices to the Noteholders shall be valid if published (i) in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or (ii) if the Notes are at the relevant time listed or admitted to trading on the Luxembourg Stock Exchange and the rules of that exchange so require, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, in each of the above cases, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

18. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of: (a) making or filing a claim or proof against the Issuer, (b)

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

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

19. ROUNDING

For the purposes of any calculations referred to in these Conditions, all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

20. GOVERNING LAW AND JURISDICTION

20.1 Governing law

The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with the laws of the Republic of Italy.

20.2 Jurisdiction

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

20.3 Appropriate forum

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

20.4 Non-exclusivity

The submission to the jurisdiction of the courts of Milan 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.

21. ACKNOWLEDGEMENT OF THE ITALIAN BAIL-IN POWER

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuer 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 21,

includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees to be bound by:

(a) 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

(b) 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 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 21.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Italian Bail-in Power to the Notes.

TERMS AND CONDITIONS OF THE 4.125% NOTES

The following is the text of the terms and conditions which will be endorsed on each 4.125% Note in definitive form. The terms and conditions applicable to any 4.125% Note in global form will differ from those terms and conditions which would apply to the 4.125% Note were it in definitive form to the extent described under "Overview of Provisions Relating to each Tranche of Notes While in Global Form" *below.*

1. INTRODUCTION

1.1 The issue of the €750,000,000 4.125% Additional Tier 1 Notes (the "**Notes**") issued by Intesa Sanpaolo S.p.A. (the "**Issuer**" or "**Intesa Sanpaolo**") was authorised by a resolution of the board of directors of the Issuer passed on 4 February 2020.

1.2 The Notes are the subject of a fiscal agency agreement dated 27 February 2020 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

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

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

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Conditions the following expressions have the following meanings:

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

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

(ii) if such rate does not appear on the Relevant Screen Page at such time on such Reset Rate of Interest Determination Date, the Reset Reference Bank Rate determined in accordance with Condition 5.8 (*Fallbacks*) on such Reset Rate of Interest Determination Date;

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

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

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

(iii) has a floating leg (calculated on an Actual/360 day count basis) based on EURIBOR (the "**Mid-Swap Floating Leg Benchmark Rate**") for a six (6) month period ("**EURIBOR 6-month**"). EURIBOR 6-month shall – subject to Condition 5.9 (*Benchmark Replacement*) – be (x) the rate for deposits in euro for a six-month period which appears on the Relevant Screen Page as of 11.00 (CET) on the Reset Rate of Interest Determination Date; or (y) if such rate does not appear on the Relevant Screen Page at such time on such Reset Rate of Interest Determination Date, the arithmetic mean of the rates at which deposits in euro are offered by four major banks in the Eurozone interbank market, as selected by the Issuer, at such time on such Reset Rate of Interest Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on such Reset Date in a Representative Amount, with the quotation(s) of such rate(s) provided to the Calculation Agent by the principal Eurozone office of each such major bank;

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

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

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

"**Adjustment Spread**" means either a spread (which may be positive or negative or zero) or a formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines should be applied to the Successor Rate or the Alternative Benchmark Rate (as applicable), as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which: (i) in the case of a Successor Rate, is recommended or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or (ii) in the case of a Successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Benchmark Rate, the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate as a result of the replacement of the Reference Rate with the Successor Rate or Alternative Benchmark Rate (as applicable);

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then applicable to the Issuer or the Group including, without limitation, the BRRD, the BRRD Implementing Decrees, the CRD IV Package, the CRD IV Capital Instruments Regulations, Circular No. 285, the Banking Reform Package, the SRM Regulation and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or

policies have the force of law and whether or not they are applied generally or specifically to the Issuer) or of the institutions of the European Union;

"**Approved Reorganization**" means a solvent and voluntary reorganization involving, alone or with others, the Issuer, and whether by way of consolidation, amalgamation, merger, transfer of all or substantially all of its business or assets, or otherwise *provided that* the principal resulting, surviving or transferee entity (a "**Resulting Entity**") is a banking company and effectively assumes all the obligations of the Issuer, under, or in respect of, the Notes;

"**Banking Reform Package**" means: (i) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ration, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposure to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012; (ii) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms; (iii) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures; and (iv) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC;

"**Benchmark Event**" means: (i) the Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or (ii) a public statement by the administrator of the Reference Rate that it has ceased, or will cease, publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate); or (iii) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the Reference Rate that means that the Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or (v) a public statement by the supervisor of the administrator of the Reference Rate that, in the view of such supervisor, (i) the Reference Rate is no longer representative of an underlying market or (ii) the methodology to calculate the Reference Rate has materially changed; or (vi) it has or will become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Reference Rate (including, without limitation, under the BMR, if applicable), provided that a change of the Reference Rate methodology that is not material does not constitute a Benchmark Event. In the event of a change in the formula and/or (mathematical or other) methodology used to measure the Relevant Benchmark, reference shall be made to the Reference Rate based on the formula and/or methodology as changed;

"**BMR**" means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014;

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended and replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**BRRD Implementing Decrees**" means the Legislative Decrees No. 180 and 181 of November 16, 2015, implementing the BRRD in the Republic of Italy, as amended or replaced from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

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

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

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

"**CET1 Capital**" has the meaning, in respect of either the Issuer on a solo basis or the Group on a consolidated basis (as the case may be), given to it in Article 50 of the CRR complemented by the applicable transitional provisions under the Applicable Banking Regulations, in each case as calculated by the Issuer in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be), which calculation shall be binding on the Noteholders;

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

"**Circular No. 285**" means Bank of Italy Circular No. 285 of 17 December 2013, as amended, supplemented and integrated from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

"**Consolidated Net Income**" means the consolidated net income of the Group as calculated on a statutory basis and as set out in the most recently published audited annual consolidated financial statements after such financial statements have been formally determined by the board of directors;

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

"**CRD IV"** means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**CRD IV Capital Instruments Regulations**" means the Delegated Regulation and any other regulatory capital rules or regulations introduced by the Relevant Authority or which are otherwise applicable to the Issuer (on a solo or consolidated basis) or the Group, whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the

Issuer (on a non-consolidated or consolidated basis) to the extent required by (i) the CRD IV or (ii) the CRR;

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

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 setting out prudential requirements for credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

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

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

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

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

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

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

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

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

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

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

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

"**First Reset Date**" means 27 February 2030;

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

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

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense;

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

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

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

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

"**Interest Payment Date**" means 27 February and 27 August in each year from (and including) 27 August 2020;

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

"**Issue Date**" means 27 February 2020;

"**Italian Bail-in Power**" means any write-down, conversion, transfer, modification, or suspension power whether relating to the resolution or independent of any resolution action, of credit institutions, investment firms and/or Group entities, existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Republic of Italy, including those relating to (i) the transposition of the BRRD (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);

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

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

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

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

"**Loss Absorption Requirement**" means the power of the Relevant Authority to impose that Own Funds instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into CET1 Instruments or other instruments of ownership;

"Margin" means 4.274%, being equal to the margin used to calculate the Initial Rate of Interest;

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating either to the Issuer and/or the Group (as the case may be) required to be calculated in accordance with the CRD IV and/or any other Applicable Banking Regulation(s) (or any provision of Italian law transposing or implementing the foregoing);

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

"**Net Income**" means the non-consolidated net income of the Issuer as calculated on a statutory basis and as set out in the most recently published audited annual financial statements after such financial statements have been formally determined by the shareholders' meeting;

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

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

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

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

"**Parity Securities**" means (i) any subordinated and undated debt instruments or securities of the Issuer which are recognized as Additional Tier 1 capital of the Issuer, from time to time by the Relevant Authority (including the €750,000,000 3.750% Additional Tier 1 Notes (XS2124979753) and (ii) any securities or other obligations of the Issuer which rank, or are expressed to rank, on a voluntary or involuntary liquidation or bankruptcy of the Issuer, *pari passu* with the Notes;

"**Payment Business Day**" means:

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

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

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Rate of Interest**" means:

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

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

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

"**Regular Period**" means each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls;

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

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

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

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

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

"**Relevant Authority**" means the European Central Bank or the Bank of Italy or any successor authority in Italy (or other country in which the Issuer is then domiciled) or in the European Union having responsibility for the prudential supervision of the Issuer or the Group within the framework of the Single Supervisory Mechanism set out under Council Regulation (EU) No. 1024/2013 ("**SSM**") and in accordance with the Applicable Banking Regulations and/or, as the context may require, the Italian resolution authority, the Single Resolution Board established pursuant to the SRM Regulation, and/or any other authority in Italy or in the European Union entitled to exercise or participate in the

exercise of the Italian Bail-in Power or having primary responsibility for the prudential oversight and supervision of the Issuer from time to time;

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

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable): (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

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

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

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

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

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

"**Reset Reference Bank Rate**" means, in relation to a Reset Interest Period and the Reset Rate of Interest Determination Date in relation to such Reset Interest Period, the percentage rate determined in accordance with the provisions set out in Condition 5.8 (*Fallbacks*);

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

"**Risk Weighted Assets**" means, at any time, the aggregate amount of the risk weighted assets of the Issuer on a solo basis or the Group on a consolidated basis (as the case may be) as of such date, as calculated by the Issuer in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be), which calculation shall be binding on the Noteholders. For

the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as calculated by the Issuer in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be), and for avoidance of doubt, shall exclude the Basel 1 transitional calculation calculated in accordance with Article 500(1) of the CRR;

"**Relevant Screen Page**" means the display page on the relevant Reuters information service designated as: (a) in the case of the 5-year Mid-Swap Rate, the "ICESWAP/ISDAFIX2" page; or (b) in the case of EURIBOR 6-month, the "EURIBOR01" page, or in each case such other page, section or other part as may replace that page on that information service or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates equivalent or comparable thereto;

"**Representative Amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

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

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended, supplemented and integrated from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**Successor Rate**" means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser (with the Issuer's agreement) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body;

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

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

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

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

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

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

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

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

a "**Trigger Event**" means, at any time, that the CET1 Ratio of either the Issuer on a solo basis, or the Group on a consolidated basis (as the case may be) on such date is less than the Trigger Level. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority and such calculation shall be binding on the holders of the Notes;

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

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

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

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

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

provided further that any Loss Absorbing Instrument that may be written down or converted to equity in full but not in part (save for any one cent floor) shall be treated as if its terms permitted partial write-down or conversion into equity, only for the purposes of determining the relevant pro rata amounts in the operation of write-down and calculation of the Write-Down Amount;

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

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

2.2 **Interpretation**

In these Conditions:

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

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

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

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

3. FORM, DENOMINATION AND TITLE

The Notes are in bearer form in denominations of €250,000 and integral multiples of €1,000 in excess thereof, up to (and including) €499,000, with Coupons and Talons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

4. STATUS AND SUBORDINATION OF THE NOTES

4.1 Status of the Notes

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

In the event of the voluntary or involuntary liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativ*a) of the Issuer, the rights of the holders of the Notes to payments of the then Outstanding Principal Amount (as reduced by any relevant Write-Down Amount in respect of a Trigger Event which has occurred but in respect of which the Write-Down Effective Date has not yet occurred, if any) of the Notes and any other amounts in respect of the Notes (including any accrued and uncancelled interest or damages awarded for breach of any obligations under these Conditions, if any are payable), will rank:

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

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

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

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

(ii) ***No Set-Off Rights***

Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or the Coupons, and

each Noteholder and Couponholder shall, by virtue of its subscription, purchase or holding of any Note or Coupon, be deemed to have waived all such rights of set-off, counterclaim, abatement or other similar remedy.

(iii) ***Loss Absorption Requirement***

The Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under BRRD and/or SRM Regulation, in accordance with the powers of the Relevant Authority and where the Relevant Authority determines that application of the Loss Absorption Requirement to the Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

5. INTEREST

5.1 Accrual of interest

The Notes bear interest on their Outstanding Principal Amount, on a non-cumulative basis, at the relevant Rate of Interest from and including the Interest Commencement Date, payable, subject as provided in these Conditions, semi-annually in arrears on each Interest Payment Date. The first interest payment shall be made on 27 August 2020 in respect of the period from (and including) the Issue Date to (but excluding) 27 August 2020.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Outstanding Principal Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgement) until whichever is the earlier of:

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

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

5.2 Interest to (but excluding) the First Reset Date

The Rate of Interest for each Interest Period falling in the Initial Interest Period will be 4.125% per annum (the "**Initial Rate of Interest**"), being the rate calculated by reference to the sum of the mid-swap rate for euro swap transactions with a term of ten (10) years commencing on the Issue Date plus the Margin.

5.3 Interest from (and including) the First Reset Date

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

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

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

5.5 **Publication of Reset Rate of Interest**

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

5.6 **Calculation of Interest Amount**

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

5.7 **Notifications etc.**

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

5.8 **Fallbacks**

(i) If on any Reset Rate of Interest Determination Date, the Relevant Screen Page is not available or the 5-year Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reset Reference Banks to provide it with its 5-year Mid-Swap Rate Quotations at approximately 11:00 a.m. (Central European time) on such Reset Rate of Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate for such Reset Interest Period will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided.

(ii) If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period will be (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period or (ii) in the case of the Reset Interest Period commencing on the First Reset Date, -0.317% per annum (being the 5-year Mid-Swap Rate at the time of pricing).

5.9 **Benchmark Replacement**

Notwithstanding the foregoing provisions of this Condition 5, if the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred with reference to the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) or, as applicable, the Mid-Swap Floating Leg Benchmark Rate (for the purposes of this Condition, the "**Reference Rate**"), then the following provisions shall apply:

(i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the "**Alternative Benchmark Rate**") and, in either case, an alternative screen page or source (the "**Alternative Relevant Screen Page**") and an Adjustment Spread (if applicable) no later than ten (10) Business Days prior to the relevant Reset Rate of Interest Determination Date relating to the next succeeding Reset Interest Period (the "**IA Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Notes for the relevant Reset Interest Period(s) (subject to the subsequent operation of this Condition 5.9);

(ii) the Alternative Benchmark Rate shall be such rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the Reference Rate in customary market usage for the purposes of determining reset rates of interest in respect of eurobonds denominated in Euro, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;

(iii) if the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select a Successor Rate or an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the IA Determination Cut off Date in accordance with sub-paragraph (i) or (ii) above, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine which (if any) rate has replaced the Reference Rate in customary market usage for purposes of determining reset rates of interest in respect of eurobonds denominated in Euro, or, if it determines that there is no such rate, which (if any) rate is most comparable to the Reference Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; *provided however that* if:

(a) this sub-paragraph (iii) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page no later than five (5) Business Days prior to the Reset Rate of Interest Determination Date relating to the next succeeding Reset Interest Period in accordance with this sub-paragraph (iii), or

(b) in the determination of the Issuer, operation of the provisions of this Condition 5.9 could reasonably be expected to cause the occurrence of a Regulatory Event,

then the Reference Rate applicable to such Reset Interest Period shall be determined by reference to fallback provisions set out in sub-paragraph (ii) of Condition 5.8 (*Fallbacks*) above. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Interest Period, and any subsequent Reset Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5.9;

(iv) if a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page is determined in accordance with the provisions of sub-paragraph (i) or (ii) above, such Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page shall be the benchmark and the Relevant Screen Page in relation to the Notes for all future Reset Interest Periods (subject to the subsequent operation of this Condition 5.9);

(v) if the Issuer, following consultation with the Independent Adviser and acting in good faith, determines that (a) an Adjustment Spread is required to be applied to the Successor Rate or Alternative Benchmark Rate and (b) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of a relevant Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate;

(vi) if a Successor Rate or an Alternative Benchmark Rate and/or Adjustment Spread is determined in accordance with the above provisions, the Independent Adviser (with the Issuer's agreement) or the Issuer (as the case may be), may also specify amendments to the Day Count Fraction, Relevant Screen Page, Business Day convention, Business Days, Reset Rate of Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or Alternative Benchmark Rate and/or Adjustment Spread, which amendments shall apply to the Notes for all future Reset Interest Periods (subject to the subsequent operation of this Condition 5.9); and

(vii) the Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page and Adjustment Spread (if any) give notice thereof and of any changes pursuant to sub-paragraph (vi) above to the Calculation Agent, the Fiscal Agent and the Noteholders in accordance with Condition 17 (*Notices*).

Prior to any amendment being effected under this Condition 5.9 due to a Benchmark Event (each, a "**Benchmark Amendment**") taking effect, the Issuer shall provide a certificate signed by two authorised signatories to the Fiscal Agent confirming, in the Issuer's reasonable opinion (following consultation with the Independent Adviser), (i) that a Benchmark Event has occurred, (ii) the Successor Rate or Alternative Reference Rate (as applicable), (iii) where applicable, any Adjustment Spread and (iv) where applicable, the terms of any Benchmark Amendments in each case determined in accordance with this Condition 5 that such Benchmark Amendments are necessary to give effect to any application of this Condition 5. The Successor Rate or Alternative Benchmark Rate (as applicable) or where applicable, any Adjustment Spread and any Benchmark Amendments will be binding on the Issuer, the Fiscal Agent, the other Paying Agents, the Noteholders and the Couponholders. For the avoidance of doubt, no consent of the Noteholders shall be required for a variation (as applicable) of the Notes in accordance with this Condition 5.9.

6. INTEREST CANCELLATION

6.1 Discretionary interest payments

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the

relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Any and all interest payments shall be paid out of Distributable Items.

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

6.2 **Restriction on interest payments**

6.2.1 Without prejudice to (i) full discretion of the Issuer to cancel interest payments on the Notes; and (ii) the prohibition to make payments on Additional Tier 1 instruments pursuant to Part One, Title II, Chapter 1, Section V of Circular No. 285 implementing Article 141(2) of CRD IV before the Maximum Distributable Amount (in circumstances where limitation on distributions by reference to Maximum Distributable Amount applies) is calculated:

(i) subject to the extent permitted in Condition 6.2.2 below, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts in respect of such interest payment, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and all other Own Funds instruments of the Issuer (including any Additional Amounts in respect thereof but excluding – for the avoidance of doubt – any such distributions or interest payments on Tier 2 Capital instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Instruments that have been written down, in each case paid and/or scheduled to be paid in the then current financial year;

(ii) subject to the extent permitted in Condition 6.2.2 below, in circumstances where limitation on distributions by reference to Maximum Distributable Amount applies, no payments will be made on the Notes (whether by way of principal, interest, or otherwise) if and to the extent that such payment – when aggregated with (x) other distributions of the kind referred to in the restrictions on distributions provisions contained in Article 141 of CRD IV and any other similar restrictions on distributions provisions contained in the Applicable Banking Regulations from time to time applicable to the Issuer or the Group (or, as the case may be, any provision of Italian law transposing or implementing such provisions, including Circular No. 285) and (y) the amount of any write-ups on any Loss Absorbing Instruments that have been written down, where applicable - would cause the Maximum Distributable Amount then applicable to the Issuer or the Group (as the case may be) to be exceeded, or would otherwise result in a violation of any other similar regulatory restriction or prohibition on payments on Additional Tier 1 instruments imposed on the Issuer or the Group pursuant to Applicable Banking Regulations; or

(iii) the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be

due and payable on such Interest Payment Date), if and to the extent that the Relevant Authority orders or requires the Issuer to cancel the relevant interest payment on the Notes (in whole or in part) scheduled to be paid (including in circumstances where the Relevant Authority prohibits the Issuer from distributing more than the Maximum Distributable Amount related to the minimum requirement for own funds and eligible liabilities).

6.2.2 The Issuer may, in its sole discretion, elect to make a partial or full interest payment on the Notes on any Interest Payment Date, only to the extent that such partial or full interest payment may be made without breaching the restrictions set out in sub-paragraphs (i) (ii) and (iii) of Condition 6.2.1 above.

6.3 **Effect of interest cancellation**

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with this Condition 6. Any interest cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter nor constitute (i) an Event of Default under Condition 11 (*Enforcement Event*) or any other default for any purpose; (ii) any breach of any obligation of the Issuer under the Notes; (iii) the occurrence of any event related to the insolvency of the Issuer, and shall not entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Issuer, and Noteholders shall have no rights thereto whether in a bankruptcy or liquidation of the Issuer or otherwise or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. Any such cancellation of interest imposes no restrictions on the Issuer. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

6.4 **Notice of interest cancellation**

The Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Noteholders on or prior to the relevant Interest Payment Date. The Issuer shall endeavour to provide such notice at least five (5) Business Days prior to the relevant Interest Payment Date. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant interest payment on the Notes that will be paid on the relevant Interest Payment Date. Notwithstanding the foregoing, failure to provide such notice (or the provision of a shorter notice) will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Noteholders any rights as a result of such failure.

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

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

Furthermore, any interest on any principal amount that is to be written down on the relevant Write-Down Effective Date, in respect of an Interest Period ending on any Interest Payment Date falling between the date of a Trigger Event and the Write-Down Effective Date shall be automatically cancelled (without further action from the Issuer and even if no notice has been given to that effect) upon the occurrence of such Trigger Event and shall not be due and payable. To the extent it is not

possible to determine, on such Interest Payment Date, the interest amount that is to be cancelled pursuant to this Condition 6.5 and therefore, the amount of interest due and payable (subject to these Conditions), if any, on such Interest Payment Date, the Issuer may, at its discretion, postpone the payment of interest to a date not later than the Write-Down Effective Date (and Noteholders shall not be entitled to any further interest or other payment in respect of such delay).

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

6.6 **Interest Amount in case of Reinstatement**

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

7. LOSS ABSORPTION MECHANISM

7.1 Write-down

(i) *Write-down upon Trigger Event*

If a Trigger Event has occurred at any time, then the Issuer shall write down the Outstanding Principal Amount of each Note (in whole or in part, as applicable) with effect as from the Write-Down Effective Date in accordance with the Write-Down Procedure. The write-down shall occur without undue delay (and within one month or such shorter period as the Relevant Authority may require at the latest) upon the occurrence of a Trigger Event.

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

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

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

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

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

(ii) *Write-Down Procedure*

Write-down notice

If a Trigger Event has occurred, the Issuer shall deliver a write-down notice to the Noteholders at the later of (a) 5 Business Days after the Trigger Event; and (b) as soon as commercially practicable after such Trigger Event, provided that failure to provide a notice shall not prevent the write-down of the Notes on the Write-Down Effective Date.

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

7.2 **Reinstatement**

(i) *Reinstatement after write-down*

If a positive Net Income and a positive Consolidated Net Income is recorded at any time while the Outstanding Principal Amount of the Notes is less than their Original Principal Amount, the Issuer may, at its sole and absolute discretion, reinstate and write up the Outstanding Principal Amount of the Notes in whole or in part, in accordance with the reinstatement procedure set out below and with Applicable Banking Regulations (a "**Reinstatement**"). There shall be no obligation for the Issuer to operate or accelerate a Reinstatement under any specific circumstances.

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

Trigger Level or (z) the Reinstatement (either alone or together with all simultaneous reinstatements of other Loss Absorbing Instruments) would cause a Trigger Event to occur.

(ii) *Reinstatement on a pro rata basis*

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

(iii) *Reinstatement procedure*

Reinstatement Notice

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

Reinstatement Amount

The Reinstatement Amount shall be set by the Issuer at its discretion, save that it is subject to the following limitations and any other limitations from time to time set forth in Applicable Banking Regulations:

(a) in circumstances where limitation on distributions by reference to Maximum Distributable Amount applies, any Reinstatement of the Notes shall - when aggregated together with the reinstatement of the Outstanding Principal Amount of all other written down Loss Absorbing Instruments of the Issuer and/or the Group constituting Additional Tier 1 Capital, payments of interest or distributions in respect of the Notes and of such written down instruments and any other distributions of the kind referred to in Article 141 of CRD IV (or any provision of Italian law transposing or implementing such article, including Circular No. 285) - be limited to the extent necessary to ensure the Maximum Distributable Amount then applicable to the Issuer and/or the Group is not exceeded thereby; and

(b) any reinstatement of the principal amount of the Additional Tier 1 instruments that have been subject to a write-down of the Issuer or, in the case of any reinstatement by reference to the Consolidated Net Income, of the Group (including the Notes) - together with the payment of interest payments or distributions in respect of such written down instruments that were calculated or paid on the basis of an outstanding principal amount that is lower than their principal amount upon issuance at any time after the end of the then previous financial year - may not exceed the reinstatement limit pursuant to the Applicable Banking Regulations (the "**Maximum Reinstatement Amount**"), which is equal to the lower of: (x) Net Income *multiplied* by the ratio of (i) the Original Principal Amount of all outstanding Additional Tier 1 instruments of the Issuer where the principal amount of such Additional Tier 1 instruments has been reduced, *divided* by (ii) the total Tier 1 Capital of the Issuer; and (y) Consolidated Net

Income multiplied by the ratio of (i) the Original Principal Amount of all outstanding Additional Tier 1 instruments of the Group where the principal amount of such Additional Tier 1 instruments has been reduced, *divided* by (ii) the total Tier 1 Capital of the Group, in each case, converted (where appropriate) in Euro and calculated at the date of the relevant Reinstatement.

Effecting the Reinstatement

If the Issuer exercises its discretion to effect a Reinstatement in accordance with and subject to the limits of this Condition 7.2 (*Reinstatement*), it shall give notice thereof to the Noteholders in accordance with Condition 17 (*Notices*) specifying the Reinstatement Amount (which shall be conclusive and binding on the Noteholders) and the Reinstatement Effective Date.

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

Any decision by the Issuer to effect, or not to effect, a Reinstatement on any occasion shall not prevent the Issuer from effecting, or not effecting, a Reinstatement on any other occasion pursuant to this Condition 7.2.

8. REDEMPTION AND PURCHASE

8.1 No fixed redemption

The Notes have no fixed redemption date.

The Notes shall become immediately due and payable only in case voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 26 February 2020, provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of this Condition 8. The Notes may not be redeemed at the option of the Noteholders.

8.2 Redemption at the option of the Issuer

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

8.3 **Redemption due to a Regulatory Event**

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

(i) the Issuer has given not less than 15 nor more than 30 days' notice to the Noteholders (such notice shall - subject to the provisions of Condition 8.9 (*Trigger Event post redemption notice*) and Condition 8.10 (*No redemption notice post Trigger Event*) – be irrevocable) specifying the date fixed for such redemption; and

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

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

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

8.4 **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole or in part (but subject to the prior approval of the Relevant Authority) at any time on giving not less than 15 but not more than 30 days' notice to the Noteholders in accordance with Condition 17 (*Notices*), at their Outstanding Principal Amount, together with interest accrued (if any and excluding any interest cancelled in accordance with Condition 6 (*Interest Cancellation*)) to the date fixed for redemption, if:

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

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

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

At least 15 days prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (i) a certificate signed by two duly authorized officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the circumstance that entitle the Issuer to redeem have occurred and (ii) an opinion of independent legal advisers of recognized standing to the effect that such circumstances prevail (and such evidence and opinion shall be sufficient to the Fiscal Agent and conclusive and binding on the Noteholders).

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

8.5 **No other redemption**

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

8.6 **Purchase**

The Issuer or any of its Subsidiaries may purchase Notes in the open market or otherwise and at any price, provided (*inter alia*) that all unmatured Coupons are purchased therewith. Such Notes may be held, resold or, at the option of the purchaser, surrendered for cancellation.

The Issuer or any agent on its behalf shall have the right at all times to purchase the Notes 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 principal amount of the Notes; and (ii) 3% of the total amount of outstanding Additional Tier 1 instruments of the Issuer from time to time outstanding or such other amount permitted to be purchased for market-making purposes under the Applicable Banking Regulations and to the extent the Notes are not purchased in order to be surrendered to any Paying Agent for cancellation. Any such purchase of the Notes shall be subject to Condition 8.7 (*Conditions to redemption and purchase*) and is subject to consent of the Relevant Authority and in compliance with Applicable Banking Regulations.

8.7 **Conditions to redemption and purchase**

Any redemption or purchase of the Notes is subject to compliance with the then Applicable Banking Regulations, including:

(i) the Issuer having obtained the prior approval of the Relevant Authority in accordance with Articles 77 and 78 of the CRR, where either:

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

(b) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and, if applicable, eligible liabilities would, following the redemption or purchase, exceed the requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; **and**

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

(A) on or before the relevant redemption or repurchase, the Issuer replaces the relevant Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for income capacity of the Issuer and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(B) in the case of redemption pursuant to Condition 8.4 (*Redemption for tax reasons*), the Issuer having 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

(C) in case of redemption pursuant to Condition 8.3 (*Redemption due to a Regulatory Event*), a Regulatory Event has occurred; or

(D) in the case of a repurchase of Notes, the Notes are repurchased for market making purposes in accordance with Condition 8.6 (*Purchase*),

subject in any event to any alternative or additional conditions or requirements as may be applicable from time to time under the Applicable Banking Regulations.

For the avoidance of doubt, any refusal of the Relevant Authority to grant a permission in accordance with Article 78 of the CRR shall not constitute a default of the Issuer for any purpose.

8.8 **Cancellation**

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

8.9 **Trigger Event post redemption notice**

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

8.10 **No redemption notice post Trigger Event**

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

9. PAYMENTS

9.1 Principal

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

9.2 Interest

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

9.3 Payments subject to fiscal laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

9.4 Unmatured Coupons void

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

9.5 Payments on business days

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

9.6 Payments other than in respect of matured Coupons

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

9.7 Partial payments

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

9.8 **Exchange of Talons**

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

10. **TAXATION**

10.1 **Gross up**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall – to the extent that such payment can be made out of Distributable Items subject to Condition 6 (*Interest Cancellation*) and if permitted by Applicable Banking Regulations - pay such additional amounts ("**Additional Amounts**") on interests (but not on principal) as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon presented for payment:

(i) for or on account of *Imposta Sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended, (the "**Legislative Decree No. 239**") or, for the avoidance of doubt, Italian Legislative Decree No. 461 of 21 November 1997 (as amended by Italian Legislative Decree No. 201 of 16 June 1998) (as any of the same may be amended or supplemented) or any related implementing regulations and in all circumstances in which the procedures set forth in Legislative Decree No. 239 in order to benefit from a tax exemption have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

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

(A) in the Republic of Italy; or

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

(C) by or on behalf of a Noteholder or Couponholder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or

(D) more than 30 days after the Relevant Date except to the extent that the Noteholder or the Couponholder would have been entitled to an additional amount on presenting such

Note or Coupon for payment on such thirtieth day assuming that day to have been a Business Day; or

(E) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

The Issuer will have no obligation to pay additional amounts in respect of the Notes and Coupons or otherwise indemnify an investor for any withholding or deduction required by the rules of Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any regulation or agreements thereunder, official interpretation thereof, or any law implementing an intergovernmental agreement thereto ("**FATCA Withholding**").

10.2 **Taxing Jurisdiction**

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any 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.

11. **ENFORCEMENT EVENT**

In the event of compulsory winding up (*Liquidazione Coatta Amministrativa*) pursuant to Articles 80 and following of the Italian Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96-*quinquies* of the Italian Banking Act of the Issuer, otherwise than for the purpose of an Approved Reorganization or on terms previously approved by the Noteholders (an "**Event of Default**"), then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable without further action or formality.

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

12. **PRESCRIPTION**

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and shall become void unless made within ten years (in the case of principal) and five years (in the case of interest) from the due date for payment thereof.

13. REPLACEMENT OF NOTES AND COUPONS

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

14. PAYING AGENTS

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

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

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

(b) the Issuer undertakes that it will ensure that it maintains a paying agent (i) outside the Republic of Italy, and (ii) in a Member State of the European Union or in the United Kingdom who is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

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

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

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

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

15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

15.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any

such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than one half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however,* that for voting on any Extraordinary Resolution in relation to a Reserved Matter, the quorum will be two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter, of the aggregate principal amount of the outstanding Notes. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

15.2 **Modification and waiver; Approved Reorganisation**

The Conditions may not be amended without the prior approval of the Relevant Authority (if applicable). The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons or the Agency Agreement which is (a) to cure or correct any ambiguity or defective or inconsistent provision contained therein, or which is of a formal, minor or technical nature, or (b) in the sole opinion of the Issuer, not prejudicial to the interests of the Noteholders and/or Couponholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Noteholders were held to consider such modification) or (c) to correct a manifest error or (d) to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and Couponholders and shall be notified to the Noteholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

No consent of the Noteholders or Couponholders shall be required for an Approved Reorganisation, *provided that* the Issuer shall deliver to the Fiscal Agent, to make available at its specified office to the Noteholders, a certificate signed by two directors of the Issuer stating that: (i) immediately prior to the assumption of its obligations, the Resulting Entity is solvent after taking account of all prospective and contingent liabilities resulting from its becoming the Resulting Entity; and (ii) the proposed consolidation, merger or amalgamation will be an Approved Reorganisation. Any Approved Reorganisation shall be notified to the Noteholders in accordance with Condition 17 (*Notices*).

15.3 **Modification following a Regulatory Event or a Tax Event, or to ensure effectiveness or enforceability of bail-in**

If at any time a Tax Event or a Regulatory Event occurs, or in order to ensure the effectiveness and enforceability of Condition 21 (*Acknowledgement of the Italian Bail-in Power*), then the Issuer may, subject to giving any notice required to, and receiving any consent required from, the Relevant Authority, if so required, (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders (which notice shall be irrevocable, except if a Trigger Event occurs, the relevant notice shall be automatically rescinded and shall be of no force and effect and write-down shall apply in

accordance with Condition 7 (*Loss Absorption Mechanism*)), at any time vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities, provided that such variation does not itself give rise to any right of the Issuer to redeem the varied securities or otherwise provide the Issuer with a right of redemption pursuant to the provisions of the Notes.

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

(i) (A) contain terms such that they comply with the then-current minimum requirements under the Applicable Banking Regulations for inclusion in the Tier 1 Capital of the Issuer or the Group (as applicable); (B) provide for a ranking at least equal to that of the Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes; (D) have the same redemption rights as the Notes; (E) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of variation; and (F) are assigned (or maintain) the same credit ratings with the same outlook as were assigned to the Notes immediately prior to such variation, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 21 (*Acknowledgement of the Italian Bail-in Power*); and (G) other than in respect of the effectiveness and enforceability of Condition 21 (*Acknowledgement of the Italian Bail-in Power*), have terms that are not materially less favourable to the Noteholders, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Notes; and

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

16. FURTHER ISSUES

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

17. NOTICES

Notices to the Noteholders shall be valid if published (i) in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or (ii) if the Notes are at the relevant time listed or admitted to trading on the Luxembourg Stock Exchange and the rules of that exchange so require, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, in each of the above cases, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

18. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of: (a) making or filing a claim or proof against the Issuer, (b)

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

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

19. ROUNDING

For the purposes of any calculations referred to in these Conditions, all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

20. GOVERNING LAW AND JURISDICTION

20.1 Governing law

The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with the laws of the Republic of Italy.

20.2 Jurisdiction

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

20.3 Appropriate forum

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

20.4 Non-exclusivity

The submission to the jurisdiction of the courts of Milan 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.

21. ACKNOWLEDGEMENT OF THE ITALIAN BAIL-IN POWER

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuer 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 21,

includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees to be bound by:

(a) 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

(b) 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 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 21.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Italian Bail-in Power to the Notes.

OVERVIEW OF PROVISIONS RELATING TO EACH TRANCHE OF NOTES WHILE IN GLOBAL FORM

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around 27 February 2020 (the "**Closing Date**") with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Notes will be issued in new global note ("**NGN**") form. The Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

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

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

If:

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

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

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (London time) or such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder. Under the Permanent Global Note, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular nominal amount of Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that nominal amount for all purposes and in the event the Permanent Global Note has become void, each relevant Accountholder will become entitled to proceed directly against the Issuer in respect of the relevant Notes and the bearer will have no further rights under the Permanent Global Note.

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

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

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

(iii) *Write-Down/Reinstatement of the Notes*: While all the Notes are represented by one or more Global Notes and such Global Note(s) are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, any Write-Down or Reinstatement of the Outstanding Principal Amount of the Notes shall be treated on a *pro rata* basis which, for the avoidance of doubt, shall be effected as a reduction or increase, as the case may be, to the relevant pool factor.

USE OF PROCEEDS

The net proceeds from the issue of the 3.750% Notes will amount to €750,000,000 and the net proceeds from the issue of the 4.125% Notes will amount to €750,000,000.

These proceeds will be used by the Issuer for its general funding purposes and to improve the regulatory capital structure of the Group.

DESCRIPTION OF THE ISSUER

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

The business address of each member of the Board of Directors of the Issuer is Intesa Sanpaolo S.p.A., Piazza San Carlo 156, 10121 Turin, Italy.

Recent Events

On 19 December 2019, Intesa Sanpaolo and Nexi reached a strategic agreement which provides for:

- the transfer to Nexi of the Intesa Sanpaolo business line consisting of the acquiring activities currently carried out for over 380,000 points of sale, with Intesa Sanpaolo retaining the sale force dedicated to acquiring new customers; and
- a long-term partnership, with Nexi to become the sole partner of Intesa Sanpaolo in the acquiring activities and the latter to distribute the acquiring services provided by Nexi and maintain the relationship with its customers.

The business line will be transferred through contribution to a Nexi subsidiary for €1,000 million. Intesa Sanpaolo will sell the shares received from the contribution to Nexi for a corresponding cash consideration and will then use part of this consideration to purchase shares of Nexi from the latter's reference shareholder, Mercury UK HoldCo Limited, for an amount of €653 million, equal to a 9.9% shareholding of Intesa Sanpaolo in the share capital of Nexi.

The transaction will enable Intesa Sanpaolo to extract proper value from the acquiring activities currently carried out internally, through the contribution of its business line – taking into account that operating efficiently in this sector, in a competitive scenario of international scope, requires greater investment and economies of scale – while retaining an interest in a business with significant growth prospects.

In 2018, the business activities to be contributed generated operating income of around €74 million, operating margin of around €72 million and net income of around €48 million.

As a result of the finalisation of the transaction, which is expected to take place this year and is subject to the customary regulatory authorisations being received, a net capital gain in the region of €900 million is envisaged for the Intesa Sanpaolo Group's consolidated income statement in 2020. This capital gain might not be reflected in the net income entirely if, over the course of 2020, allocations are identified that are appropriate to strengthen sustainable profitability.

On 4 February 2020 the board of directors of Intesa Sanpaolo approved the parent company and consolidated results for the year ended 31 December 2019. See further the press release of the Issuer dated 4 February 2020 incorporated by reference in this Prospectus.

On 17 February 2020, Intesa Sanpaolo announced that it has adopted the decision to launch a voluntary public exchange offer in respect of all ordinary shares of Unione di Banche Italiane S.p.A. ("**UBI Banca**"), as announced by the communication issued pursuant to Article 102 of Legislative Decree 24 February 1998, no. 58 and Article 37 of CONSOB Regulation no. 11971 of 14 May 1999. See further the press release of the Issuer dated 17 February 2020 incorporated by reference in this Prospectus. Intesa Sanpaolo currently intends to offer, for every 10 (ten) ordinary share of UBI Banca tendered pursuant to the Offer, a consideration (not subject to any adjustment) equal to 17 (seventeen) newly issued ordinary shares of Intesa Sanpaolo.

On 17 February 2020, Intesa Sanpaolo published a notice to convene an extraordinary shareholders' meeting to be held on 27 April 2020, to discuss and approve a proposal to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power - to be exercised by 31 December 2020 - to increase the share capital of the Issuer in one or more tranches and in a divisible form, without pre-emption right pursuant to Article 2441(4), first sentence, of the Italian Civil Code, through the issuance of a maximum of 1,943,823,435 ordinary shares, with no par value, having the same characteristics as the outstanding shares, whose issuance price shall be determined by the Board of Directors pursuant to the provisions of law, to be paid up by way of contribution in kind functional to a prior public exchange offer (*offerta pubblica di scambio preventiva*) on all the ordinary shares of UBI Banca; subsequent amendment of Art. 5 of the Issuer's by-laws; and related and consequent resolutions.

Issuer's key ratios

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

	As at and for the year ended 31 December		
		2018 (Unaudited)	***2017* (1) *(Unaudited)***
Cost/income ratio		53.0%	52.9%
Net income/Shareholders' equity (ROE)		8.8% (2)	7.9% (3)
Net income/Total assets (ROA)		0.5%	0.5%
Net bad loans/Loans to customers		1.8%	2.6%
Cumulated adjustments on bad loans/Gross bad loans to customers		67.2%	69.1%
Loan/Deposit ratio		95%	94%

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(1) Data restated for IFRS9 and reclassified. See further the reconciliation statements appearing in the Attachments to the Intesa Sanpaolo Group 2018 Annual Report, incorporated by reference into this Prospectus, for reconciliation of certain items comprised in these financial measures
(2) Shareholders' equity does not take account of AT1 capital instruments and income for the period.
(3) Net income does not take account of the government contribution to cover the impacts on the ratios of the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.
Shareholders' equity does not take account of AT1 capital instruments and income for the period. The previously mentioned government contribution is included.

As announced in the 2019 results press release[3], the Group's cost/income ratio was 51.4% in 2019 (compared to 53.3% in 2018). As at 31 December 2019, Gross NPL ratio and Net NPL ratio amounted to 7.6% and 3.6%, respectively[4] (compared to 8.8% and 4.2%, respectively, as at year end 2018), while net bad loans to total loans ratio was 1.7% (compared to 1.8% as at year end 2018). The Group's leverage ratio as at 31 December 2019 was 6.7% applying the transitional arrangements for 2019 and 6.3% fully loaded. At the same date, Loan to Deposit ratio (being the ratio between loans to customers and direct deposits from banking business) was 93%.

Regulatory capital ratios and buffers

[3] Information included in the press release of the Issuer dated 4 February 2020, incorporated by reference in this Prospectus. Comparative figures for 2018 restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. These financial ratios are unaudited.

[4] Including ~€0.6bn gross non-recurring impact from the adoption of the new Definition of Default applied since November 2019.

The table below sets forth the regulatory capital ratios of the Issuer (on a consolidated and solo basis) as at the dates indicated.

	As at 31 December	
	2018	***2017***
Group regulatory capital ratios		
Common Equity Tier 1 / Risk weighted assets (CET1 capital ratio)	13.5% (1)	13.3% (2)
Tier 1 Capital / Risk-weighted assets (Tier 1 capital ratio)	15.2% (1)	15.2% (2)
Total Own Funds / Risk-weighted assets (Total capital ratio)	17.7% (1)	17.9% (2)
Issuer regulatory capital ratios		
Common Equity Tier 1 / Risk weighted assets (CET1 capital ratio)	14.0%	18.7%
Tier 1 Capital / Risk-weighted assets (Tier 1 capital ratio)	15.9%	21.4%
Total Own Funds / Risk-weighted assets (Total capital ratio)	18.6%	25.0%

(1) In accordance with the transitional arrangements for 2018 and after deduction of the dividends proposed for 2018 and the coupons accrued on the Additional Tier 1 issues. Excluding the mitigation of the impact of the first time adoption of IFRS9, the capital ratios are 12% for the CET1 capital ratio, 13.8% for the Tier 1 capital ratio and 16.5% for the total capital ratio. These would be 12.5%, 14.2% and 17.1%, respectively, taking the Danish compromise into account.

(2) Taking the impact of the first time adoption of IFRS 9 into account and in accordance with the transitional arrangements for 2018. Excluding the mitigation of the impact of the first time adoption of IFRS 9, the capital ratios are 11.9% for the CET1 capital ratio, 13.8% for the Tier 1 ratio and 17% for the total capital ratio.

As announced in the 2019 results press release, the capital ratios of the Group as at 31 December 2019, calculated by applying the transitional arrangements for 2019 and the Danish compromise and taking €3,362 million of dividends proposed for 2019 into account, were as follows:

- Common Equity Tier 1 ratio[5] at 13.9% (compared to 13.5% at year-end 2018);
- Tier 1 ratio[3] at 15.3% (compared to 15.2% at year-end 2018);
- Total capital ratio[3] at 17.7% (17.7% at year-end 2018).

The estimated CET1 capital ratio for the Group on a pro-forma fully loaded basis at year-end 2019 was 14.1% (13.6% at year-end 2018). This ratio was calculated by applying the fully loaded parameters to the financial statements as at 31 December 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285 million covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of the Veneto Banks, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

The CET1 capital ratio for the Group resulting from the 2018 EBA/ECB stress test for 2020 is 9.7% (on a fully loaded basis) under the adverse scenario for 2020, 10.3% taking into account the capital increase to serve the incentive plan and the conversion of the savings shares, both finalised in the third calendar quarter of 2018, and 11.4% calculated on a pro-forma basis taking into account also the total absorption of tax assets (DTAs) related to goodwill alignment, loan adjustments, the non-taxable public cash contribution of €1,285 million covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of the Veneto Banks, as well as the expected absoprtion of DTAs on losses carried forward.

[5] After the deduction of the dividends proposed for 2019 and the coupons accrued on the Additional Tier 1 issues. Excluding the mitigation of the impact of the first time adoption of IFRS9, the capital ratios are 13% for the CET1 capital ratio, 14.3% for the Tier 1 capital ratio and 17% for the total capital ratio.

The difference between (1) the Issuer's fully loaded CET1 capital ratio and (2) SREP requirements and combined buffer requirements amounted to, on a consolidated basis, 460 basis points as at 31 December 2019 (compared to 430 basis points as at 31 December 2018).

The table below sets forth the estimated available Distributable Items (as defined in Article 4(128) of CRR) for the Issuer as of 31 December 2019 and 2018.

Distributable Items	**As of 31 December 2019**	**As of 31 December 2018**
Issuer's Distributable Items(1)	approximately €23billion	approximately €24 billion

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

There can be no assurance that the Group's phased-in CET1 ratios will exceed the required capital buffers and the Pillar 1 and Pillar 2 requirement levels in 2020 or in any subsequent year. The CET1 ratios of the Issuer and the Group will depend on their respective levels of net income, their ability to limit their total risk exposure, and other factors, including those described under "*Risk Factors*" in this Prospectus. See also the risk factors headed "*The principal amount of the Notes may be reduced to absorb losses*," "*The circumstances surrounding a Trigger Event are unpredictable, and there are a number of factors that could affect the CET1 ratio*" and "*The ability of the Issuer to make payments under the Notes depends on its Distributable Items and, in certain circumstances, its Maximum Distributable Amount*".

Alternative Performance Measures

This Prospectus contains (or incorporates by reference) certain financial measures (including the Issuer's consolidated profitability ratios and consolidated risk ratios, as well as certain other financial highlights and alternative performance indicators contained in information incorporated by reference in this Prospectus) that the Issuer considers to constitute alternative performance measures ("**APMs**") for the purposes of the ESMA (European Securities Markets Authority) Guidelines on Alternative Performance Measures (the "**Guidelines**"), and in relation to which the Guidelines apply.

APM	**Definition/reconciliation**
Cost/Income ratio	Ratio between (i) Operating cost (excluding impairment of goodwill, if any) and (ii) Operating income.
Net income/Shareholders' equity (ROE)	Ratio between (i) Net income, less non-recurring components if any, and (ii) Shareholders' equity at the end of the period.
Net income/Total Assets (ROA)	Ratio between (i) Net income, less non-recurring components if any, and (ii) Total assets.
Gross NPL ratio	Ratio between (i) Gross NPLs (loans and receivables with customers classified as bad loans (*Sofferenze*), Unlikely to pay (*Inadempienze*

	probabili) and Past Due (*Scaduti e sconfinanti*), but excluding loans to customers classified among assets held for sale) and (ii) Loans to customers
Net NPL ratio	Ratio between (i) Gross NPLs (loans and receivables with customers classified as bad loans (*Sofferenze*), Unlikely to pay (*Inadempienze probabili*) and Past Due (*Scaduti e sconfinanti*), net of allowances but excluding loans to customers classified among assets held for sale) and (ii) Loans to customers
Net bad loans/Loans to customers	Ratio between (i) Net bad loans (loans and receivables with customers classified as bad loans net of allowances, but excluding loans to customers classified among assets held for sale) and (ii) Loans to customers
Cumulated adjustments on bad loans/Gross bad loans to customers	Ratio between (i) Cumulated adjustments on bad loans and (ii) Gross bad loans to customers
Loan/Deposit ratio	Ratio between (i) loans to customers and (ii) direct deposits from banking business

See further the reconciliation statements appearing in the Attachments to the Intesa Sanpaolo Group 2018 Annual Report, incorporated by reference into this Prospectus, for reconciliation of certain items comprised in these financial measures.

The Issuer believes that the above measures provide useful information to investors regarding the financial position, cash-flows and financial performance. In particular, these measures:

- allow for comparisons with similar measures published by other banks as well as average industry standards;
- better illustrate specific aspects and trends of the Issuer's business activities.

REGULATORY SECTION

Please refer to the section "*Regulatory Section*" in EMTN Base Prospectus incorporated by reference in this Prospectus, as set out in the section headed "*Documents Incorporated by Reference*".

TAXATION

The following is a general summary of certain Italian tax consequences of the purchase, the ownership and the disposition of each Tranche of Notes. It 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. This summary is based upon Italian tax laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.

Prospective purchasers of each Tranche of Notes are advised to consult their own tax advisers on any matters concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree No. 239**") sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks. The provisions of Decree No. 239 only apply to those notes which qualify as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

For these purposes, bonds and debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value (with or without internal payments) and that do not give any right to directly or indirectly participate in the management of the issuer or to the business in relation to which the securities are issued nor any type of control on the management.

The tax regime set out under Decree No. 239 also applies to Interest paid under financial instruments relevant for capital adequacy purposes under EU legislation and domestic prudential legislation, issued by, *inter alia*, Italian banks (other than shares and securities similar to shares), as set out by Article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011, as subsequently amended ("**Decree No. 138**") as converted with amendments by Law No. 148 of 14 September 2011 and as further amended by Law No. 147 of 27 December 2013 and Law Decree No. 34 of 30 April 2019, as converted into law by Law No. 5 of 28 June 2019.

Italian Resident Noteholders

Pursuant to Decree No. 239 and Decree No. 138, where an Italian resident Noteholder is:

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

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

(iii) a private or public institution (other than companies), a trust not carrying out mainly or exclusively commercial activities, the Italian State or public and territorial entities; or

(iv) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a substitute tax ("***imposta sostitutiva***"), levied at the rate of 26 per cent. (either when Interest is paid or obtained by the Noteholder upon disposal of the Notes). All the above categories are qualified as "net recipients".

Where the Noteholders described above under (i) and (iii) 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 limitations and requirements (including a minimum holding period), Italian resident individuals holding the Notes not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232 of 11 December 2016 ("**Law No. 232**"), in Article 1, paragraph 211-215 of Law No. 145 of 30 December 2018 ("**Law No. 145"**) and, for the long-term individual savings account established from 1 January 2020, in Article 13-bis of Law Decree No. 124 of 26 October 2019 ("**Law Decree No. 124**").

Pursuant to Decree No. 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 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 are not subject to the 26 per cent. *imposta sostitutiva* if made to Noteholders who are: (a) Italian resident corporations or similar commercial entities (such as partnerships carrying out commercial activities (*società in nome collettivo* or *società in accomandita semplice*)) or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (b) Italian resident open-ended or closed-ended collective investment funds (together the "**Funds**" and each a "**Fund**"), SICAVs, non-real estate SICAFs; Italian resident pension funds subject to the tax regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005 (**"Decree No. 252"**), Italian resident real estate investment funds and real estate SICAFs subject to the regime provided for by Law Decree No. 351 of 25 September 2001; and (c) Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Asset Management Regime. Such categories are qualified as "gross recipients".

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, Noteholders indicated above under (a) to (c) must be the beneficial owners of payments of

Interest on the Notes and timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian Intermediary (or a permanent establishment in Italy of a foreign Intermediary).

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

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

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

Where an Italian resident Noteholder is a Fund, a SICAV or a non-real estate SICAF and the Notes are deposited with 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, SICAV or non-real estate SICAF. The Fund, the SICAV or the non-real estate 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 an Italian resident Noteholder is a pension fund (subject to the regime provided by Article 17 of Decree No. 252) and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of each tax period, to be subject to the to a 20 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions (including minimum holding period requirement) and limitations, Interest on the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145 and, for the long-term individual savings account established from 1 January 2020, in Article 13-bis of Law Decree No. 124.

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 may be 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.

Non-Italian resident Noteholders

According to Decree No. 239, payments of Interest in respect of the Notes will not be subject to *imposta sostitutiva* at the rate of 26 per cent. provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected; and

(b) such beneficial owners are resident, for tax purposes, in a State or territory which allows for an adequate exchange of information with the Italian tax authorities included in the Ministerial Decree dated 4 September 1996, as amended and supplemented from time to time (the "**White List**"). According to Article 11, par. 4, let. c) of Decree No. 239, the White List will be updated every six months period. In absence of the issuance of the new White List, reference has to be made to the Italian Ministerial Decree dated 4 September, 1996 as amended from time to time; and

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

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors, whether or not subject to tax, which are established in a State or territory included in the White List and provided that they timely file with the relevant depositary the appropriate self-declaration; and (iii) central banks or entities managing, *inter alia*, official reserves of a foreign State.

In order 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 the payments of Interest on the Notes;

(b) timely deposit the Notes with the coupons relating to such Notes directly or indirectly with (i) an Italian bank or "*società di intermediazione mobiliare*" (so-called SIMs) or with (ii) a permanent establishment in Italy of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Economy and Finance, or with (iii) a non-Italian resident entity or company 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, in one of the above mentioned States or territories included in the White List. Such statement (*autocertificazione*), which must comply with the requirements set forth by Ministerial Decree of 12 December 2001 (as amended and supplemented), shall be valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The statement (*autocertificazione*) is not required for non-Italian resident investors that are international entities or organizations 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-Italian resident Noteholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-Italian resident Noteholder.

Capital gains tax

Italian resident Noteholders

Pursuant to Decree No. 461, a 26 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by (i) Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, (ii) Italian resident partnerships not carrying out commercial activities, or (iii) 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.

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.

As an alternative to the tax declaration regime, Italian resident Noteholders who are (i) Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, (ii) Italian resident partnerships not carrying out commercial activities, or (iii) Italian private or public institutions not carrying out mainly or exclusively commercial activities, may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale 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 any authorised intermediary and (ii) an express election for the Administrative Savings Regime being timely made in writing by the relevant Noteholder. The authorised intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any incurred capital loss of the same kind, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised on assets held by the Noteholder within the same securities management relationship in the same tax year or in the following tax years up to the fourth. Under the Administrative Savings Regime, the Noteholder is not required to declare the realised capital gains in the annual tax return 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. In that case the capital gains realised upon sale, transfer or redemption of the Notes will not be subject to *imposta sostitutiva* on capital gains but will contribute to the determination of the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio at the year-end may be carried forward against appreciation accrued in each of the following tax years up to the fourth. 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.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Notes realized upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be

exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the 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, pursuant to Article 1, paragraph 211-215 of Law No. 145 and, for the long-term individual savings account established from 1 January 2020, pursuant to Article 13-bis of Law Decree No. 124.

In the case of Notes held by Funds, SICAVs or non-real estate SICAFs, capital gains on Notes will not be subject to 26 per cent. *imposta sostitutiva* but will contribute to determine the increase in value of the managed assets of the Funds, SICAVs or non-real estate SICAFs, accrued at the end of each tax year. The Fund, SICAV or non-real estate SICAF 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.

Any capital gains realised by a Noteholder who is an Italian resident pension fund (subject to the regime provided by Article 17 of Decree No. 252) will be included in the result of the relevant portfolio accrued at the end of each tax period and will be subject to the Pension Fund Tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains in respect of the Notes realized upon sale, transfer or redemption by Italian resident pension fund may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232, in Article 1, paragraph 211-215 of Law No. 145 and, for the long-term individual savings account established from 1 January 2020, in Article 13-bis of Law Decree No. 124.

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 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 in their corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for IRAP purposes), subject to tax in Italy in accordance with ordinary tax rules.

Non-Italian Resident Noteholders

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, first paragraph, letter f), of Decree No. 917, any capital gains realised by non-Italian resident persons, without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of the Notes are not subject to 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 (i.e. a self-declaration stating that the person is not resident in Italy for tax purposes) 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 and Decree No. 239, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* on any capital gains realised upon sale for consideration or redemption of the Notes provided that (i) they are resident, for tax purposes, in a State or territory included in the White List, and (ii) all the requirements and procedures set forth by Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected are subject to the Administrative Savings Regime or elect for the Asset Management 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 stating that they meet the requirements indicated above. The same exemption applies where the beneficial owners of the Notes are (a) international bodies and organisations established in accordance with international agreements ratified in Italy; (b) certain foreign institutional investors, even though not subject to income tax or to other similar taxes, established in countries which allow an adequate exchange of information with Italy for tax purposes included in the White List as amended from time to time; and (c) Central Banks or other entities, managing also official State reserves.

(b) In any event, non-Italian resident individuals or non-Italian resident 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 are subject to the Administrative Savings Regime or elect for the Asset Management Regime, exemption from Italian capital gains tax will apply upon condition that the non-Italian residents promptly file with the authorised financial intermediary a declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006 ("**Decree No. 262**"), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including bonds or other securities) as a result of death, gift or transfer without consideration are subject to "**Inheritance and Gift Tax**" (*imposta sulle successioni e donazioni*) under the Legislative Decree No. 346 of 31 October 1990, as amended, as follows:

(i) transfers in favour of spouses and direct descendents or direct ancestors are subject to Inheritance and Gift Tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000 for each beneficiary;

(ii) transfers in favour of brothers/sisters are subject to the 6 per cent. Inheritance and Gift Tax on the value of the inheritance or the gift exceeding Euro 100,000 for each beneficiary;

(iii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an Inheritance and Gift Tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift; and

(iv) any other transfer is subject to an Inheritance and Gift Tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

In cases where the beneficiary has a serious disability, inheritance and gift taxes will apply on its portion of the net asset value exceeding Euro 1,500,000.

The transfer of financial instruments (including the Notes) as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 as amended and supplemented from time to time.

Transfer Tax

Agreements related to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration tax of Euro 200; (ii) private deeds are subject to registration tax of Euro 200 only in some cases set forth by the registration tax law (Presidential Decree 26 April 1986, No. 131, as amended) or in case of voluntary registration.

Stamp Duty

Pursuant to Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to its clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed Euro 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 the Notes) 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 and, starting from fiscal year 2020, non-commercial entities, non-commercial partnerships and similar institutions, 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.

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990 ("**Decree 167/1990**"), as subsequently amended, Italian resident individuals, non-commercial entities,

and non-commercial partnerships and similar institutions who, during a fiscal year, hold investments abroad or have foreign financial assets or are the actual owners, under the Italian anti-money laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets (including Notes held abroad) must, in certain circumstances, disclose the aforesaid investments and financial assets to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return).

It is not necessary to comply with the above reporting requirement in cases where (i) the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167/1990, (ii) one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax, or (iii) if the foreign investments are only composed of deposits and/or bank accounts and their aggregate value does not exceed a Euro 15,000 threshold throughout the year.

The Proposed Financial Transactions Tax ("FTT")

On 14 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). However, Estonia has since stated that it will not participate.

The Proposed FTT has very broad scope and could, if introduced in the form proposed on 14 February 2013, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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.

The FTT proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate, although certain other Member States have expressed strong objections to the proposal. The FTT proposal may therefore be altered prior to any implementation, the timing of which remains unclear.

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

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 may be a foreign financial institution for these purposes. A number of jurisdictions (including 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 the date that is two years after the publication of the final regulations defining "foreign passthru payment" 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. Noteholders should consult their own tax advisers 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.

SUBSCRIPTION AND SALE

Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, Merrill Lynch International and Morgan Stanley & Co. International plc (together the "**Joint Lead Managers**") have, in a subscription agreement dated 26 February 2020 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the 3.750% Notes and the 4.125% Notes at their issue price of 100.0 per cent. of their principal amount, less commissions. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of the expenses incurred in connection with the management of the issue of each Tranche of Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of each Tranche of Notes.

References to "the Notes" in this section shall mean both the 3.750% Notes and the 4.125% Notes.

United States

The Notes have not 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 under the Securities Act.

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

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

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

Prohibition of Sales to Retail Investors in the EEA and the UK

In relation to each Member State of the EEA and the UK (each, a "**Relevant State**"), each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise made available, any Notes to any retail investor in the EEA or the UK.

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 (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

(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 for the Notes.

In relation to each Relevant State, each Joint Lead Manager has represented, warranted and agreed that it has not made and will not make an offer of Notes to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

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

(B) *Fewer than 150 offerees*: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(C) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant 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 for the Notes.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

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

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

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

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**"); or

(ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, and in accordance with any applicable Italian laws and regulations.

Any offer, sale or delivery of the 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:

(i) 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. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Italian Banking Act**"), in each case as amended from time to time;

(ii) comply with any other applicable laws and regulations or requirements 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, both as amended from time to time); and/or any other Italian authority.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**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

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

People's Republic of China

Each Joint Lead Manager has represented and agreed that the Notes will not be offered or sold directly or indirectly in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) as part of the initial distribution of the Notes. This Prospectus or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

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

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed 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 and 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 or securities-based derivatives (each term as defined in Section 2(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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivative Contracts) Regulations 2018 of Singapore.

Japan

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

France

Each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers)*, and/or (b) qualified investors (*investisseurs qualifiés*), as defined in Article 2(e) of the Prospectus Regulation in accordance with Articles L.341-2, 1° and L.411-2, 1° of the French *Code monétaire et financier*.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

General

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

No action has been or will be taken in any country or jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose

hands this Prospectus comes are required by the Issuer, and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

GENERAL INFORMATION

Authorisations

The creation and the issue of the 3.750% Notes and the 4.125% Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 4 February 2020.

Listing and admission to trading

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the 3.750% Notes and the 4.125% Notes to be admitted to trading on the Professional Segment of the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU). The admission to trading of the 3.750% Notes and the 4.125% Notes is expected on 27 February 2020.

The CSSF gives no undertaking as to the economic and financial soundness of the transaction or the quality or solvency of the Issuer.

Expenses related to admission to trading

The total expenses related to admission to trading of the 3.750% Notes are estimated at €13,100, and the total expenses related to admission to trading of the 4.125% Notes are estimated at €13,100, in each case, in listing and listing agent's fees. Such expenses will not be deducted from the proceeds of the 3.750% Notes and the 4.125% Notes.

Clearing of the Notes

The 3.750% Notes and the 4.125% Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for the 3.750% Notes and the 4.125% Notes are as follows:

3.750% Notes	ISIN:	XS2124979753
	Common Code:	212497975
4.125% Notes	ISIN:	XS2124980256
	Common Code:	212498025

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

Eurosystem eligibility

The 3.750% Notes and the 4.125% Notes are intended to be held in a manner which would allow eurosystem eligibility and as such the Global Notes representing the Notes are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg as common safekeeper. This does not necessarily mean that the Notes represented by the Global 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 depending upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Litigation

Save as disclosed on pages 186 – 194 of the EMTN Base Prospectus incorporated by reference in this Prospectus, neither the Issuer nor any member of the Intesa Sanpaolo Group is or has been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Intesa Sanpaolo Group's financial position or profitability and, so far as Intesa Sanpaolo is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

Trend information

Since 31 December 2018, there has been no material adverse change in the prospects of the Issuer, and since 30 September 2019, there has been no signficant change in the financial performance of the Group.

No significant change

Save as disclosed the paragraph headed "*Description of the Issuer– Recent Events*" of this Prospectus, since 30 September 2019, there has been no significant change in the financial position of the Intesa Sanpaolo Group.

Material contracts

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

Documents on display

For the term of this Prospectus, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered office of the Issuer and at the specified office of the Fiscal Agent, namely:

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

(b) the Agency Agreement; and

(c) the By-laws of the Issuer.

For the term of this Prospectus, the up-to-date By-laws of the Issuer are available at the following website: https://group.intesasanpaolo.com/en/governance/company-documents/.

Financial statements available

For so long as the 3.750% Notes and/or the 4.125% Notes are outstanding and for the term of this Prospectus, copies and, where appropriate, English translations of the following financial information may be obtained during normal business hours at the registered office of the Issuer and at the specified office of the Fiscal Agent, namely:

(a) the audited consolidated annual financial statements of Intesa Sanpaolo Group as at and for the years ended 31 December 2018 and 2017;

(b) the most recent audited annual, or unaudited interim, consolidated financial information of Intesa Sanpaolo published from time to time (whether audited or unaudited), commencing with (following publication) its audited consolidated financial statements as at and for the year ended 31 December 2019,

in each case, together with the accompanying notes and any auditors' report (if available). In addition, copies of this Prospectus and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (*https://www.bourse.lu*) and at the following website:

http://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents/perpetual-subordinated–notes.

Auditors

The auditors of Intesa Sanpaolo are KPMG S.p.A. for the period 2012-2020. KPMG S.p.A. have audited Intesa Sanpaolo's consolidated annual financial statements, in accordance with generally accepted auditing standards in Italy as at and for the years ended 31 December 2018 and 2017.

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.

Yield

There is no explicit yield to maturity. The 3.750% Notes and the 4.125% Notes do not carry a fixed date for redemption and the Issuer is not obliged, and under certain circumstances is not permitted, to make payments on the 3.750% Notes and the 4.125% Notes at the full stated rate. The interest rate is also subject to periodic resetting.

For information purposes only, the yield of the 3.750% Notes and the 4.125% Notes calculated on the Issue Price and the Initial Rate of Interest from (and including) the Issue Date up to (and excluding) the First Reset Date and assuming no write-down during such period, would be 3.785 per cent. per annum (in the case of the 3.750% Notes) and 4.168 per cent. per annum (in the case of the 4.125% Notes). It is not an indication of the actual yield for such period nor of any future yield.

Potential conflicts of interest

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

Certain Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or their affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of long and/or short positions in securities, including potentially the Notes. Any such long

and/or short positions could adversely affect future trading prices of Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Furthermore, potential conflicts of interest may exist between the Calculation Agent and the Noteholders. See further "*Risk Factors – Risks related to the structure of the Notes – Potential conflicts of interest*".

Legend

The 3.750% Notes and the 4.125% Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Rating of the Notes:

The 3.750% Notes and the 4.125% Notes are expected, on issue, to be rated "Ba3(hyb)" by Moody's, "BB-" by S&P, "B+" by Fitch and "BB(low)" by DBRS Morningstar.

Moody's defines "Ba3(hyb)" as follows: Obligations rated "Ba" are judged to be speculative and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from "Aa" through "Caa". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms. By their terms, hybrid securities allow for the omission of scheduled dividends, interest, or principal payments, which can potentially result in impairment if such an omission occurs. Hybrid securities may also be subject to contractually allowable write-downs of principal that could result in impairment. Together with the hybrid rid security indicator, the long-term obligation rating assigned to a hybrid security is an expression of the relative credit risk associated with that security (Moody's Rating Symbols and Definitions, January 2020).

S&P defines "BB-" as follows: Obligations rated "BB", "B", "CCC", "CC", and "C" are regarded as having significant speculative characteristics. "BB" indicates the least degree of speculation and "C" the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions. An obligation rated "BB" is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories (S&P Global Ratings Definition dated 18 September 2019).

Fitch defines "B+" as follows: "B" ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment. Within rating categories, Fitch may use modifiers. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories (Fitch Ratings, Rating Definitions).

DBRS Morningstar defines "BB(low)" as follows: The DBRS® long-term rating scale provides an opinion on the risk of default. That is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligations has been issued. Ratings are based on quantitative and qualitative

considerations relevant to the issuer, and the relative ranking of claims. All rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category. "BB" [indicates] Speculative, non-investment grade credit quality. The capacity for the payment of financial obligations is uncertain. Vulnerable to future events (DBRS Long Term Obligations Scale, Effective Date: July 25, 2013).

THE ISSUER

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To the Issuer as to Italian Law

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To the Joint Lead Managers as to English and Italian law

Clifford Chance Studio Legale Associato
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Via Vittor Pisani, 25

20124 Milan, Italy

LISTING AGENT

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