BASE PROSPECTUS DATED 22 DECEMBER 2017

Intesa Sanpaolo S.p.A.

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

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

unsecured and unconditionally and irrevocably guaranteed as to payments of interest and principal by

ISP CB Pubblico S.r.l.

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

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

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

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended, (the "**Prospectus Act 2005**") to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005.

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EC and any relevant implementing measure in the relevant Member State of the European Economic Area) (the "**Prospectus Directive**").

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

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

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

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

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

Application has been made for Covered Bonds (other than Registered Covered Bonds) to be admitted during the period of 12 months from the date of this Base Prospectus to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2004/39/EC. In addition, the Issuer and each Relevant Dealer (as defined in the "*Terms and Conditions of the Covered Bonds*") named under "*Subscription and Sale*" may agree to make an application to list a Series on any other stock exchange as specified in the relevant Final Terms. The Programme also permits Covered Bonds to be issued on an unlisted basis.

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

The Covered Bonds issued in dematerialised form to be issued on or after the date hereof will be held on behalf of their ultimate owners, until redemption or cancellation thereof, by Monte Titoli S.p.A. ("**Monte Titoli**") for the account of the relevant Monte Titoli Account Holders. The expression "**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depositary banks appointed by Euroclear Bank S.A. / N.V. as operator of the Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Bruxelles ("**Euroclear**") and Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1855, Luxembourg ("**Clearstream**"). Each Series of Covered Bonds issued in dematerialised form is and will be deposited with Monte Titoli on the relevant Issue Date (as defined in the "*Terms and Conditions of the Covered Bonds*" below). Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of Italian Legislative Decree no. 58 of 24 February 1998 ("**Financial Law**") and implementing regulation and with the joint regulation of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") and the Bank of Italy dated 22 February 2008 and published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title is and will be issued in respect of the Covered Bonds.

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

Each Series may, upon the relevant issue, be assigned a rating as specified in the relevant Final Terms by

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

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

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

Arranger and Dealer

Banca IMI

The date of this Base Prospectus is 22 December 2017.

RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for the information contained in this Base Prospectus.

To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Covered Bonds Guarantor accepts responsibility for the information included in this Base Prospectus in the section headed "*Description of the Covered Bonds Guarantor*" and any other information contained in this Base Prospectus relating to itself. To the best of the knowledge and belief of the Covered Bonds Guarantor, (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

NOTICE

This Base Prospectus is a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Covered Bonds Guarantor and of the rights attaching to the Covered Bonds.

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

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

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

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

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

The Issuer has undertaken with the Dealer to supplement this Base Prospectus or publish a new Base

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

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

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

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

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

Neither this Base Prospectus, any supplement thereto, nor any Final Terms (or any part thereof) constitutes an offer, nor may they be used for the purpose of an offer to sell any of the Covered Bonds, or a solicitation of an offer to buy any of the Covered Bonds, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. Each recipient of this Base Prospectus or any Final Terms is required and shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

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

initiated.

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

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

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

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

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

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

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

IMPORTANT – EEA RETAIL INVESTORS - Unless the Final Terms in respect of any Cover Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", the Covered Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling

the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

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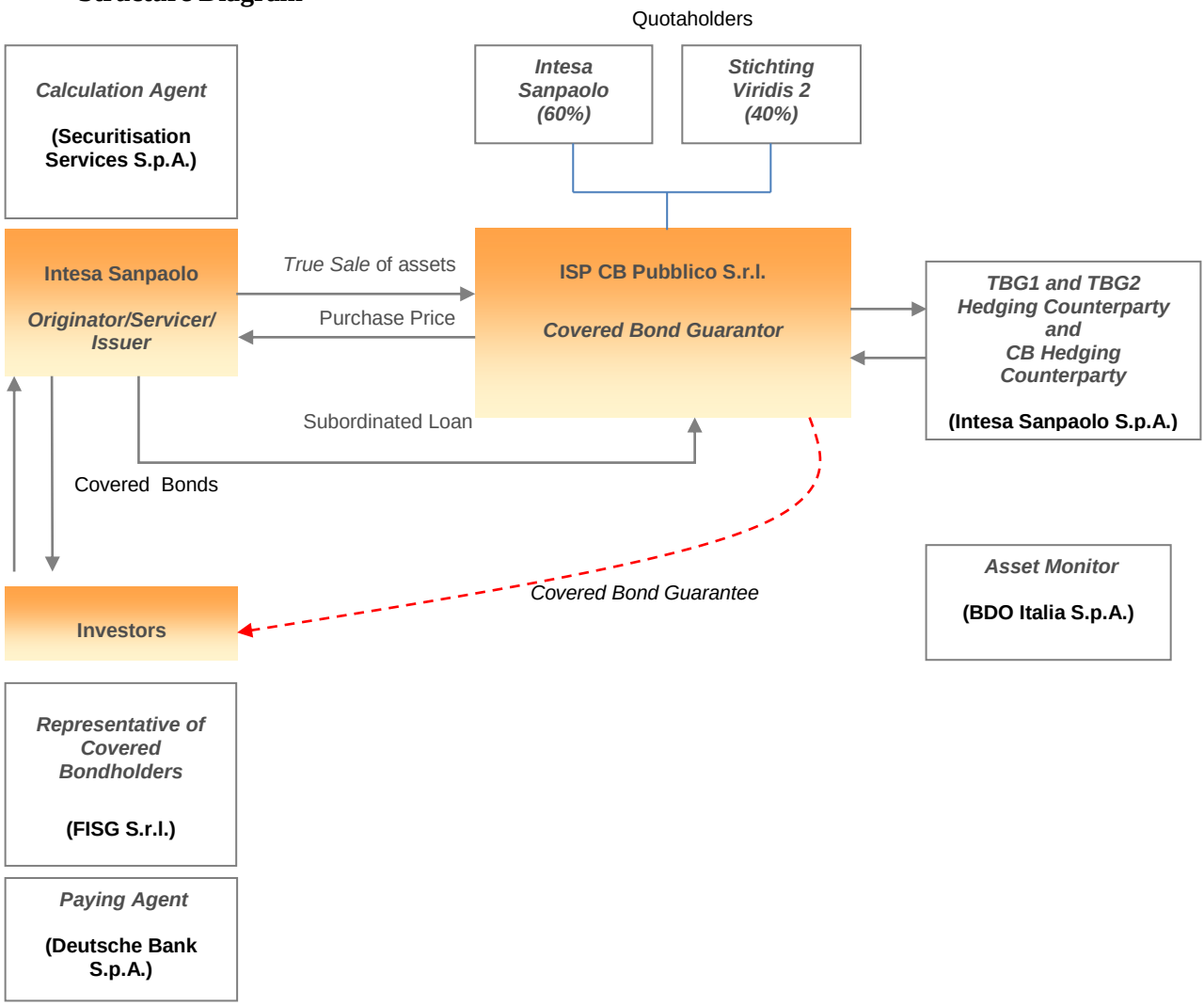
STRUCTURE OVERVIEW

Structure Diagram



RISK FACTORS

In purchasing Covered Bonds, investors assume the risk that the Issuer and the Covered Bonds Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Covered Bonds. There is a wide range of factors which individually or together could result in the Issuer and the Covered Bonds Guarantor becoming unable to make all payments due in respect of the Covered Bonds. It is not possible to identify all such factors or to determine which factors are most likely to occur, as they may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's and the Covered Bonds Guarantor's control. The Issuer and the Covered Bonds Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Covered Bonds.

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

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

1. GENERAL INVESTMENT CONSIDERATIONS

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

Obligations to make payments when due on the Covered Bonds

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

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

The secondary market generally

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

Exchange rate risks and exchange controls

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

Interest rate risks

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

Rating of the Covered Bonds

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

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

Whether or not a rating in relation to any Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Base Prospectus have

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

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

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

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

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

Legal investment considerations may restrict certain investments

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

Law 130

Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. Law 130 was further amended by Law Decree No. 145 of 23 December 2013 (*Decreto Destinazione Italia*) as converted with amendments into Law n. 9 of 21 February 2014 (the "**Destinazione Italia Decree**") and by Law Decree No. 91 of 24 June 2014 (*Decreto Competitività*) as converted with amendments into Law No. 116 of 11 August 2014 ("**Law Decree 91**"). As at the date of this Base Prospectus, no interpretation of the application of Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the MEF Decree setting out the technical requirements of the guarantee which may be given in respect of

covered bonds, (ii) the BoI OBG Regulations concerning guidelines on the valuation of assets, the procedure for purchasing integration assets and controls required to ensure compliance with the legislation, and (iii) the clarifications, provided for by the Bank of Italy, to certain queries concerning the OBG Regulations submitted to the such authority by Italian banks and the Italian Banking Association (*Associazione Bancaria Italiana*). Consequently, it is possible that such or different authorities may issue further regulations relating to Law 130 or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

Change of law

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

2. RISK FACTORS RELATING TO THE ISSUER

Risk management

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

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

Risk-acceptance strategies are summarised in the Intesa Sanpaolo Group's Risk Appetite Framework (**RAF**), approved by the Board of Directors. The RAF, introduced in 2011 to ensure that risk-acceptance activities remain in line with shareholders' expectations, is established by taking account of the Intesa Sanpaolo Group's risk position and the economic situation. The framework establishes the general risk appetite principles, together with the controls for the overall risk profile and the main specific risks.

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

- the Intesa Sanpaolo Group is focused on a commercial business model in which domestic retail activity remains the Intesa Sanpaolo Group's structural strength;
- the Intesa Sanpaolo Group does not aim to eliminate risks, but rather attempts to understand and manage them so as to ensure an adequate return for the risks taken, while guaranteeing the Intesa Sanpaolo Group's solidity and business continuity in the long term;
- Intesa Sanpaolo has a moderate risk profile in which capital adequacy, earnings stability, a sound liquidity position and a strong reputation are the key factors to protecting its current and prospective profitability;
- Intesa Sanpaolo aims at a capitalisation level in line with its main European peers;
- Intesa Sanpaolo intends to maintain strong management of the main specific risks (not necessarily associated with macroeconomic shocks) to which the Intesa Sanpaolo Group may be exposed;
- the Intesa Sanpaolo Group attaches great importance to the monitoring of non-financial risks and, in particular:
    - it adopts an operational risk assumption and management strategy geared towards prudent

management and, also by establishing specific limits and early warnings, it focuses on achieving an optimal balance between growth and earnings objectives and the consequent risks;
- for compliance risk, it aims for formal and substantive compliance with rules in order to avoid penalties and maintain a solid relationship of trust with all of its stakeholders;
- it works to ensure formal and substantive compliance with the provisions in terms of legal liability with the aim of minimising claims and proceedings that it is exposed to and that result in outlays;
- with regard to reputational risk, it actively manages its image in the eyes of all stakeholders and seeks to prevent and contain any negative effects on its image, including through robust, sustainable growth capable of creating value for all stakeholders.

The general principles apply both at Group level and business unit or company level. In the event of external growth, these general principles must be applied, by adapting them to the specific characteristics of the market and the competitive scenario.

The Risk Appetite Framework thus represents the overall framework in which the risks assumed by the Intesa Sanpaolo Group are managed, with the establishment of general principles of risk appetite and the resulting structuring of the management of:
- the overall risk profile; and
- the Intesa Sanpaolo Group's main specific risks.

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

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

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

Risk-acceptance policies are defined by the Intesa Sanpaolo's Board of Directors and the Management Control Committee, with management and control functions. The Board of Directors carries out its activity through specific internal committees, among which the Risk Committee. The corporate bodies are assisted by the action of management committees, among which mention should be made of the Steering Committee and receive support of the Chief Risk Officer, reporting directly to the Chief Executive Officer.

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

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

Particular attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at Intesa

Sanpaolo Group level and operating sub-areas, in accordance with international regulations and the risk appetite approved at Intesa Sanpaolo Group level.

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

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

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

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

In view of compliance with the reforms of the previous accord by Basel Committee (**Basel 3**), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

With respect to credit risks, the Intesa Sanpaolo Group received authorisation to use internal ratings-based approaches since 31 December 2008 starting with the corporate portfolio. Progressively, the scope of application has been gradually extended to include all the exposures not authorized to the partial permanent use of the standardized method. The Roll-out plan has been approved by the Board of Directors on its meeting held on August 2nd 2016 and submitted to the Supervisor on 4 August 2016. Among the most recent changes please note the authorisations received from the ECB to use internal ratings-based approaches for the Public Sector Entities and Banks portfolios and use the new Corporate model for a scope extending to Intesa Sanpaolo, the network banks in the *Banca dei Territori* Division and the main Italian and international Intesa Sanpaolo Group companies.

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

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

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

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

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

Credit Risk

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

Intesa Sanpaolo has developed a set of instruments which allows analytical control over the quality of the loans to customers and financial institutions.

Risk measurement uses rating models that are differentiated according to the borrower's segment (corporate, SME Retail, Retail, Sovereign, Italian Public Sector Entities, Financial Institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement (the rating), which reflects the probability of default over a period of one year, adjusted on the basis of the long run average default rate in order to consider an entire economic cycle. In case of default, internal rating of loss given default (**LGD**) model measures losses on each facility, including any downturn effect related to the economic cycle.

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

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

- PD model
  - Corporate and Banks and Public Sector Entities segment models are based on financial, behavioural and qualitative data of the customers. They are differentiated according to the market in question (domestic or international) and the size bracket of the company. Specific models are implemented for specialised lending (real estate development initiatives, project finance transactions, leveraged buy-out acquisition finance and asset finance transactions). On 18 April 2017, the Intesa Sanpaolo Group also received the authorisation from the ECB to use the new internal rating systems for the Corporate portfolio, effective after 31 March 2017. With regard to the re-estimation of rating models, steps were taken, on the one hand, to broaden the information set used for counterparty evaluation and, on the other hand, efforts were made to simplify their framework. Finally, various measures have been adopted that are aimed at favouring a through-the-cycle profile of the probabilities of default produced by the models, consistently with the relational-type commercial approach adopted by the Intesa Sanpaolo Group.
  - Banks and Public Sector Entities model, authorised on 9 March 2017 and effective after 31 March 2017. The model is different for banks in mature economies and banks in emerging countries. In short, the model consists of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, a country rating component representing systemic risk, a component relating to specific country risk for banks most closely correlated with country risk, and finally, a module (the **relationship manager's judgement**) that allows the rating to be modified in certain

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

– For the Small Business segment, since the end of 2008 a rating model by counterparty has been used for the Intesa Sanpaolo Group, following a scheme similar to that of the Corporate segment, meaning that it is extremely decentralised and its quantitative-objective elements are supplemented by qualitative-subjective elements; in 2011, the service model for the Small Business segment was redefined, by introducing in particular a sub-segmentation of "Micro" and "Core" customers according to criteria of size and simplicity and a partial automation of the granting process.

– The Intesa Sanpaolo Group model for the Retail Mortgages segment, adopted in late 2008, processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the application model is used with a validity of one year, and the subsequent assessment during the lifetime of the mortgage (behavioural model), which takes into account behavioural information.

- LGD model
  - LGD model is determined according to differentiated models, specialised by borrower's segment and products (Corporate for Banking products, Corporate Factoring, Corporate Leasing, Banks and Public Sector Entities, SME Retail, Retail Mortgages, Factoring, Leasing).
  - The LGD models, for which advanced internal rating base method has been approved, are: Retail Mortgages (effective from 30 June 2010), Corporate (these models are based on different types of financial assets: banking, effective from 31 December 2010, leasing and factoring, effective from 30 June 2012) and SME Retail (effective from 31 December 2012) and Banks and Public Sector Entities (effective after 31 March 2017).
  - The LGD estimation is made up of the actual recoveries achieved during the management of disputes, taking into account the (direct and indirect) costs and the recovery period, as required by the regulation. All the models have been developed on the basis of a workout approach, analysing the losses suffered by the Intesa Sanpaolo Group on historical defaults.
  - For the Corporate segment, the following drivers were significant: geographical area, presence/absence of personal guarantee, presence/absence of real estate guarantee, facility type, and legal form. As regards the LGD model for the Corporate segment authorized on 18 April 2017, the most significant change is represented by the development of the model dedicated to non-performing loans. For the SME Retail segment, the following were significant: geographical area, facility type, presence/absence of personal guarantee, presence/absence of real estate guarantee, value to loan (amount of real estate coverage) and exposure level. For the Retail Mortgages segment, the geographical area and the value to loan were significant. For Banks, the LGD calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models

Furthermore, on 28 August 2017 the Group received authorisation from the ECB, starting with Supervisory reporting as at 30 September 2017, to use internal estimates of the credit conversion

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

Country risk

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

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

Market Risks

Market risk trading book

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

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

– interest rates;
– equities and market indexes;
– investment funds;
– foreign exchange rates;
– implied volatilities;
– spreads in credit default swaps (**CDS**);
– spreads in bond issues;
– correlation instruments;
– dividend derivatives;
– asset-backed securities (**ABS**);
– commodities.

Other Intesa Sanpaolo Group's subsidiaries hold smaller trading portfolios with a marginal risk (around 2 per cent. of the Intesa Sanpaolo Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates and foreign exchange rates, both relating to linear pay-offs.

For some of the risk factors indicated above, the Bank of Italy has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI S.p.A.

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

Effective from June 2014, market risks are to be reported according to the internal model for capital requirements for the Intesa Sanpaolo's hedge fund portfolios (the full look-through approach). The risk profiles validated are: (i) generic/ specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI S.p.A., (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI S.p.A., (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI S.p.A., the only legal entity in the Intesa Sanpaolo Group authorised to hold open positions in commodities. The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important.

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

Market risk banking book

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

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

(i) Shift sensitivity analysis. of value (**EVE**)

(ii) VaR, and

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

The sensitivity of economic value (EVE) measures the change in the economic value of the Intesa Sanpaolo Group's commercial portfolio following shocks in the market rates curves. The sensitivity of EVE is calculated by adopting various interest rate shock scenarios that consider not only parallel shifts in market curves, but also a range of potential scenarios that include conditions of severe stress with regard to the shape of the curve, the level of the current maturity structure of interest rates and historic and implicit rate volatility. The standard stock is defined as a parallel, uniform shift in the curve of +100 basis points. The measurements include an estimate of the prepayment effect and of the risk originated by on demand customer deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. Equity risk sensitivity is measured as the impact of a price shock of ±10%.

VaR is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10 day holding period with a 99 per cent. confidence level (parametric VaR). Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in

the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve.

Furthermore, the sensitivity of net income focuses the analysis on the impact that changes in interest rates can have on the Intesa Sanpaolo Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income of a generated by interest bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and assesses the impact that the institution is able to continue with its activity (the going concern approach).

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

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability.

The main types of derivative contracts used are interest rate swaps (**IRS**), overnight index swaps (**OIS**), cross currency swaps (**CCS**) and options on interest rates entered into with third parties or with other Intesa Sanpaolo Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS compliant for consolidated financial statements. Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets or liabilities (micro hedging), mainly consisting of bonds issued or acquired by the Intesa Sanpaolo Group companies and loans to customers. On the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macro hedging of the stable portion of demand deposits (core deposits) and on the already fixed portion of floating-rate loans.

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

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

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

Foreign exchange risk

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

Issuer risk

Issuer risk in the trading portfolio is analysed in terms of mark to market, by aggregating exposures in rating classes and is monitored using a system of operating limits based on both rating classes and concentration indices. A limit at legal entity level (for Intesa Sanpaolo and Banca IMI S.p.A.) is also defined and monitored in terms of Incremental Risk Charge (Credit VaR calculated over a one year time horizon at a confidence level of 99.9 per cent. on bonds, single name CDS and index CDS relating to the issuer trading book portfolio of each bank).

Counterparty risk

Counterparty risk, measured in terms of potential future exposure, is monitored both in terms of individual and aggregate exposures by the credit department. In order to manage effectively risk, the risk measurement system is integrated into decision-making processes and the management of company operations. Bank of Italy has authorised the use of the internal model for counterparty risk (EPE – Expected Positive Exposure) for regulatory purposes, with reference to Intesa Sanpaolo, banks belonging to Banche dei Territori division and Banca IMI for OTC derivatives. The same model has been authorized for Securities Financing Transactions. Moreover a stress programme has been implemented in order to check the impact of extreme market movements on the counterparty risk measures. Back testing analysis is in place in order to assess the model reliability.

Specifically, the following measures were defined and implemented:

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

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

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

Liquidity risk

Liquidity risk is defined as the risk that the Intesa Sanpaolo Group may not be able to meet its payment obligations due to the inability to procure funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).

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

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

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

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

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

Together with these indicators, Intesa Sanpaolo Group Guidelines provide management methods to be used in a liquidity crisis scenario, defined as a situation wherein the Intesa Sanpaolo Group has

difficulty or is unable to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

The Intesa Sanpaolo Group has a contingency liquidity plan in place, which has the objective of safeguarding the Intesa Sanpaolo Group's asset value and enabling the continuity of operations under conditions of a liquidity constriction, or even in the absence of liquidity in the market. The plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies.

Operational risk

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk also includes legal risk, compliance risk, model risk, ICT risk and financial reporting risk. Strategic and reputational risks are not included.

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

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

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

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

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

The Self-diagnosis process, conducted on an annual basis, allows the Intesa Sanpaolo Group to:

(a) identify, measure, monitor and mitigate operational risk through identification of the main critical issues and definition of the most appropriate mitigation actions;

(b) analyse exposure to ICT risk;

(c) create significant synergies with specialized functions that supervises, IT Security and Business Continuity issues, with the Administrative and Financial Governance and with other control functions (Compliance and Internal Auditing).

The Self-diagnosis process for 2017 identified a good overall level of control of operational risks and contributed to enhancing the diffusion of a business culture focused on the ongoing control of these risks. During the Self-diagnosis process, the organisational units also analysed their exposure to ICT risk. This assessment is in addition to that conducted by the technical functions (ISGS - ICT Head Office Department, Market Risk IT Infrastructure Office of the ISP Financial and Market Risks Head

Office Department and the IT functions of the main Italian and international subsidiaries) and the other functions with control responsibilities (ISG - Information Security and Business Continuity Sub-Department and the IT Security functions of the main Italian and international subsidiaries).

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

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

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

The qualitative component (**Scenario Analysis**) focuses on the forward-looking assessment of the risk exposure of each Unit and is based on the structured, organised collection of subjective estimates expressed directly by management (of Subsidiaries and Parent Company's Organisational Units) with the objective of assessing the potential economic impact of particularly severe operational events.

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

Operational risks are monitored by an integrated reporting system which provides Management with support information for managing and/or mitigating the operational risk.

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

The Intesa Sanpaolo Group has a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, cyber-crimes and third-party liability), which contributes to mitigating exposure to operational risk.

Moreover, at the end of June 2013, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits pursuant to applicable regulations, the Intesa Sanpaolo Group stipulated an insurance coverage policy named "**Operational Risk Insurance Programme**", which offers additional coverage to traditional policies, significantly increasing the limit of liability, transferring the risk of significant operational losses to the insurance market.

In addition, with respect to risks relating to real property and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Intesa Sanpaolo Group may activate its business continuity solutions.

Strategic Risk

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

The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Board of Directors, supported by a current

and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions ensures that strategic risk is mitigated.

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

Reputational Risk

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

The reputational risk governance model of Intesa Sanpaolo envisages that, management and mitigation of reputational risks is pursued:

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

The "systematic" monitoring of reputational risk envisages:

- specific organisational structures which, each for its purview, monitor the Bank's reputation and manage the relationships with the various stakeholders;
- an integrated monitoring system for primary risks, to limit exposure to them;
- compliance with standards of ethics and conduct;
- establishing the definition and managing customers' risk appetite, through the identification of their various risk tolerance profiles according to subjective and objective traits of each customer.

A fundamental tool for reputational risk monitoring is the Code of Ethics adopted by the Intesa Sanpaolo Group. This contains the basic values to which the Intesa Sanpaolo Group intends to commit itself and enunciates the voluntary principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with broader objectives than those required by mere compliance with the law. The Intesa Sanpaolo Group has also issued voluntary conduct policies (environmental policy and arms industry policy) and adopted international principles (UN Global Compact, UNEP FI, Equator Principles) aimed at pursuing respect for the environment and human rights.

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

More specifically, the marketing of financial products is also governed by specific advance risk assessment from the standpoint of both Intesa Sanpaolo (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (portfolio risk, complexity and frequency of transactions, concentration on issuers or on foreign currency, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered). The Intesa Sanpaolo Group aims to achieve constant improvement of reputational risk governance also through an integrated compliance risk management system, as it considers compliance with the

regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.

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

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

- the Reputational Clearing activities, i.e. the set of processes, tools and methods aimed at detecting and analysing the reputational risk within business operations;
- the Reputational Monitoring activities, aimed at collecting and analysing information to define the reputational profile of the Intesa Sanpaolo Group.

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

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

Risk on owned real-estate assets

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

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

Risks specific to Intesa Sanpaolo Group's insurance business

Life business

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

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

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

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

Non-life business

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

Financial risks

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

Investment portfolios

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

Competition

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

In particular, such competition has had two main effects:

- a progressive reduction in the differential between lending and borrowing interest rate, which may result in Intesa Sanpaolo facing difficulties in maintaining its actual rate of growth in interest rate margins; and
- a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to competition on prices.

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

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

Legal risks

The Intesa Sanpaolo Group is involved in various legal proceedings including those relating to labour and tax matters. Management believes that such proceedings have been properly analysed by the Intesa Sanpaolo Group and its subsidiaries in order to decide upon, if necessary or opportune, any increase in provisions for litigation to an adequate extent according to the circumstances and, with respect to some specific issues, to refer to it in the Covered Bonds to the consolidated annual financial

statements in accordance with the applicable accounting standards. For more detailed information, see paragraph headed "*Legal Risks*", from page 114 to 123.

Changes in regulatory framework

The Intesa Sanpaolo Group is subject to extensive regulation and supervision by the Bank of Italy, the Italian Securities and Exchange Commission ("**CONSOB**"), the European Central Bank and the European System of Central Banks. The banking laws to which the Intesa Sanpaolo Group is subject govern the activities in which banks may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Intesa Sanpaolo Group must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets has recently undergone substantial amendments, some of which are still ongoing in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union that will affect the Intesa Sanpaolo Group, including proposed regulatory initiatives that could significantly alter the Intesa Sanpaolo Group's capital requirements.

The rules applicable to banks and other entities in banking groups include implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the "**Basel Committee**" or "**BCBS**") which aim to preserve stability and solidity and limit risk exposure of such entities. The Intesa Sanpaolo Group is also subject to regulations applicable to financial services that govern, among other things, the sale, placement and marketing of financial instruments as well as to those applicable to its bank-insurance activities. In particular, the Intesa Sanpaolo Group is subject to the supervision of CONSOB and the Institute for the Supervision of Private Insurance. The Issuer is also subject to the rules applicable to it as an issuer of shares listed on the Milan Stock Exchange.

In accordance with the regulatory frameworks defined by the supervisory authorities mentioned above and consistent with the regulatory framework being implemented at the European Union level, the Intesa Sanpaolo Group has in place specific procedures and internal policies to monitor, among other things, liquidity levels and capital adequacy, the prevention and detection of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. Despite the existence of these procedures and policies, there can be no assurance that violations of regulations will not occur, which could adversely affect the Intesa Sanpaolo Group's results of operations, business and financial condition. In addition, as at the date of this Base Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

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

Basel III and CRD IV package

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

that requires them to be written off or converted into ordinary shares at the point of a relevant entity's non-viability, strengthening the risk coverage of the capital framework, promoting the build-up of capital buffers and introducing a new leverage ratio (the "**Leverage Ratio**") and two global minimum liquidity standards (the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**") for the banking sector. On 7 December 2017 the Basel Committee published the final features elements of the Basel III post-crisis reforms (so called 'Basel IV', more detailed herebelow).

The Basel III framework has been implemented in the EU through Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV**"), Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the Final Corrigendum being published on 30th November, 2013) on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**"), Delegated Regulation (EU) 2015/61 and its supplements and the Implementing Regulation (EU) 2016/313.

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

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

In Italy the Government has approved the Legislative Decree no. 72 of 12 May 2015, implementing the CRD IV. Such decree entered into force on 27 June 2015 and impacted, *inter alia*, on:

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

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

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

(iv). administrative penalties and measures (Article 65 CRD IV).

Moreover, the Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 the "**Circular No. 285**") which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules concerning matters not harmonised at EU level. Circular No.285 has been constantly updated after its first issue the last updates being the 20th update of 21 November 2017 effective from 22 November 2017.

Italian banks are now at all times required to satisfy the following own funds requirements: (i) a CET 1 capital ratio of 4,5%; (ii) a Tier 1 Capital ratio of 6%; and (iii) a Total Capital Ratio of 8 %. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer:* set at (i) 1.25% from 1 January 2017 to 31 December 2017, (ii) 1.875% from 1 January 2018 to 31 December 2018, and (iii) 2.5 per cent from 1 January 2019 (pursuant to Article 129 of the CRD IV and Part I, Title II, Chapter I, Section II of Circular No. 285, as amended in October 2016);
- *Counter-cyclical capital buffer (CCyB):* set by the relevant competent authority between 0% - 2.5% (but may be set higher than 2.5% where the competent authority considers that the

conditions in the Member State justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV and Part I, Title II, Chapter I, Section III of Circular No. 285). By a press release announced dated 22 September 2017, the Bank of Italy has set the CCyB (relating to exposures towards Italian counterparties) at 0% for the fourth quarter of 2017;

- *Capital buffers for globally systemically important banks* (**G-SIBs**): set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitutes for the services provided, global cross border activity and complexity); to be phased in from 1 January 2016 (pursuant to Article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285) becoming fully effective on 1 January 2019; Intesa Sanpaolo has not been identified as a G-SIB in the 2017 list of global systemically important banks published by the FSB on 21 November 2017 and does not need to comply with a G-SII capital buffer (or leverage ratio buffer) requirement;
- *Capital buffers for other systemically important banks at a domestic level* (**O-SIIs,** category to which Intesa Sanpaolo currently belongs): up to 2.0% as set by the relevant competent authority (reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the financial system (pursuant to Article 131 of the CRD IV and Part I, Title II, Chapter 1, Section IV of Circular No. 285). By press release announced dated 30 November 2016, the Bank of Italy has identified Intesa Sanpaolo Group as an O-SII authorised to operate in Italy in 2017, and has imposed on the Intesa Sanpaolo Group an O-SII capital buffer of 0.75%, to be achieved within four years according to a transitional period, as follows: at 0% from 1 January 2017, 0.19% from 1 January 2018, 0.38% from 1 January 2019, 0.56% from 1 January 2020 and 0.75% from 1 January 2021.

In addition to the above listed capital buffers, under Article 133 of the CRD IV each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of the sector, in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks not covered by the CRR, in the meaning of a risk of disruption in the financial system with the potential to have serious negative consequences to the financial system and the real economy in a specific Member State.

The Member States setting the buffer will have to notify the Commission, the EBA, and the European System Risk Board (the "**ESRB**") and the competent designated competent authorities of the Member States concerned. For buffer rates between 3% and 5%, the Commission will provide an opinion on the measure decided and if this opinion is negative, the Member States will have to "comply or explain". Buffer rates above 5% will need to be authorized by the Commission through an implementing act, taking into account the opinions provided by the ESRB and by the EBA

At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV as the Italian level-1 rules for the CRD IV implementation on this point have not yet been enacted.

Failure to comply with the combined buffer requirements triggers restrictions on distributions by reference to the so-called Maximum Distributable Amounts ("**MDA**") and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 141 and 142 of the CRD IV). Pursuant to the proposed amendments under the EU Banking Reform, an institution shall be considered as failing to meet the combined buffer requirement for the purposes of restrictions on distributions by reference to the MDA where it does not have own funds and eligible liabilities needed to meet its minimum requirement for own funds and eligible liabilities although, as proposed, a six months grace period would be available before the restrictions on distributions apply where the breach of such requirement is exclusively attributable to failure to roll-over its eligible instruments. It is furthermore proposed that the need for a capital conservation plan should not be triggered in such circumstances. These proposals are not yet finalised. See further "Changes in regulatory framework" above.

As part of the CRD IV Package transitional arrangements, as implemented by Circular No. 285, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital

instruments under the framework which the CRD IV Package has replaced (CRD III) that no longer meet the minimum criteria under the CRD IV Package are gradually being phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 80% in 2014, with this cap decreasing by 10% in each subsequent year (see, in particular, Part Two, Chapter 14, Section 2 of Circular No. 285). The same principle applies under Luxembourg law pursuant to article 17 of the CSSF Regulation N°14-01.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to different measures comprised in the package in order to enhance regulatory harmonisation in Europe through the EBA Supervisory Handbook.

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

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

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

In November 2016, the European Commission announced the EU Banking Reform which proposes a binding 3% Leverage Ratio and a binding detailed NSFR, which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, under the proposal, the Leverage Ratio requirement is set at 3% Tier 1 capital (calculated as an institution's Tier 1 capital divided by that institution's total exposure measure) and is added to the own funds requirements in the CRR which institutions must meet in addition to/in parallel with their risk-based requirements, and will apply to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments. Under the Commission's proposal to introduce a harmonised binding requirement for NSFR at EU level, the amount of available stable funding will be calculated by multiplying an institution's liabilities and regulatory capital by appropriate factors that reflect their degree of reliability over a year. The NSFR is expressed as a percentage and set at a minimum level of 100%, which indicates that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR will apply at a level of 100% to credit institutions and systemic investment firms two years after the date of entry into force of the proposed amendments to the CRR. These proposals under the EU Banking Reform (which require amendments to the CRD and the CRR) should be adopted by the European Parliament and Council and it may not be clear when and how they will be adopted.

Should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and

limit the Issuer's growth opportunities.

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, some yet to be finalised, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation, which will apply as of 3 January 2018 subject to certain transitional arrangements. The Basel Committee published certain proposed changes to the current securitisation framework and has published a revision of the framework on 11 July 2016, including amendments on simple, transparent and comparable (STC) securitisations, which is going to be implemented in January 2018. Additional consultations on criteria and capital treatment of short term securitisations were also launched by the Basel Committee and were closed in October 2017. At the same time the European Commission has published in September 2015 a "Securitisation package" proposal under the Capital Markets Union (CMU) project. The package includes a draft regulation on Simple Transparent and Standardised (**STS**) securitisations and proposed amendments to the CRR. In December 2016 the European Parliament's Economic and Monetary Affairs Committee (ECON) agreed compromise amendments to the proposed new securitisation regulation and the related CRR amending regulation. On 26 October 2017the Parliament has approved the final text of the securitisation regulation which will enter into force on 1 Janaury 2019.

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

Liabilities that are eligible for TLAC shall be capital instruments and instruments that are contractually, statutorily or structurally subordinated to certain "excluded liabilities" (including insured deposits and liabilities that cannot be effectively written down or converted into equity by relevant authorities). The impact on G-SIBs may well come ahead of 2019, as markets may force earlier compliance and as banks will need to adapt their funding structure in advance.

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

It is worth mentioning the Basel Committee has published the standard Minimum capital requirements for market risk in January 2016, which is supposed to enter into force on 1 January 2019. The Basel Committee on 7 December 2017 has published the Basel III post-crisis reforms (Basel IV), adopted by the Group of Governors and Heads of Supervision (GHOS), with the aim to strengthen certain

components of the regulatory framework (e.g. increasing the level of capital requirements) and to restore credibility in the calculation of risk-weighted assets. This includes the " revised standardised approaches (credit, market, credit valuation adjustment risk, operational risk) review of the capital floor of the IRB framework and of the leverage ratio surcharge buffer for G-SIBs. The regulator's primary aim has been to eliminate unwarranted levels of RWA variance. The new setup will have a revolutionary impact on risk modelling: directly on the exposures assessed via standardized approach, but also indirectly on internal ratings based approach ("IRB") RWA, due to the introduction of a new output floor (72.5% of the total risk-weighted assets using only the standardised approach). Also for counterparty exposures (generated by derivatives) the Basel Committee has retained Internal models, but subject to a floor based on a percentage of the applicable standardised approach. Moreover, in the context of the revision of Credit Valuation Adjustment (CVA) risk framework, the revised framework provides for the adoption of a standardised approach and basic approach. The implementation date for the reforms is the 1 January 2022, but the output floor will be phased-in in 6 years, starting as a 50% the 1 January 2022 and reaching the 72.5% as of the 1 January 2025. The implementation of the Fundamental Review of the Trading Book has been postponed by the Basel Committee to 1 January 2022 to allow the Basel Committee to finalise the remaining elements of the framework and align the implementation date to the one set for the Basel III post-crisis reforms.

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

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

ECB Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Council Regulation (EU) No. 1024/2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**") for the establishment of a single supervisory mechanism (the "**Single Supervisory Mechanism**" or "**SSM**"). From 4 November 2014 the SSM Regulation has given the ECB, in conjunction with the national regulatory authorities of the Eurozone and participating Member States, direct supervisory responsibility over "banks of significant importance" in the eurozone. In this respect, "banks of significant importance" include any Eurozone bank that (i) has assets greater than €30 billion or – unless the total value of its assets is below €5 billion – greater than 20% of national gross domestic product; (ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities.

Notwithstanding the fulfilment of these criteria, the ECB, on its own initiative after consulting with national competent authorities or upon request by a national competent authority, may declare an institution significant to ensure the consistent application of high-quality supervisory standards.Intesa Sanpaolo S.p.A. and the Intesa Sanpaolo Group have been classified, respectively, as a significant supervised entity and a significant supervised group within the meaning of Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (the "**SSM Framework Regulation**") and, as such, are subject to direct prudential supervision by the ECB in respect of the functions conferred on the ECB by the SSM Regulation and the SSM Framework Regulation. The relevant national competent authorities for the purposes of the SSM Regulation and the SSM Framework Regulation continue to be responsible, in respect of Intesa Sanpaolo and its subsidiaries, for supervisory functions not conferred on the ECB, such as consumer protection, money laundering, payment services, and supervision over branches of third country banks. The ECB, on the other hand, is exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, inter alia, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Eurozone and in the Member States participating to the SSM; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities.

National options and discretions that have so far been exercised by national competent authorities will be exercised by the SSM in a largely harmonised manner throughout the European Banking Union (the "**Banking Union**"). In this respect, on 14 March 2016 and 24 March 2016, respectively, the ECB adopted Regulation (EU) 2016/445 on the exercise of options and discretions as well as the ECB Guide on options and discretions available in European Union law (the "**ECB Guide**"), as supplemented by the Addendum published on 10 August 2016. These documents lay down how the exercise of options and discretions in banking legislation (CCR, CRD IV and LCR Delegated Act) will be harmonised in the Euro area. They shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of the SSM Regulation and Part IV and Article 147(1) of the SSM Framework Regulation. Depending on the manner in which these options/discretions have so far been exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional/lower capital requirements may result. Regulation (EU) 2016/445 entered into force on 1 October 2016, while the ECB Guide has been operational since its publication.

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

The Intesa Sanpaolo Group is subject to the provisions of the EU Recovery and Resolution Directive

On 2 July 2014, the Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force.

The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b)

there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims into shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the **general bail-in tool**). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. For more details on the implementation in Italy please refer to the paragraphs below.

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

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down/convert certain instruments into shares or other instruments of ownership at the point of non-viability and before any other resolution action is taken ("non-viability loss absorption"). Any shares issued to holders of such instruments upon any such conversion may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the Issuer, or as the case may be, the Intesa Sanpaolo Group meets the conditions for resolution (but no resolution action has yet been taken) or that the Issuer, or as the case may be, the Intesa Sanpaolo Group will no longer be viable unless the relevant capital instruments are written-down/converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the Issuer, or as the case may be, the Intesa Sanpaolo Group would no longer be viable.

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

The BRRD requires all EU Member States to create a national, prefunded resolution fund, reaching a level of at least 1 per cent. of covered deposits within 10 years. The national resolution fund for Italy was created in November 2015 in accordance with Article 78 of Legislative Decree No. 180/2015 implementing the BRRD (the **National Resolution Fund**) and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms, including the Issuer. In the Banking Union, the national resolution funds set up under the BRRD were replaced by the Single Resolution Fund ("**SRF**"), set up under the control of the Single Resolution Board ("**SRB**"), as of 1 January 2016 and the national resolution funds will be pooled together gradually. The SRF is intended to ensure the availability of funding support while a bank is resolved and will contribute to resolution if at least 8 per cent. of the total liabilities (including own funds) of the bank have been subject to bail-in. Therefore, as of 2016, the SRB will calculate, in line with a Council Implementing Act, the annual contributions of all institutions authorised in the Member States participating in the Single Supervisory Mechanism and the Single Resolution Mechanism or the SRM. The SRF is to be built up over eight years, beginning in 2016, to the target level of €55 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the Banking Union). Once this target level is reached, in principle, the banks will have to contribute only if the resources of the SRF are used up in order to

deal with resolutions of other institutions. Under the BRRD, the target level of the national resolution funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. To mitigate any such abrupt changes for banks in some participating Member States when switching to the European target level, an implementing regulation was agreed which provides for an adjustment mechanism during the initial eight years period when the SRF is being built up, by way of a gradual phasing in of the SRM methodology.

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

Although the bail-in powers are not intended to apply to secured debt (such as the rights of Covered Bondholders in respect of the Covered Bond Guarantee), the determination that securities issued by the Intesa Sanpaolo Group will be subject to write-down, conversion or bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Intesa Sanpaolo Group's control. This determination will also be made by the relevant resolution authority and there may be many factors, including factors not directly related to the bank or the Intesa Sanpaolo Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the criteria that the relevant resolution authority will be obliged to consider in exercising any bail-in power provide it with considerable discretion, holders of the securities issued by the Intesa Sanpaolo Group may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the Intesa Sanpaolo Group and the securities issued by the Intesa Sanpaolo Group. Potential investors in the securities issued by the Intesa Sanpaolo Group should consider the risk that a holder may lose all or part of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

With specific reference to the Covered Bonds, to the extent that claims in relation to the relevant Covered Bonds are not met out of the assets of the Cover Pool or the proceeds arising from it (and the Covered Bonds subsequently rank pari passu with senior debt), the Covered Bonds may be subject to write-down or conversion into equity by the competent resolution authorities on any application of the general bail-in tool, which may result in Covered bondholders losing some or all of their investment. In the limited circumstances described above, the exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Covered Bondholders, the price or value of their investment in any relevant Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any relevant Covered Bonds.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees Nos. 180/2015 and 181/2015 (together, the BRRD Decrees), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on 16 November 2015, save that: (i) the bail-in tool applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019. All

provisions other than those relating to bail-in took effect as of 15 July 2015; the provisions relating to bail-in took effect as of 1 January 2016.

It is important to note that, pursuant to Article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the bail-in powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured. In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail- in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may in specified exceptional circumstances partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that pari passu ranking liabilities may be treated unequally.

Insofar as the creditor hierarchy is concerned, it should be noted also that certain categories of liability are subject to the mandatory exclusions from bail-in foreseen in Article 44(2) of the BRRD. For instance, most forms of liability for taxes, social security contributions or to employees benefit from privilege under Italian law and as such are preferred to ordinary senior unsecured creditors in the context of liquidation proceedings. Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank pari passu with any unsecured liability owed to the Covered Bondholders, will rank higher than such unsecured liabilities in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into equity capital instruments only after Covered Bonds (for the portion, if any, that could be subject to bail-in in accordance with the above). Therefore, the safeguard set out in Article 75 of the BRRD would not provide any protection since, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings. The position concerning the creditor hierarchy has been further modified by the EU Banking Reform which proposes to amend Article 108 of the BRRD to introduce an EU harmonised approach on subordination. This will enable banks to issue debt in a new MREL eligible statutory category of unsecured debt available in all EU Member States which will rank just below the most senior debt and other senior liabilities for the purposes of liquidation, while still being part of the senior unsecured debt category (only as a lower tier of senior debt). On 25 October 2017 and will likely enter into force by the end of 2017 the European Parliament, the Council and the EU Commission agreed on elements of the review of the BRRD. The Permanent Representatives Committee of the Council of Ministers is expected to endorse the agreements as the text needs to be in place by the beginning of 2018. If approved, Member States will be required to adopt and publish relevant laws, regulations and administrative provisions necessary to comply with the amendment to the creditor hierarchy by 12 months from the date of entry into force or 1 January 2019, whichever is the earlier. The new creditor hierarchy will apply to new issuances of bank debts. The outstading debt instrument will be considered as senion non-prefered debt if compliant with the conditions set up by new Article 108 (e.g. grandfathering clause).

On 8 March 2017, the ECB published its opinion on the proposal contained in the EU Banking Reform package to amend the BRRD provisions relating to the ranking of unsecured debt instruments in insolvency hierarchy. In particular, the ECB proposes to remove the minimum one year maturity limitation for senior non-preferred debt instruments envisaged in the EU Banking Reform package, as well as to introduce a general depositor preference (based on a tiered approach) by introducing a third priority ranking in Article 108 of BRRD for other deposits, such as large corporate deposits, deposits by credit institutions etc. It is currently unclear when (or the exact manner in which) the proposed amendments to the BRRD to amend creditors' hierarchy in insolvency will be finalised and implemented.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

The BRRD also established that institutions shall meet, at all times, a minimum requirement for own funds and eligible liabilities. Under Article 45 of the BRRD, MREL is to be calculated as the amount of own funds and eligible liabilities expressed as a percentage of total liabilities and own funds of the institution. The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the SRB for banks being part of the Banking Union.

On 23 May 2016, the European Commission adopted Commission Delegated Regulation (EU) 2016/1450 supplementing BRRD that specifies the criteria which further define the way in which resolution authorities/the SRB shall calculate MREL, as described in article 45(6) of the BRRD. Article 8 of the aforementioned regulation provides that resolution authorities may determine an appropriate transitional period for the purposes of meeting the full MREL requirement. On 19 July 2016 the EBA launched a public consultation on its interim report on the implementation and design of the MREL, and the final report was published by EBA on 14 December 2016.

The EU Banking Reform of November 2016 introduces a number of proposed amendments to the MREL framework. In particular, it is proposed that the MREL – which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution – should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution that are higher than those expected under a standard resolution scenario and to ensure a sufficient market confidence in the entity post-resolution. These higher levels will take the form of "MREL guidance", and it is currently envisaged that institutions that fail to meet the MREL guidance shall not be subject to the restrictions on the ability to make distributions (so-called Maximum Distributable Amount). For banks which are not included in the list of G-SIBs (such as Intesa Sanpaolo), liabilities that satisfy the requisite conditions (including, inter alia, the one-year residual maturity requirements) and do not qualify as Common Equity Tier 1, Additional Tier 1 and Tier 2 items under the CRR, shall qualify as eligible liabilities for the purpose of MREL, unless they fall into any of the categories of excluded liabilities. The EU Banking Reform also introduces an external MREL requirement and an internal MREL requirement to apply to entities belonging to a banking group, in line with the approach underlying the TLAC standard. The SRB, together with the national resolution authorities, started to develop its MREL approach in 2016, consisting of informative targets that sought to enable banks to prepare for their future MREL requirements. Data collection for the determination of the MREL commenced in February 2016, with informative consolidated MREL targets for 2016 defined at the level of the EU consolidating parent. Going forward, the SRB aims to develop its MREL policy with a view to setting binding MREL targets, to refine its MREL approach for 2017 and beyond and to develop additional policies and methodologies based on existing legislation and relevant regulatory developments (including the EU Banking Reform). Institutions will be required to comply with binding MREL targets at consolidated level after an appropriate transition period, while MREL requirements at material entity level will be defined in a second stage.

The BRRD is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The powers set out in the BRRD and in the BRRD

Decrees will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The implementation of the BRRD or the taking of any resolution action, as well as the proposed amendments to the BRRD under the EU Banking Reform, and the related decisions by the SRB, have a direct impact on the capital requirements of banks and could (directly or indirectly) materially affect the value of any Covered Bond. The exercise of any power under the BRRD and/or the BRRD Decrees or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of holders of the Covered Bonds, the price or value of their investment in any Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any Covered Bonds.

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

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

The Single Resolution Mechanism became operational on 1 January 2016. There are, however, certain provisions including those concerning the preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board with national resolution authorities, which entered into force on1 January 2015.

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

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

The Single Resolution Fund, which will back the SRM Regulation decisions mainly taken by the Single Resolution Board, will be divided into national compartments during an eight-year transitional period, as set out by an intergovernmental agreement. Contributions by those banks required to pay contributions to national resolution funds will be transferred gradually into the Single Resolution Fund starting from 2016 (and will be additional to the contributions to the national deposit guarantee schemes).

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

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

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

On 29 January 2014, the European Commission adopted a proposal for a new regulation on structural reform of the European banking sector following the recommendations released on 31 October 2012 by the High Level Expert Group (the **Liikanen Group**) on the mandatory separation of certain banking activities. The proposed regulation contains new rules which would prohibit the biggest and most complex banks from engaging in the activity of proprietary trading and introduce powers for supervisors to separate certain trading activities from the relevant bank's deposit-taking business if the pursuit of such activities compromises financial stability. This proposal was intended to take effect from 2017. However, legislative proposal of the regulation has stalled. Alongside this proposal, the Commission has adopted accompanying measures aimed at increasing transparency of certain transactions in the shadow banking sector.

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

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

On 14 February 2013, the European Commission published a 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 Commission's Proposed has very broad scope and could, if introduced in its current form, apply to certain dealings in Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Covered Bonds 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 Covered Bonds 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.

Additional EU Member States may decide to participate.

Joint statements issued on 8 December 2015 by participating Member States, except Estonia, indicate an intention to implement the FTT by the end of June 2016. On 16 March 2016, Estonia completed the formalities required to leave the enhanced co-operation on FTT. On 17 June 2016, the Council of the European Union announced that the work on FTT will continue during the second half of 2016. The Council of the European Union discussed the state of the dossier in June 2017 and reiterated that further work at the Council and its preparatory bodies is still required, before a final agreement on this dossier can be reached.

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

The Intesa Sanpaolo Group may be affected by new accounting standards

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

In this regard, it should be pointed out that a relevant change is expected from the mandatory application of IFRS 9 from 1 January 2018 onwards. In particular, IFRS 9, which was issued on 24 July 2014 and endorsed by the European Commision on 22 November 2016, will introduce significant changes with regard to classification, measurement, impairment and hedge accounting of financial instruments, replacing IAS 39.

The most significant impact of the IFRS 9 standard on financial instruments which will replace the current IAS 39 is the change from an incurred credit loss approach to an expected credit loss approach. As the impact on the level of provisions and credit ratios can be significant, the European Commission

has proposed in the EU Banking Reform package a five-year phasing-in period.

Given the pervasive impacts of IFRS 9 on business, organisation and reporting, commencing 2015 the Intesa Sanpaolo Group launched a specific project aimed at studying and determining the impact of the IFRS 9 in qualitative and quantitative terms as well as identifying the practical and organisational measures required for its consistent, systematic and effective adoption within the Intesa Sanpaolo Group.

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

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

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

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

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

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system as well as, in the past direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral. As a result of changes in the regulatory framework, any extraordinary financial support to failing institutions by Member States are now subject to restrictive conditions, and must be made in strict compliance with the EU state aid framework.

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

3. RISK FACTORS RELATING TO THE COVERED BONDS

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

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or

incorporated by reference in this Base Prospectus or any applicable supplement;

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

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

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

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

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

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

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

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

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

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

Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to such "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmarks" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of

international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Covered Bonds linked to a "benchmark".

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

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

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

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

Covered Bonds subject to optional redemption by the Issuer

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

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

Zero Coupon Covered Bonds

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

Fixed/Floating Rate Covered Bonds

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

Covered Bonds issued at a substantial discount or premium

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

Risks related to Covered Bonds generally

Set out below is a brief description of certain risks relating to the Covered Bonds generally.

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

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

(i) provided that in the opinion of the Representative of the Covered Bondholders such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

(ii) which in the opinion of the Representative of the Covered Bondholders are made to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or of a formal, minor or technical nature, or are made to comply with mandatory provisions of law.

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

(i) a certificate from a Relevant Dealer, stating the intention of the parties to the relevant Transaction Document, confirming nothing has been said to, or by, the investors or any other parties which is in any way inconsistent with such stated intention and stating the modification to the relevant Transaction Document that is required to reflect such intention;

(ii) confirmation from the Rating Agency that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

Covered Bondholders are bound by Extraordinary Resolutions and Programme Resolutions

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

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

passed at a meeting of the Covered Bondholders of a Series shall bind all other holders of that Series, irrespective of whether they attended the meeting and whether they voted in favour of the relevant Resolution.

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

Controls over the transaction

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

Limits to the integration

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

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

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

Base Prospectus to be read together with applicable Final Terms

The terms and conditions of the Covered Bonds (other than the Registered Covered Bonds) included in this Base Prospectus apply to the different types of Covered Bonds which may be issued under the Programme. The terms and conditions applicable to each Series of Covered Bonds (other than the Registered Covered Bonds) can be reviewed by reading the Conditions as set out in this Base Prospectus, which constitute the basis of all Covered Bonds (other than the Registered Covered Bonds) to be offered under the Programme, together with the applicable Final Terms which complete the Conditions of the Programme in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Covered Bonds. The full terms and conditions applicable to each Series of Registered Covered Bonds can be reviewed by reading the relevant Registered Covered Bonds certificate, the relevant Registered Covered Bond Conditions and any schedule or ancillary agreement attached or relating thereto. For the avoidance of doubt, Registered Covered Bonds are not and will not be subject to the generally applicable terms and conditions of the Covered Bonds (contained in the section headed "Terms and Conditions of the Covered Bonds"). No Final Terms will be issued in respect of Registered Covered Bonds.

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

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

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

4. RISK FACTORS RELATING TO THE COVERED BONDS GUARANTOR AND THE COVERED BONDS GUARANTEE

Covered Bonds Guarantor only obliged to pay the Guaranteed Amounts on the Due for Payment Date

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

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

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

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

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

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

Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

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

Extendable obligations under the Covered Bonds Guarantee

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

No Gross-up for Taxes by the Covered Bonds Guarantor

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

Limited resources available to the Covered Bonds Guarantor

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

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

Covered Bondholders should note that the Asset Coverage Test and the Amortisation Test have been

structured to ensure that the outstanding nominal amount of the assets included in the Portfolio shall be greater than or equal to the Outstanding Principal Balance of the Covered Bonds. In addition the MEF Decree and the BoI OBG Regulations provide for certain further tests aimed at ensuring that (a) the net present value of the Eligible Portfolio (net of certain costs) shall be greater than or equal to the net present value of the Covered Bonds; and (b) the amount of interest and other revenues generated by the assets included in the Portfolio (net of certain costs) shall be equal to, or greater than, the interest and costs due by the Issuer under the Covered Bonds (for a full description of the Tests see Section "*Credit Structure*").

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

Reliance of the Covered Bonds Guarantor on third parties

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

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

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

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

Reliance on Hedging Counterparties

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

If the Covered Bonds Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will (unless otherwise stated in the relevant Swap Agreement) have defaulted under that Swap Agreement. A Hedging Counterparty is (unless otherwise stated in the relevant Master Agreement) only obliged to make payments to the Covered Bonds Guarantor as long as the Covered Bonds Guarantor complies with its payment obligations under the relevant Swap Agreement. In circumstances where non-payment by the Covered Bonds Guarantor under a Swap Agreement does

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

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

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

Limited description of the Portfolio

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

(i) the Seller selling further Public Assets and Integration Assets,

(ii) the Seller repurchasing certain Public Assets and Integration Assets in accordance with the Master Transfer Agreement; and

(iii) the Seller (as long as it is the Servicer in the context of the Programme) being granted by the Covered Bonds Guarantor with a wide power to renegotiate the terms and conditions of Public Assets and Integration Assets included in the Portfolio.

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

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

the provision of a subordinated loan agreement to be executed substantially in the form of the Subordinated Loan Agreement.

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

Following the service of an Article 74 Notice to Pay (which has not been withdrawn) or of a Notice to Pay and prior to the occurrence of a Covered Bonds Guarantor Event of Default, if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Portfolio Manager, then the Covered Bonds Guarantor, shall direct the Servicer to sell Selected Assets (selected on a random basis) and/ or Integration Assets, provided that no representations and warranties will be given by the Covered Bonds Guarantor in respect of the Selected Assets sold (see "*Description of the Transaction Documents — Portfolio Administration Agreement*").

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

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

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

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

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

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

(i) default by the Debtors on amounts due in respect of Public Assets and Integration Assets;

(ii) set-off risks in relation to some types of Public Assets and Integration Assets included in the Portfolio;

(iii) limited recourse to the Covered Bonds Guarantor;

(iv) possible regulatory changes by the Bank of Italy, CONSOB and other regulatory authorities;

(v) adverse movement of the interest rate;

(vi) unwinding cost related to the hedging structure; and

(vii) regulations in Italy that could lead to some terms of the Public Assets and Integration Assets being unenforceable.

Each of these factors is considered in more detail below. However, it should be noted that the Amortisation Test is intended to ensure that there will be an adequate amount of Public Assets and Integration Assets in the Portfolio and monies standing to the credit of the Accounts to enable the Covered Bonds Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of a Notice to Pay on the Issuer and on the Covered Bonds Guarantor and accordingly it is expected (although there is no assurance) that Selected Assets and/or Integration Assets could be realised for sufficient values to enable the Covered Bonds Guarantor to meet its obligations under the Covered Bonds Guarantee.

Default by Debtors in paying amounts due on Receivables or Securities

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

Changes to the lending criteria of the Seller

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

Risks relating to the Loans

The ability of the Covered Bonds Guarantor to recover payments of interest and principal from the Loans is subject to a number of risks. These include the risks set out below.

Commingling risk

The Covered Bonds Guarantor is subject to the risk that, in the event of insolvency of the Servicer, the Collections held at the time the insolvency occurs might be treated by the Servicer's bankruptcy estate as an unsecured claim of the Issuer. The Servicing Agreement includes provisions in relation to the transfer of Collections intended to reduce the amount of the monies from time to time subject to the commingling risk. In particular, pursuant to the Servicing Agreement, the Servicer has undertaken to

pay all Collections into accounts of the Covered Bonds Guarantor by no later than the third Business Day following the reconciliation of such amounts and with value on account corresponding to the collection date by the Servicer. The Servicer shall carry out the reconciliation of the amounts received within 20 (twenty) days from the receipt of such amount by the Debtors.

Law Decree 91 introduced, *inter alia*, certain amendments to article 3 of Law 130, aimed at safeguarding collections generated in the context of a securitisation or covered bonds transaction.

In particular, pursuant to article 3, paragraph 2-*bis* of Law 130, as amended by Law Decree 91, no actions by persons other than the holders of the relevant securities can be brought on the accounts opened in the name of the special purpose vehicle with the account bank or the servicer, where the amounts paid by the debtors and any other sums paid or pertaining to the special purpose vehicle under the transactions ancillary to the transaction or otherwise under the transaction documents are credited. Such amounts may be applied by the special purpose vehicle exclusively in payment of (i) amounts due by special purpose vehicle the to the holder of the relvant securities; (ii) amounts due by the special purpose vehicle to any counterparty of any derivative transaction entered into by the special purpose vehicle in connection with the transaction for the purposes of hedging risks relating to the receivables and securities assigned; and (iii) the other creditors of the special purpose vehicle with respect to other costs incurred by the special purpose vehicle in connection with the transaction. In case of any proceedings pursuant to Title IV of the Banking Law, or any bankruptcy proceedings (*procedura concorsuale*), the sums credited to such accounts (whether before or during the relevant insolvency proceeding) shall not be subject to suspension of payments and shall be immediately and fully repaid to the special purpose vehicle, without the need to file any petition (*domanda di ammissione al passivo o di rivendica*) and wait for the distributions (*riparti*) and the restitutions of sums (*restituzioni di somme*).
Furthermore, pursuant to article 3, paragraph 2-*ter*, of Law 130, no actions by the creditors of the servicer can be brought on the sums credited to the accounts opened by the servicer with third party depository banks, save for any amount which exceeds the sums collected by the servicer and due from time to time to the special purpose vehicle. In case of any insolvency proceeding (*procedura concorsuale*) in respect of the servicer, the sums credited to such accounts (whether before or during the relevant insolvency proceeding), up to the amounts collected by the servicer and due to the special purpose vehicle, shall be immediately and fully repaid to the special purpose vehicle, without the need to file any petition (*domanda di ammissione al passivo o di rivendica*) and wait for the distributions (*riparti*) and the restitutions of sums (*restituzioni di somme*).

Set-off risks

The assignment of receivables under Law 130 is governed by Article 58, paragraph 2, 3 and 4, of the Banking Law. According to the prevailing interpretation of such provision, such assignment becomes enforceable against the relevant Debtors as of the later of: (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (Gazzetta Ufficiale della Repubblica Italiana), and (ii) the date of registration of the notice of assignment in the Companies' Register of the place where the Covered Bonds Guarantor has its registered office. Consequently, the rights of the Covered Bonds Guarantor may be subject to the direct rights of the Debtors against the Seller, including rights of set-off on claims existing prior to publication in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and registration in the Companies' Register of the place where the Covered Bonds Guarantor has its registered office. Some of the Loans in the Portfolio may have increased risks of set-off, because the Seller is required to make payments under them to the Debtors. In addition, the exercise of set-off rights by Debtors may adversely affect any sale proceeds of the Portfolio and, ultimately, the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds Guarantee.

In addition some of the Loans in the Portfolio have been disbursed under certain framework agreements, Multi-tranche Agreements (as defined herein) or plafond agreements (the "**Master Loan Agreements**" and, each of them, a "**Master Loan Agreement**"). Pursuant to each Master Loan Agreement, notwithstanding the relevant Loan is fully disbursed in favor of the relevant Debtor and assigned to the Covered Bonds Guarantor, the Seller maintains a contractual relationship with the

relevant Debtor and may be obliged to disburse further loans in favour of the same. In light of the above, should the Seller breach its obligations under any of the Master Loan Agreements, the relevant Debtors, might raise an exception pursuant to Article 1460 of the Italian Civil Code (*eccezione di inadempimento*), and this could possibly result in a temporary suspension of payments due under the relevant Receivables assigned to the Covered Bonds Guarantor until the Seller fulfills its own, provided that the respective obligations of the Seller and the Debtor are deemed to be interdependent. The length of the suspension is uncertain, and might depend, inter alia, on the length of a judicial proceeding that would likely be initiated by the Covered Bonds Guarantor or the Debtor.

Notwithstanding the above, the Debtors in raising such exception should always act in bona fide and any delay or refusal to pay should be only temporary and proportional to the breach of the Seller. Moreover, in principle, the relevant Debtor could not: (i) exercise set-off rights *vis-à-vis* the Covered Bonds Guarantor with reference to the payments to be received by the Seller for obligations that arose after the transfer is effective *vis-à-vis* the Debtors; (ii) require the Covered Bonds Guarantor to fulfill the Seller's obligations; (iii) require the Covered Bonds Guarantor to refund any damages incurred by the Debtor further to the failure by the Seller to fulfill its own obligations.

Law Decree No. 145 introduced, *inter alia*, certain amendments to article 4 of Law 130. As a consequence of such amendments, it is now expressly provided by Law 130 that the Debtors cannot exercise rights of set-off against the Covered Bonds Guarantor on claims arising *vis-à-vis* the Seller after the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Usury Law

Pursuant to the Usury Law lenders are prevented from applying interest rates higher than those deemed to be usurious (the "**Usury Rates**"). Usury Rates are set on a quarterly basis by a Decree issued by the Italian Treasury. With a view to limiting the impact of the application of the Usury Law to Italian loans executed prior to the entering into force of the Usury Law, Italian Law no. 24 of 28 February 2001 ("**Law 24/2001**") provides (by means of interpreting the provisions of the Usury Law) that an interest rate is usurious if it is higher than the relevant limit in force at the time at which such interest rate is promised or agreed, regardless of the time at which interest is repaid by the borrower. A few commentators and debatable lower court decisions have held that, irrespective of the principle set out in Law 24/2001, if interest originally agreed at a rate falling below the then applicable usury limit (and thus, not usurious) were, at a later date, to exceed the usury limit from time to time in force, such interest should nonetheless be reduced to the then applicable usury limit. The Italian Supreme Court (Corte di Cassazione), under decision No. 24675 of 19 October 2017, rejected such interpretation and it clarified that only the moment of execution of the agreement is relevant to verify if the interest rate is usurious in the mortgage loans with fixed interest rate. In the last years, a number of objection have been raised on the basis of the excess of the usury limit from the sum of the default interest and the compensatory rate, based on the errouneous interpretation under decision of the Italian Supreme Court (Corte di Cassazione) no. 350 of 2013 that the default interest is relevant for the purposes of determining if an interest rate is usurious. Such interpretation has been constantly rejected by the Italian Courts. Other objections raised in the last years are based on the violation of the Usury Law by, for example, the sole default interest exceeding the usury limit or making reference to additional components (such as penalties and insurance policies). In this respect, the Italian Courts have not reached an unanimous position.

Compounding of interest

Pursuant to article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable, accrued interest may be capitalised after a period of not less than six months or from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Italian Civil Code allows derogation from this provision in the event that there are recognised customary practices to the contrary. Banks and other financial institutions in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice. In 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interest payable on current accounts to be unlawful. Following

this decision, a series of disputes emerged on the subject of the capitalisation of interest for contracts executed prior to that date, whereas the problem was partly resolved for contracts executed after the amendment of Art. 120 of the Banking Law introduced in the interim by Legislative Decree No. 342/1999, which made it legal to capitalise interest payable and receivable, provided that both occur with the same frequency.Article 17 bis of law decree 18 of 14 February 2016 as converted into Law no. 49 of 8 April 2016 amended article 120, paragraph 2, of the Consolidated Banking Act, providing that the accrued interest shall not produce further interests, except for default interests, and are calculated exclusively on the principal amount. Paragraph 2 of article 120 of the Banking Law also requires the *Comitato Interministeriale per il Credito e il Risparmio* (**CICR**) to establish the methods and criteria for the compounding of interest. Decree No. 343 of 3 August 2016 of the CICR, implementing paragraph 2 of Article 120 of the Banking Law, has been published in the Official Gazette No. 212 of 10 September 2016.

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

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

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

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

Where Intesa Sanpaolo acts as agent bank in an ATI, Intesa Sanpaolo may, in accordance with the provisions regulating the ATI, assign its rights against the Debtor, but nevertheless will remain the only recognised counterparty for the public entity Debtor and, accordingly, the only entitled to perform, also in the interest of the Covered Bonds Guarantor, the enforcement and recovery procedures *vis-à-vis* such Debtor.

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

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

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

Other risks

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor.

Recent cases in English and US Courts have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty. Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the subordination of certain payments to be made by the Covered Bonds Guarantor to the Hedging Counterparties.

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, the US Bankruptcy Court has held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the US Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed.

If a creditor of the Covered Bonds Guarantor or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales, and it is owed a payment by the Covered Bonds Guarantor, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the Transaction Documents. In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy law.

While, as of the date hereof, Intesa Sanpaolo shall act as TBG 1 Hedging Counterparty, TBG 2 Hedging Counterparty and CB Hedging Counterparty, it cannot be excluded that different entities (including those having their registered office in the US) may enter into a CB Swap, TBG 1 Swap and/or an TBG 2 Swap during the life of the Programme.

If a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction and any relevant foreign judgment or order was recognised by the Italian courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the Covered Bonds Guarantor to satisfy its obligations under the Covered Bonds Guarantee.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of certain payments to be made to the Hedging Counterparties, there is a risk that the final outcome of the dispute in such judgments may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

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

GENERAL DESCRIPTION OF THE PROGRAMME

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

1. PRINCIPAL PARTIES

Issuer

Intesa Sanpaolo S.p.A., a bank organised as a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazza San Carlo 156, Turin, Italy and secondary office at Via Monte di Pietà 8, Milan, Italy, incorporated with Fiscal Code number and registration number with the Turin Register of Enterprises 00799960158, VAT number 10810700152, and registered with the Bank of Italy pursuant to Article 13 of the Banking Law under number 5361 and which is the parent company of the Intesa Sanpaolo Group, agreed into the Fondo Interbancario di Tutela dei Depositi and into the Fondo Nazionale di Garanzia (the "**Issuer**" or "**Intesa Sanpaolo**" or "**ISP**").

Arranger

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

Dealer

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

Covered Bonds Guarantor

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

The issued capital of the Covered Bonds Guarantor is equal to Euro 120,000.00, 60 per cent. owned by the Issuer and 40 per cent. owned by Stichting Viridis 2.

Seller

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

Additional Sellers

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

Servicer

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

Successor Servicer

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

Administrative Services Provider

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

Portfolio Manager

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

Asset Monitor

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

Cash Manager

Intesa Sanpaolo S.p.A., through its branch whose registered office is at Via Verdi 8, Milan in its capacity as cash manager under the Cash Management and Agency Agreement (the "**Cash Manager**").

Receivables Collection Account

Bank

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

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

Account Bank

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

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

Calculation Agent

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

CB Hedging Counterparty

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

TBG 1 Hedging Counterparty

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

TBG 2 Hedging Counterparty

Intesa Sanpaolo and any other party (each, a "**TBG 2 Hedging Counterparty**" and together, the "**TBG 2 Hedging Counterparties**" and jointly with the TBG 1 Hedging Counterparties, the "**TBG Hedging Counterparties**" and together with the CB Hedging Counterparties, the "**Hedging Counterparties**") that, from time to time, will enter into a TBG 2 Swap (as defined below) with the Covered Bonds Guarantor for the hedging

of currency and/or interest rate risk on the Portfolio.

Paying Agent

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

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

Swap Service Providers

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

Registrar

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

N Paying Agent

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

Luxembourg Listing Agent

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

Representative of the Covered Bondholders

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

Rating Agency

Moody's Investors Service Ltd. ("**Moody's**" or the "**Rating Agency**") and/or any other rating agency which may be appointed from time to time by

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

Ownership or control relationships between the principal parties

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

2. THE COVERED BONDS AND THE PROGRAMME

Description

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

Programme Amount

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

Distribution of the Covered Bonds

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

Selling Restrictions

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

description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Base Prospectus, see the section headed "*Subscription and Sale*" below.

Currencies

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

Denominations

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

Minimum Denomination

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

Issue Price

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

Issue Date

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

Initial Issue Date

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

CB Payment Date

The dates specified as such in, or determined in accordance with the provisions of the Conditions and, the relevant Final Terms, subject in each case, to the extent provided in the relevant Final Terms, to adjustment in accordance with the applicable Business Day Convention (as defined in the Conditions) (such date, a "**CB Payment Date**").

CB Interest Period

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

Interest Commencement Date

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

Form of Covered Bonds

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

The Covered Bonds issued in dematerialised form will be held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders. Each Series will be deposited with Monte Titoli on the relevant Issue Date. Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds will, at all times, be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of (i) Article 83-*bis et seq.* of the Financial Law and the relevant implementing regulations and (ii) Regulation 22 February 2008. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

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

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

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

Any reference to a Covered Bondholder shall be referred to the holder of a Covered Bond and/or the registered holder for the time being of a Registered Covered Bond (the "**Registered Covered Bondholder**") as the context may require.

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

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

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

Types of Covered Bonds

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

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

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

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

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

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

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

Rating of the Covered Bonds

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

Issuance in Series

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

Final Terms

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

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

Interest on the Covered Bonds

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

Margin Step-up

Final Terms may specify, with respect to a Series of Covered Bonds which are Floating Rate Covered Bonds, that, in the event such Covered Bonds are

not redeemed in full on the Maturity Date (as defined under the relevant terms and conditions), the margin payable on such Covered Bonds increases in accordance with the terms specified in the relevant Final Terms.

Interest Rate Conversion

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

Redemption of the Covered Bonds

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

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

Tax Gross Up and Redemption for taxation reasons

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

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

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

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

Maturity Date

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

Extendable Maturity

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

(a) an Article 74 Event or an Issuer Event of Default has occurred; and

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

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

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

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

Long Dated Covered Bonds

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

Hard Bullet Covered Bonds

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

Ranking of the Covered Bonds

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

Recourse

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

Substitution of the Issuer

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

(a) to the substitution in place of Intesa Sanpaolo (or of any previous substitute) as principal debtor under the Covered Bonds by a Substitute Obligor by way of an Issuer obligation transfer agreement without recourse to the Issuer (*accollo liberatorio*); or

(b) to an Approved Reorganisation; or

(c) that Intesa Sanpaolo (or any previous substitute) may, other than by means of an Approved Reorganisation, consolidate with, merge into or amalgamate with any successor company,

provided that, *inter alia*:

(i) the obligations of the Substitute Obligor or the Resulting Entity under the Covered Bonds shall be irrevocably and unconditionally guaranteed by Intesa Sanpaolo (on like terms as to subordination, if applicable, to those of the Covered Bonds Guarantee);

(ii) (other than in the case of an Approved Reorganisation) the Representative of the Covered Bondholders is satisfied that the interests of the Covered Bondholders will not be materially prejudiced thereby;

(iii) the Substitute Obligor or the Resulting Entity agrees, in form and manner satisfactory to the Representative of the Covered Bondholders, to be bound by the terms and conditions of the Covered Bonds and all the Transaction Documents in respect to any Series of Covered Bonds still outstanding, by means of executing agreements and documents substantially in the same form and substance of the

Transaction Documents; and

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

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

Provisions of Transaction Documents

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

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

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

(i) issuance of a rating letter by the Rating Agency with respect to such further issue of Covered Bonds; and

(ii) satisfaction of the Tests; and

(iii) compliance with (a) the requirements of issuing/assigning banks (Requisiti delle banche emittenti e/o cedenti; see Section II, Para. 1 of the BoI OBG Regulations; the "**Conditions to the Issue**") and (b) Limits to the Assignment, if applicable;

(iv) no Article 74 Event (as defined below) having occurred;

(v) no Issuer Event of Default or Covered Bonds Guarantor Event of Default (as defined below) having occurred;

(vi) (1) the Reserve Funds Required Amount, the ATI Commingling Reserve Amount, the CB Swaps Accumulation Amount and the Interest Accumulation Amount (if and to the extent due) have been credited on the Investment Account, on the immediately preceding Guarantor Payment Date or (2) the amounts standing to the credit of the Accounts are sufficient, taking into account the amounts to be paid under points (i) to (iv) of the Pre-Issuer

Default Interest Priority of Payments, to constitute the Reserve Funds Required Amount, the ATI Commingling Reserve Amount, the CB Swaps Accumulation Amount and the Interest Accumulation Amount (if and to the extent due), on the next Guarantor Payment Date.

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

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

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

Listing and admission to trading

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

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

Settlement

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

Governing law

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

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

Ratings

Each Series issued under the Programme may be assigned a rating by the

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

Purchase of the Covered Bonds by the Issuer

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

3. COVERED BONDS GUARANTEE

Security for the Covered Bonds

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

Under the terms of the Covered Bonds Guarantee the Covered Bonds

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

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

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

Temporary Transfer of Payment Obligations to the Covered Bonds Guarantor

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

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

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

(i) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that: (a) such events shall not trigger an acceleration against the Covered Bonds Guarantor, and (b) in accordance with Article 4, Paragraph 4, of the MEF Decree, the Covered Bonds Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the Suspension Period;

(ii) the Covered Bond Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders vis-à-vis the Issuer in accordance with the provisions of the Covered Bond Guarantee in the context of which the Covered Bondholders have irrevocably delegated – also in the interest and for the benefit of the Covered Bond Guarantor – to the Covered Bond Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose, upon request of the Covered Bond

Guarantor, the Representative of the Covered Bondholders on behalf of the Covered Bondholders shall provide the Covered Bond Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

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

(iii) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (i)(b) above (See Section *Covered Bonds Guarantee*);

(iv) the Tests shall continue to be applied; and

(v) the Pre-Maturity Liquidity Test shall be deemed to be failed with respect to any Hard Bullet Covered Bonds for which the Maturity Date falls within 12 months.

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

Issuer Events of Default

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

(i) default is made by the Issuer for a period of 7 days or more in the payment of any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series when due; or

(ii) the Issuer is in breach of material obligations under or in respect of the Covered Bonds (of any Series outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds) and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(iii) an Insolvency Event (as defined in the Conditions) occurs in respect of the Issuer;

(iv) in relation to the Hard Bullet Covered Bonds, breach of the Pre-Maturity Liquidity Test which is not remedied by the earlier of:

  (a) 20 Business Days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test; and

  (b) the Maturity Date of that Series of Covered Bonds;

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

If an Issuer Event of Default occurs:

(a) the Representative of the Covered Bondholders will serve a notice (the "**Notice to Pay**") on the Issuer and Covered Bonds Guarantor that an Issuer Event of Default has occurred;

(b) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer;

(c) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (b) above (See Section *Covered Bonds Guarantee*);

(d) the Tests, shall continue to be applied.

Covered Bonds Guarantor Events of Default

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

(i) non-payment of principal and/or interest in respect of the relevant Series of Covered Bonds in accordance with the Covered Bonds Guarantee, subject to a period of 7 Business Days cure period in respect of principal or redemption amount and a 14 Business Days cure period in respect of interest payment the Covered Bonds Guarantor or non-payment or non setting aside for payment of costs or amounts due to any Hedging Counterparty;

(ii) breach of the Amortisation Test;

(iii) breach of the other binding obligations under the Dealer Agreement, the Intercreditor Agreement, the Covered Bonds Guarantee or any other Transaction Document to which the Covered Bonds Guarantor is a party, which is not remedied within 30 days from the date on which the Covered Bonds Guarantor is notified of such breach;

(iv) an Insolvency Event occurs in respect of the Covered Bonds Guarantor.

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

Cross Acceleration

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

Pre-Maturity Liquidity Test

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

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

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

(i) the Issuer shall:

(A) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or

(B) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-Maturity Liquidity Guarantor Ratings; and/or

(C) take action in the form of a combination of the foregoing which in aggregate adding up to an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;

and/or

(ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

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

(a) 20 Business Days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test, and

(b) the Maturity Date of that Series of Covered Bonds,

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

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

Eligible Investments

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

Authorised Investments

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

Pre-Issuer Default Interest Priority of Payment

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

(i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any and all taxes due and payable by the Covered Bonds Guarantor;

(ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Expenses, to the extent that such costs and expenses are not met by utilising any amounts standing to the credit of the Expenses Account and/or the Corporate Account on the Guarantor Payment Date falling in March and September of each year and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;

(iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer;

(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date; and (c) to credit to the Investment

Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;

(v) *fifth*, to credit to the Investment Account an amount equal to the Reserve Fund Required Amount;

(vi) *sixth*, if an ATI Agent Trigger Event occurs and is continuing and no other ATI Agent Remedy Actions has been implemented, to credit to the Investment Account an amount equal to the ATI Commingling Reserve Amount;

(vii) *seventh*, to credit to the Principal Receivables Collection Account an amount equal to the amounts paid under item (i) of the Pre-Issuer Default Principal Priority of Payment on any preceding Guarantor Payment Date and not yet repaid under this item (vii);

(viii) *eighth*, if a Servicer Termination Event has occurred, to credit all remaining Interest Available Funds to the Investment Account until such Servicer Termination Event is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

(ix) *ninth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Interest Available Funds to the Investment Account until the following Guarantor Payment Date;

(x) *tenth*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (iv) above;

(xi) *eleventh*, to pay *pari passu* and *pro rata*, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);

(xii) *twelfth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable as Minimum Interest Amount under the Subordinated Loan;

(xiii) *thirteenth*, to pay any Premium Interest Amount under the Subordinated Loan.

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

Pre-Issuer Default Principal Priority of Payments

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

been made in full):

(i) *first*, to pay any amount due and payable under items (i) to (vi) of the Pre-Issuer Default Interest Priority of Payment, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;

(ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the TBG Swaps and (b) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payment under the CB Swaps after the relevant Guarantor Payment Date;

(iii) *third*, if the Pre-Maturity Liquidity Test is satisfied, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay the purchase price of the Public Assets and/or Integration Assets offered for sale by the Seller, the Additional Sellers (if any) or the Issuer in the context of Revolving Assignment in accordance with the provisions of the Master Transfer Agreement or any amount due to the Seller as purchase price in the context of Revolving Assignment pursuant to the Master Transfer Agreement that was not paid on the previous Guarantor Payment Date, (b) to credit to the Investment Account the Purchase Price Accumulation Amount;

(iv) *fourth*, to deposit on the Investment Account any residual Principal Available Funds in an amount sufficient to ensure that taking into account the other resources available to the Covered Bonds Guarantor, the Tests are met;

(v) *fifth*, if a Servicer Termination Event has occurred, all residual Principal Available Funds to be credited to the Investment Account until such event of default of the Servicer is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

(vi) *sixth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Principal Available Funds to the Investment Account until the following Guarantor Payment Date;

(vii) *seventh*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (ii) above;

(viii) *eight*, to pay *pari passu* and *pro rata* any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement) not already provided for under item (xi) of the Pre-Issuer Default Interest Priority of Payment;

(ix) *ninth*, to pay the amount (if any) due to the Seller as principal

redemption under the Subordinated Loan (including as a consequence of "*richiesta di rimborso anticipato*" as indicated therein) provided that the Tests and the Pre-Maturity Liquidity Test are still satisfied after such payment;

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

Post-Issuer Default Priority of Payments

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

(i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;

(ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any amount due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Administrative Services Provider, the Calculation Agent, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;

(iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date and (c) to pay any interest due and payable on such Guarantor Payment Date or to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;

(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof,

(a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps;

(b) to pay any amount in respect of principal due and payable on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date or to credit to the Investment Account any amount in respect of principal to be

paid on each CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date; and

(c) to pay any Hedging Senior Payment, in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payments under the CB Swaps during the Guarantor Interest Period starting from such Guarantor Payment Date;

(v) *fifth*, to deposit on the Investment Account any residual amount until all Covered Bonds are fully repaid or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated;

(vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreement not provided for under items (iii) and (iv) above;

(vii) *seventh*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, pari passu and pro rata according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);

(viii) *eighth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;

(ix) *ninth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as principal under the Subordinated Loan;

(x) *tenth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan.

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

Post-Guarantor Default Priority of Payments

On each Guarantor Payment Date, following the service of a Covered Bonds Guarantor Acceleration Notice, the Covered Bonds Guarantor will use the Available Funds, to make payments in the order of priority set out below (in

each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, to pay, pari passu and pro rata according to the respective amounts thereof, any Expenses and taxes;

(ii) *second*, to pay, pari passu and pro rata according to the respective amounts thereof, any amounts due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer and to credit an amount up to the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;

(iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, and (b) to pay any amount, other than in respect of principal, due and payable on each Series of Covered Bonds and (c) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps;

(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any amount in respect of principal due and payable under each Series of Covered Bonds on such Guarantor Payment Date and (c) to pay any Hedging Senior Payments in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps;

(v) *fifth*, to pay, pari passu and pro rata according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreements not provided for under items (iii) and (iv) above;

(vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);

(vii) *seventh*, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;

(viii) *eighth*, to pay, pari passu and pro rata according to the respective amounts thereof, any amounts due as principal under the Subordinated Loan;

(ix) *ninth*, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan;

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

4. CREATION AND ADMINISTRATION OF THE PORTFOLIO

Transfer of the Portfolio

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

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

(a) collateralise and allow the issue of further series of Covered Bonds by the Issuer, subject to the Limits to the Assignment of further Public Assets (the "**Issuance Collateralisation Assignment**");

(b) invest the Principal Available Funds, subject to the Limits to the Assignment, provided that no Issuer Event of Default or Covered Bonds Guarantor Event of Default have occurred (the "**Revolving Assignment**"); or

(c) comply with the Tests, and prevent the breach of the Tests, in accordance with the Portfolio Administration Agreement (the "**Integration Assignment**"), subject to the limits referred to in the following provision "Integration Assets".

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

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

Representations and Warranties of the Seller

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

(i) its status, capacity and authority to enter into the Transaction Documents and assume the obligations expressed to be assumed by it therein;

(ii) the legality, validity, binding nature and enforceability of the obligations assumed by it;

(iii) the existence of the Receivables or Securities, the absence of any lien attaching the Receivables or Securities; subject to the applicable provisions of laws and of the relevant agreements, the full, unconditional, legal title of the Seller to the Initial Portfolio;

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

General Criteria

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

(i) Receivables whose debtors or guarantors (pursuant to a "guarantee valid for the purpose of credit risk mitigation" (garanzie valide ai fini della mitigazione del rischio di credito), as defined by Article 1, paragraph 1, lett. h) of the MEF Decree) are (a) public administrations of Admitted States, including therein any Ministries, municipalities (enti pubblici territoriali), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement; (b) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the "Standardised Approach" to credit risk measurement; (c) municipalities and national or local public bodies not carrying out economic activities (organismi pubblici non economici) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement;

(ii) Receivables arising out of Loan Agreements which have been fully disbursed or, only in respect of the Multi-tranche Agreements, the Receivables arising out from each credit line or tranche which have been fully disbursed;

(iii) Receivables in respect of which as of the Cut-off Date (a) there are no amounts due and payable to the Seller by the relevant debtors, both as repayment of any instalments and as interest, which have not been paid and (b) neither the termination of the Loan Agreement nor the acceleration (*decadenza dal beneficio del termine*) of the payment obligations have been requested or declared nor the withdrawal (*recesso*) has occurred;

(iv) Receivables arising out of fixed rate loans or floating rate loans;

(v) Receivables in respect of which the relevant amortisation plan for principal and interest provides that the payments have to occur at or within previously fixed payment dates.

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

(a) loan and financing agreements, including loan agreements for a relevant purpose;

(b) loan and financing agreements "multi-tranche" which provide for disbursement of singles credit lines or tranches which differ each other in the interest rate, the amortisation plan or the final reimbursement date (hereinafter, the "Multi-tranche Agreements");

(c) acknowledgement and consolidation acts or agreements, related to loans disbursed on the basis of a credit opened agreement (contratto di apertura di credito) pursuant to article 205-bis of the Legislative Decree no. 267 of 18 August 2000 (also denominated master credit opened agreement), by means of which are ruled, inter alia, interest rate, amortisation plan and the final reimbursement date;

(d) disbursement and receipt acts or agreements (however denominated) – related to loans disbursed on the basis of a credit opened agreement (contratto di apertura di credito) (however denominated) – by means of which, inter alia, the interest rate, the amortisation plan, the disbursement date and the final reimbursement date are ruled;

(e) loan and financing agreements (which provide for, inter alia, an indication of loan amount, interest rate, amortisation plan, guarantees, disbursement date and final reimbursement date) on the basis of a plafond made available by means of an adjudication of a competitive bid and/or the relevant agreement, or by means of a specific loan agreement (*convenzione speciale di finanziamento*) or a treasury agreement (*convenzione di tesoreria*) (which provide for the disbursement of singles loans up to a predetermined maximum amount (id est a plafond);

(f) receivables purchase agreements with predetermined principal and interest reimbursement dates or receivables purchase agreements in which the receivables have been settled by means of fixing of principal and interest reimbursement dates.

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

The Receivables shall also comply with the Specific Criteria.

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

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

Integration Assets

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

(i) deposits with banks residing in Eligible States;

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

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

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

Excluded Assets

On the basis of the information provided by the Servicer and in accordance with the provisions of the Cash Management and Agency Agreement the Calculation Agent shall identify (a) the Integration Assets in excess of the

Integration Assets Limit to be excluded from the Eligible Portfolio, (b) the aggregate of Integration Assets which do not meet the Integration Assets Rating Requirements (the assets mentioned in (a) and (b) above, the "**Excluded Assets**"), and (c) the corresponding portion of the hedging arrangements, if any, to be excluded from the calculation of the Tests (the "**Excluded Swaps**") with the objective of obtaining a combination of Integration Assets included in the Eligible Portfolio, net of exclusions, that would allow the compliance with the Tests, if possible.

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

Tests

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

(i) prior to the occurrence of an Issuer Event of Default, the OC Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the "**Asset Coverage Test**") or, following the occurrence of an Issuer Event of Default, and service of the Notice to Pay by the Representative of the Covered Bondholders, the Amortisation Test Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the "**Amortisation Test**");

(ii) the Net Present Value of the Eligible Portfolio shall be equal to, or greater than, the Net Present Value of all Series of the outstanding Covered Bonds (the "**NPV Test**");

(iii) the Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Interest Payments and the Annual Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Annual Interest Payments (the "**Interest Coverage Test**");

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

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

Breach of the Tests

In order to cure the breach of the Tests:

(a) the Seller shall sell, as soon as possible, and in any case within 6 (six) months from the notification of such breach, sufficient Public Assets or Integration Assets to the Covered Bonds Guarantor in accordance with the Master Transfer Agreement and, to this extent, shall grant the funds necessary for payment of the purchase price of the assets to the Covered Bonds Guarantor in accordance with the Subordinated Loan Agreement or, if necessary, increasing the Maximum Amount of the Subordinated Loan, or

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

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

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

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

Role of the Asset Monitor

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

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

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

5. THE TRANSACTION DOCUMENTS

Master Transfer Agreement

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

Warranty and Indemnity Agreement

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

Subordinated Loan Agreement

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

Covered Bonds Guarantee

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

Servicing Agreement and Collection Policies

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

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

with the requirements of Law 130.

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

Administrative Services Agreement

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

Intercreditor Agreement

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

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

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

Cash Management and Agency Agreement

In accordance with a cash management and agency agreement entered into on or about the Initial Issue Date, as amended and supplemented, among, *inter alios*, the Covered Bonds Guarantor, the Cash Manager, the Account

Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider, the Calculation Agent and the Representative of the Covered Bondholders (the "**Cash Management and Agency Agreement**"), the Account Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider and the Calculation Agent will provide the Covered Bonds Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts (See "*Description of the Transaction Documents - Description of the Cash Management and Agency Agreement*").

Asset Monitor Agreement

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

Portfolio Administration Agreement

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

Quotaholders Agreement

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

Deed of Pledge

By a deed of pledge (as amended and supplemented, the "**Deed of Pledge**") executed by the Covered Bonds Guarantor on or about the Initial Issue Date, the Covered Bonds Guarantor will pledge in favour of the Covered Bondholders and the Secured Creditors all monetary claims and rights and

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

Deed of Charge

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

Dealer Agreement

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

Subscription Agreement

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

Swaps

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

In addition, in order to hedge the interest rate and/or currency risks related to the transfer of each Portfolio, the Covered Bonds Guarantor entered and will enter into one or more swap transactions with the TBG Hedging

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

ISP Mandate Agreement

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

ISGS Mandate Agreement

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

Provisions of Transaction Documents

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

DOCUMENTS INCORPORATED BY REFERENCE

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

(1) the Issuer's unaudited condensed consolidated financial statements as at 30 September 2017;

(2) the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2017, with auditors' limited review report;

(3) the Issuer's audited consolidated annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles, in respect of the year ended on and as at 31 December 2016;

(4) the Issuer's audited consolidated annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles, in respect of the year ended on and as at 31 December 2015[1];

(5) the Covered Bond Guarantor's unaudited interim condensed financial statements, including the auditors' limited review report, in respect of the half-year 2017;

(6) the Covered Bonds Guarantor audited annual financial statements in respect of the year ended on and as at 31 December 2016;

(7) the auditors' report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2016;

(8) the Covered Bonds Guarantor audited annual financial statements in respect of the year ended on and as at 31 December 2015;

(9) the auditors' report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2015.

The table below sets out the relevant page references for, *inter alia* (i) the notes, the balance sheet, the income statement and the accounting policies relating to the unaudited condensed consolidated financial statements of the Issuer in respect of the half-year ended on 30 June 2017, with auditors' limited review report; (ii) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the consolidated financial statements of the Issuer for the years ended on and as at 31 December 2016 and 31 December 2015, (iii) the notes, the balance sheet, the income statement and the accounting policies relating to the interim financial statements of the Covered Bonds Guarantor in respect of the half-year ended on 30 June 2017, with auditors' limited review report, and (iv) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the financial statements of the Covered Bonds Guarantor for the years ended on and as at 31 December 2016 and 31 December 2015.

The audited consolidated financial statements referred to above, together with the audit reports thereon, the Issuer's unaudited condensed consolidated financial statements in respect of the half-year

[1] Please note that the files incorporated under items (3) and (4) above include the consolidated financial statements of the Intesa Sanpaolo Group as required under Commission Regulation (EC) No. 809/2004, and does not include the individual financial statements of Intesa Sanpaolo. Therefore, even if the index of these documents contains references to the Intesa Sanpaolo's individual financial statements, only information related to the consolidated financial statements of the Intesa Sanpaolo Group is relevant and incorporated by reference in the Base Prospectus.

2017 and the Issuer's unaudited condensed consolidated financial statements as at 30 September 2017 are available both in the original Italian language and in English language. The English language versions represent a direct translation from the Italian language documents. The Issuer and the Covered Bonds Guarantor, as relevant, are responsible for the English translations of the financial reports incorporated by reference in this Base Prospectus and declare that such is an accurate and not misleading translation in all material respects of the Italian language version of the Issuer's and Cover Bonds Guarantor's financial reports (as applicable). Any part of the documents listed under items from (1) to (9) above not listed in cross reference list below but contained in such documents, is not incorporated by reference in this Base Prospectus and is either not relevant for the investor or it is covered elsewhere in this Base Prospectus.

Cross-reference List

The following table shows where the information incorporated by reference into this Base Prospectus, including the information required under Annex XI of Commission Regulation (EC) No. 809/2004 (in respect of the Issuer) and Annex IX of Commission Regulation (EC) No. 809/2004 (in respect of the Covered Bond Guarantor), can be found in the above mentioned financial statements incorporated by reference into this Base Prospectus.

Intesa Sanpaolo interim statements as at 30 September

Unaudited interim consolidated financial statements	**Page number(s)**
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Intesa Sanpaolo half-yearly report as at and for the six months ended on 30 June 2017

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Changes in consolidated shareholders' equity	54
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Balance sheet aggregates	83-96
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Risk management	122-146

Audited Annual consolidated financial statements of the Issuer for the year ended and as at 31 December 2016

Audited Annual consolidated financial statements of the Issuer for the year ended and as at 31 December 2015

Covered Bond Guarantor half-yearly report as at and for the six months ended on 30 June 2017

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Audited Annual financial statements of the Covered Bonds Guarantor for the year ended and as at 31 December 2016

Statement of Financial Position	Pages 14 - 15
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Statements of changes in equity	Page 18
Statement of Cash Flows	Page 19
Notes to the financial statements	Pages 20 - 50
Independent Auditors' Report	Separate document - All pages

Audited Annual financial statements of the Covered Bonds Guarantor for the year ended and as at 31 December 2015

Statement of Financial Position	Pages 18-19
Income Statement	Page 20
Statement of comprehensive income	Page 21
Statements of changes in equity	Page 22
Statement of Cash Flows	Page 23
Notes to the financial statements	Pages 24-57
Independent Auditors' Report	Separate document – All pages

The financial statements referred to above have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board and the relative interpretations of the International Financial Reporting Interpretations Committee, as adopted by the European Union under Regulation (EC) 1606/2002.

Availability of Documents

Copies of the documents incorporated by reference into this Base Prospectus may also be obtained from the registered office of the Issuer; the Issuer's unaudited condensed consolidated interim financial statements as at 31 March 2017 and the audited consolidated annual financial statements of the Issuer, including the auditor's report thereon, notes thereto and the relevant accounting principles in respect of the years respectively ended on as at 31 December 2016 and 31 December 2015, on the Issuer's website

(http://www.group.intesasanpaolo.com/scriptIsir0/si09/salastampa/eng_comunicati_stampa.jsp and http://www.group.intesasanpaolo.com/scriptIsir0/si09/investor_relations/eng_bilanci_relazioni.jsp#/investor_relations/eng_bilanci_relazioni.jsp).

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

SUPPLEMENT TO THE BASE PROSPECTUS

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

DESCRIPTION OF THE ISSUER

History and organisation of the Intesa Sanpaolo Group

Intesa Sanpaolo Origins

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

Banca Intesa S.p.A.

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

Sanpaolo IMI S.p.A.

Sanpaolo IMI S.p.A was formed in 1998 through the merger of Istituto Mobiliare Italiano S.p.A. (**IMI**) and Istituto Bancario San Paolo di Torino S.p.A. (**Sanpaolo**) –Sanpaolo originated from the "Compagnia di San Paolo" brotherhood, which was set up in 1563 to help the needy. The "Compagnia di San Paolo" began undertaking credit activities and progressively developed into a banking institution during the nineteenth century, becoming a public law credit institution (*Istituto di Credito di Diritto Pubblico*) in 1932. Between 1960 and 1990, Sanpaolo expanded its network nationwide through a number of acquisitions of local banks and medium-sized regional banks, ultimately reaching the level of a multifunctional group of national importance in 1991 after its acquisition of Crediop. On 31 December 1991, Sanpaolo became a stock corporation (*società per azioni*) with the name Istituto Bancario San Paolo di Torino Società per Azioni.

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

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

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

Legal Status

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

Registered Office

Intesa Sanpaolo's registered office is at Piazza San Carlo 156, 10121 Turin and its telephone number is +39 0115551. Intesa Sanpaolo's secondary office is at Via Monte di Pietà 8, 20121 Milan.

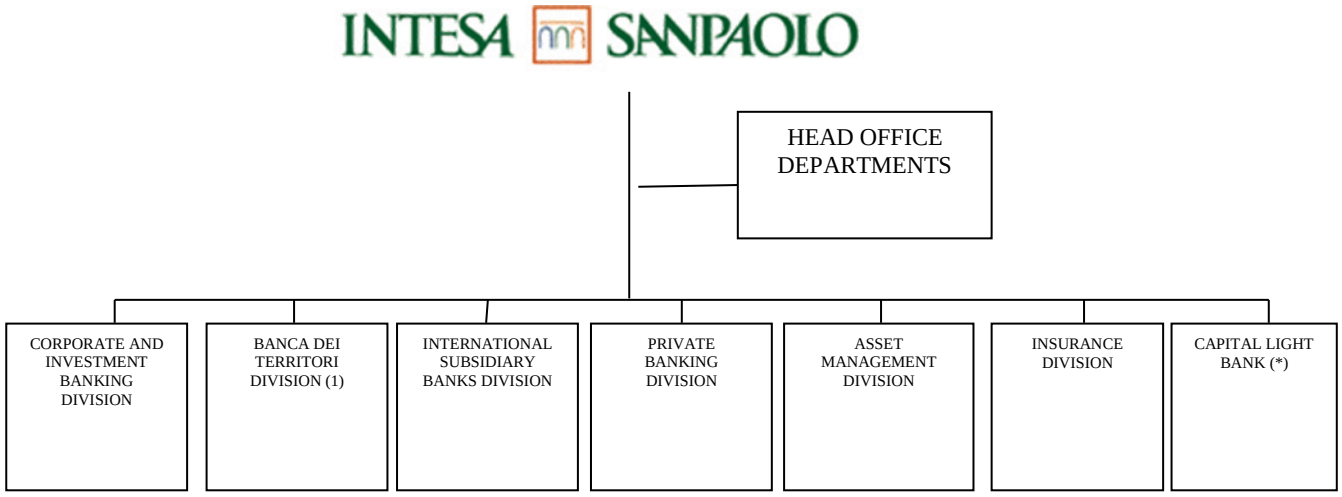
Objects

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

Share capital

As at 30 September 2017, Intesa Sanpaolo's issued and paid-up share capital amounted to €8,731,984,115.92 divided into 16,792,277,146 shares with a nominal value of €0.52 each, in turn comprising 15,859,786,585 ordinary shares and 932,490,561 non-convertible savings shares. Since 30 September 2017, there has been no change to Intesa Sanpaolo's share capital.

Organisational Structure



Mediocredito Italiano	Zagreb
	VUB Banka

(1) Domestic commercial banking

(*) Pravex-Bank in Ukraine reports to Capital Light Bank

The Intesa Sanpaolo Group is an Italian and European banking and financial services provider, offering a wide range of banking, financial and related services throughout Italy and internationally, with a focus on Central-Eastern Europe and the Middle East and North Africa. Intesa Sanpaolo activities include deposit-taking, lending, asset management, securities trading, investment banking, trade finance, corporate finance, leasing, factoring and the distribution of life insurance and other insurance products.

The Intesa Sanpaolo Group operates through seven business units:

- The **Banca dei Territori division**: focus on the market and centrality of the territory for stronger relations with individuals, small and medium-sized businesses and non-profit entities. The division includes the Italian subsidiary banks and the activities in industrial credit, leasing and factoring carried out through Mediocredito Italiano.

- The **Corporate and Investment Banking division**: a global partner which supports, taking a medium-long term view, the balanced and sustainable development of corporates and financial institutions, both nationally and internationally. Its main activities include capital markets and investment banking carried out through Banca IMI. The division is present in 27 countries where it facilitates the cross-border activities of its customers through a specialist network made up of branches, representative offices, and subsidiary banks focused on corporate banking. The division operates in the public finance sector as a global partner for public administration.

- The **International Subsidiary Banks division**: includes the following commercial banking subsidiaries: Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Privredna Banka Zagreb in Croatia, the Prague branch of VUB Banka in the Czech Republic, Bank of Alexandria in Egypt, CIB Bank in Hungary, Intesa Sanpaolo Bank Romania, Banca Intesa in the Russian Federation, Banca Intesa Beograd in Serbia, VUB Banka in Slovakia and Intesa Sanpaolo Bank in Slovenia.

- The **Private Banking division**: serves the customer segment consisting of Private clients and High Net Worth Individuals with the offering of products and services tailored for this segment. The division includes Fideuram - Intesa Sanpaolo Private Banking, with about 5,915 private bankers.

- The **Asset Management division**: asset management solutions targeted at the Intesa Sanpaolo Group's customers, commercial networks outside the Intesa Sanpaolo Group, and the institutional clientele. The division includes Eurizon, with approximately 251 billion Euro of assets under management.

- The **Insurance division:** insurance and pension products tailored for the Intesa Sanpaolo Group's clients. The division includes Intesa Sanpaolo Vita, Fideuram Vita, and Intesa Sanpaolo Assicura direct deposit and with technical reserves of approximately 150 billion Euro.

- **Capital Light Bank**: set up to extract greater value from non-core activities through the workout of non-performing loans and repossessed assets, the sale of non-strategic equity stakes, and proactive management of other non-core assets (including Pravex-Bank in Ukraine).

Changes to Intesa Sanpaolo's governance system

On 26 February 2016, the Extraordinary Shareholders' Meeting of Intesa Sanpaolo approved new Articles of Association relating to the adoption of the one-tier corporate governance system based on a Board of Directors composed of a minimum of 15 to a maximum of 19 members, five of whom are part of the Management Control Committee.
Intesa Sanpaolo's previous dual corporate governance model had operated in a stable and consistent way with respect to the Issuer's overall structure, demonstrating the capacity required to meet the relevant efficiency and effective needs of governance and required control system. Nine years on from its adoption, in light of the areas for improvement identified in the last self-assessment, it was considered appropriate to evaluate a change. Aside from external factors, other factors suggested a wide-ranging assessment. First and foremost, the amendments introduced in the regulatory framework as well as the ongoing developments at supervisory level (with the transition of prudential supervision to the ECB, with a view to the Single Supervisory Mechanism) and the shareholder base of Intesa Sanpaolo (with the strong growth of foreign investors). The relevant assessments were entrusted to an ad-hoc Commission within the Supervisory Board - whose composition reflected the legal and business expertise and the academic and professional experiences best suited to meet the relevant requirements. The commission had the task of analysing the benefits and advantages underlying the different governance models, in order to identify possible areas for improvement in Intesa Sanpaolo's dual corporate governance system or, alternatively, possible reasons that could have led to its replacement.
The Commission, considering the factors above, identified the one-tier system - characterised by the presence of a board of directors and a management control committee established within it - as the most suitable model. The centralisation within a single body of strategic supervision and management functions - together with a balanced system of powers and fair debate within the board – was seen as conducive to pursue the dual objective of greater efficiency of the governance function and of safeguarding, the immediacy, incisiveness and effectiveness of the control function, centralised within the Management Control Committee.
The Ordinary Shareholders' Meeting, on 27 April 2016, also decided to set the number of members of the Board of Directors at 19 for the financial years 2016-2018, and subsequently appointed the members of the Board of Directors and the Management Control Committee for such years. The 19 members appointed are listed in the "Management – Board of Directors" below. The shareholders resolved to distribute dividends for 2015 (€0.14 per ordinary share and €0.151 per savings share, before tax, for a total dividend disbursement of €2,361,146,684.19) and approved a number of resolutions concerning remuneration of the Board of Directors and other staff, variable remuneration for specific and limited professional categories and business segments, the share-based incentive system for 2015 covering risk-takers and other managers and professionals and purchase of own shares to service the system as well as the criteria for determining compensation in case of early termination. The Board of Directors' meeting of 28 April 2016 appointed Carlo Messina as Managing Director and CEO, granting him the powers necessary and appropriate to ensure consistent management of Intesa Sanpaolo.
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Mergers of Banca dell'Adriatico and Cassa di Risparmio dell'Umbria into Intesa Sanpaolo

On 4 May 2016, the Issuer entered into a deed of merger by incorporation of Banca dell'Adriatico (wholly owned subsidiary) into Intesa Sanpaolo. The merger became effective as of 16 May 2016, with accounting and tax effects dating back to 1 January 2016.
A deed was signed on 9 November 2016 relating to the merger by incorporation of Casse di Risparmio dell'Umbria into Intesa Sanpaolo, with a share capital increase of the surviving company totalling €109,617.56, through the issue of ordinary shares. The merger came into legal effect from 21 November 2016, with the accounting and tax effects as of 1 January 2016. Therefore, 210,803 Intesa Sanpaolo ordinary shares were issued, with regular dividend entitlement, at a nominal value of €0.52 each, with a resulting share capital increase from €8,731,874,498.36 to €8,731,984,115.92, broken

down into 15,859,786,585 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of €0.52 each.
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Deferred Tax Assets

Law Decree No. 59 of 3 May 2016, converted into Law No. 119 of 30 June 2016, introduced special rules on deferred tax assets (DTAs), aimed at avoiding the classification as "State aid" of the national legislation which lays down the automatic convertibility into tax credits of "qualified" DTAs (relating to adjustments to loans or goodwill and other intangible assets) even in the presence of statutory and/or tax losses.
Article 11 of said Law Decree (as modified by Law Decree No. 237 of 23 December 2016) provides that the convertibility into tax credits of the aforementioned DTAs continues to be applied automatically, upon the occurrence of the conditions envisaged by law, only with regard to "qualified" DTAs covered by already paid taxes, whilst for "qualified" DTAs in excess of the taxes already paid, the convertibility into tax credits instead can only be maintained on irrevocable choice provided an annual fee is paid. The fee amounts to 1.5% of any positive difference between: (a) the sum of the "qualified" DTAs recorded since 2008, including those already converted into tax credits, and (b) the sum of the taxes paid since 2008. In the event of participation in a "fiscal consolidation procedure", the DTAs and taxes should be calculated at fiscally consolidated group level. This fee, which is deductible for the purposes of IRES and IRAP, must be calculated (and, if due, paid) with respect to each year from 2016 to 2030 and, for 2016, it was payable by 31 July 2016.
In the Intesa Sanpaolo Group financial statements as at 31 December 2016, the "qualified" DTAs entered into by the Italian companies that are part of the fiscal Consolidation of Intesa Sanpaolo were entirely covered by taxes paid. In the period 2008-2016, the taxes paid by the Intesa Sanpaolo Group were more than the said DTAs. Therefore, the convertibility of these DTAs is guaranteed without the Intesa Sanpaolo Group being liable for the payment of any fees.

Outcome of the 2016 Supervisory Review and Evaluation Process

On 12 December 2016, Intesa Sanpaolo received notification of the ECB's final decision concerning the capital requirement it has to meet on a consolidated basis as of 1 January 2017, following the results of the 2016 Supervisory Review and Evaluation Process (SREP). The overall capital requirement Intesa Sanpaolo has to meet in terms of Common Equity Tier 1 ratio is 7.25% under the transitional arrangements for 2017 and 9.25% on a fully loaded basis. This is the result of the following reasons:

- a SREP requirement for a Total Capital ratio of 9.5% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is Common Equity Tier 1 ratio, and an additional Pillar 2 capital requirement of 1.5% made up entirely of Common Equity Tier 1 ratio; and

- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to a Capital Conservation Buffer of 1.25% under the transitional arrangements for 2017 and 2.5% on a fully loaded basis in 2019, and an O-SII Buffer (Other Systemically Important Institutions Buffer) of zero under the transitional arrangements for 2017 and 0.75% on a fully loaded basis in 2021.

Conclusion of ordinary share buy-back programme for free assignment to employees

On 17 November 2016, Intesa Sanpaolo announced that it had concluded, on 16 November 2016, the ordinary share buy-back programme launched on the same day. The programme executes a plan, approved at the Shareholders' Meeting of Intesa Sanpaolo on 27 April 2016 that assigns, free of charge, ordinary shares of Intesa Sanpaolo to the Intesa Sanpaolo Group's employees; this covers the share-based incentive plan for 2015 reserved for the so-called "risk takers", as well as managers or professionals accruing a "relevant bonus". In addition, Intesa Sanpaolo's subsidiaries included in the announcement have terminated their purchase programmes of the Intesa Sanpaolo's shares to be

assigned, free of charge, to their employees. The programmes were approved by their respective corporate bodies within their remits and are analogous to the programme approved at the Intesa Sanpaolo's Shareholders' Meeting.
On the day of execution of the programme (16 November 2016), the Intesa Sanpaolo Group purchased a total of 8,440,911 Intesa Sanpaolo ordinary shares through Banca IMI (which was responsible for the programme execution). These represent approximately 0.05% of the ordinary share capital and total share capital of Intesa Sanpaolo (comprising ordinary shares and savings shares) at an average purchase price of €2.149 per share, for a total counter value of €18,139,446. Intesa Sanpaolo purchased 3,582,633 shares at an average purchase price of €2.149 per share, for a counter value of €7,697,307.

Contributions to the National Resolution Fund and the Single Resolution Fund

The resolution process of four Italian banks under extraordinary administration (Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio della Provincia di Chieti and Cassa di Risparmio di Ferrara) was launched on the basis of the BRRD Decrees and Law Decree No. 183 of 22 November 2015 (the so-called Decreto Salvabanche, converted by Law 208/2015, "Law Decree 183/2015") issued by the President of the Republic of Italy.
At the end of 2015, the National Resolution Fund called up extraordinary contributions, in an amount equal to three times the annual amount of ordinary contributions, to finance the measures to resolve the crises of these four banks. The total amount of contributions called up from the banking system thus came to €2,352 million, out of a total measure of the National Resolution Fund of approximately €3.7 billion.
As part of the resolution measures for these banks, four good banks were established for the purpose of ensuring the continuity of the essential functions previously carried out by the banks under resolution measures, as well as an intermediary (REV Gestione Crediti) to take over the bad loans acquired from the latter. The required liquidity was provided in advance by a pool of banks, including Intesa Sanpaolo, through a bridge loan at market rates with a maximum maturity of 18 months, subsequently partially repaid using the amounts deriving from the ordinary and extraordinary contributions mentioned above. At the end of 2016, the residual on-balance sheet exposure of Intesa Sanpaolo amounted to €235 million. At the end of December 2016, the National Resolution Fund called up additional contributions, equal to two annual amounts, for a total amount for the Intesa Sanpaolo Group banks of €316 million (€1,524 million for the banking system). This is due to the fact that according to Law Decree 183/2015, if the financial resources available to the National Resolution Fund are insufficient to support the resolution measures implemented over time, the contributions may be increased, only for 2016, by twice the annual amount of contributions determined in line with Article 70 of SRM Regulation and Council Implementing Regulation (EU) No. 2015/81.
Overall, in 2015, the Intesa Sanpaolo Group has paid the National Resolution Fund (ordinary and extraordinary) contributions amounting to €459 million, in addition to the ordinary contributions paid by the Intesa Sanpaolo Group's international subsidiary banks to their respective funds of, as a result of the entry into force of BRRD, €14 million.

Contributions of the Intesa Sanpaolo Group to the Single Resolution Fund in 2016

The total was approximately €148 million (€103 million net of taxes). For a description of the Single Resolution Fund, see further "Risk Factors – Intesa Sanpaolo Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism".

The National Interbank Deposit Guarantee Fund

The Articles of Association of the National Interbank Deposit Guarantee Fund (Fondo Interbancario di Tutela dei Depositi, "FITD") - consistent with the provisions of Directive 2014/49 (DGS – Deposit Guarantee Schemes) which has been implemented into Italian law by Italian Legislative Decree No. 30 of 15 February 2016 and published in the Official Gazette on 8 March 2016, provide that the FITD shall establish available financial resources so the target level of 0.8% of the total deposits protected is

reached by 3 July 2024, through ordinary contributions of the member banks. The target level of the FITD is estimated at approximately €5.4 billion. In particular, the banks belonging to the FITD as at 30 September of each year are obliged to pay an annual ordinary contribution based on the amount of covered deposits as well as the degree of risk incurred by the respective members. Contribution quotas are calculated by referring to the contributory bases recognised as at 30 September of the current year and are adjusted to the risk on the basis of operating indicators referred to the last half-yearly report available. Additional contributions may also be required in certain circumstances.

The board of the FITD set the amount of the total ordinary contribution for 2016 at €449 million, to be divided among the member banks based only on the amount of protected deposits, save for subsequent adjustments triggered by correction based on risk. However, the board decided to allocate an amount of €100 million to the Solidarity Fund (Fondo di solidarietà) established by Law No. 208/2015 (the so-called Stability Law 2016) for the compensation of subordinate bondholders impacted by the resolution measures of the four banks in November 2015 and, subsequently, governed by Law Decree No. 59 of 3 May 2016 (converted by Law No. 119 of 30 June 2016) which assigned to the FITD the task to manage and fund the Solidarity Fund. As a result, the difference of €100 million needed to reach the target of €449 million will be divided over the subsequent years, by 2024.
Total contributions by the banks to the FITD for 2016 amounted to €449 million. At the level of the Intesa Sanpaolo Group, the total contribution in 2016 amounted to over €114 million, gross of taxes.

The Voluntary Intervention Scheme

In order to overcome the negative stance taken by the European Commission with regard to the use of compulsory contributions in support measures in favour of banks in crisis, at the end of 2015, a Voluntary Intervention Scheme was created as part of the FITD, as an additional tool not subject to the constraints of EU legislation and the European Commission. After the intervention in the restructuring of Banca Tercas, the reinstatement of a provision of the Voluntary Intervention Scheme was envisaged for a maximum amount of €700 million to be used to provide support in favour of small banks in difficulty and subject to extraordinary administration proceedings but with real prospects of turnaround, in order to avoid higher charges for the banking system as a result of winding up or dissolution orders.

The resources are not subject to immediate payment by the member banks, which simply assume the commitment to pay them when called upon to do so for specific interventions. All the banks in the Intesa Sanpaolo Group joined the Voluntary Intervention Scheme and consequently recognised a commitment, in the 2016 half-yearly report, for their own relevant share of the approved €700 million (approximately €150 million). Drawing on this sum, on 15 June 2016, the management board of the FITD approved the participation in the recapitalisation of Cassa di Risparmio di Cesena. With a decision of 15 September 2016, the ECB authorised the purchase of the equity investment in Cassa di Risparmio di Cesena by the Voluntary Intervention Scheme and on 20 September 2016 all the member banks paid their pro-rata amount of the total sum called up of €281 million, including €280 million for the capital increase (€60 million of which was the Intesa Sanpaolo Group's initial share, written down by a gross amount of €15 million in the 2016 financial statements) and €1 million for expenses relating to the intervention and to operating the Voluntary Intervention Scheme. Consequently, the total commitment in the Voluntary Intervention Scheme is brought to the pro-rata amount of the remaining €420 million, approximately €90 million for the Intesa Sanpaolo Group.

The contributions paid by the banks participating in the Voluntary Intervention Scheme are classified as assets, and posted in the balance sheets of the member banks. The recognition of the asset is also supported by the explicit provision in the articles of association of the FITD regarding the Voluntary Intervention Scheme which states that any gains deriving from the purchase of the equity investment shall be reattributed to participating banks.

The Atlante Fund and the Atlante II Fund

On 15 April 2016, Intesa Sanpaolo's Management Board and Supervisory Board, authorised the participation in an investment fund created for the dual purpose of investing in banks with inadequate capital and in transactions for the enhancement of non-performing loans (NPLs). Intesa Sanpaolo thus participated in the creation of an alternative investment fund called Atlante (the "Atlante Fund"), managed by Quaestio Capital Management ("Quaestio"), an autonomous asset management company (SGR) by subscribing a commitment to invest €845 million in the fund (equal to 19.89% of the fund), out of a total capital endowment of the Atlante Fund of €4.249 billion supplied by banks and private-sector investors.

During 2016, Quaestio initially called up resources of €2.5 billion, (€503 million from Intesa Sanpaolo), to subscribe the capital increases of Banca Popolare di Vicenza and Veneto Banca. In particular, the capital increase of Banca Popolare di Vicenza, amounting to €1.5 billion, was underwritten in full by the Atlante Fund which thus acquired a stake of 99.33%. The capital increase of Veneto Banca, amounting in total to €1 billion, was underwritten for approximately €989 million by the Atlante Fund, which acquired a stake of 97.64%. Subsequently, in December 2016, the Atlante Fund requested additional resources totalling €754 million for investment in the Atlante II Fund which, in turn, called up funds for a possible investment in the securitisation of NPLs of Banca Monte dei Paschi di Siena. As the operation in question was not finalised, in December 2016 the Atlante Fund returned the amounts paid in. Lastly, on 19 December 2016, Quaestio made a fourth request for payment from subscribers of a total of €917 million, of which €182 million were contributed by Intesa Sanpaolo on 3 January 2017. The amount was called up by the asset management company for the capital increases it will subscribe in Banca Popolare di Vicenza and Veneto Banca, which it paid in advance to such banks through a payment for future capital increases at the end of 2016 (€310 million to Banca Popolare di Vicenza and €628 million to Veneto Banca). Following this additional payment, 81.2% of the initial resources were called up. Also considering the payment of January 2017, Intesa Sanpaolo has paid in a total of €686 million to the Atlante Fund with an additional €159 million continuing commitment.

For the purpose of evaluating the Atlante Fund's equity investments, the asset management company specified in a press release dated 31 January 2017 that, as it did not manage and coordinate the investee banks, it must necessarily rely on objective and publicly available data, taking into account the long-term prospects (as the Atlante Fund has a five-year duration) and was unable to refer to market prices as its investees are not listed. Also considering that the then last available financial statements dated back to 30 June 2016, the fact that the net assets of the investee banks at that date was significantly higher than the value of the total investment made, and considering the last payment for future capital increases in December 2016 and the short time which has passed since the investment was made, the asset management company decided that there were no adequate factors to deviate from an evaluation of the investments at the historical cost. Therefore, in compliance with the AIF (Alternative Investment Fund) regulations, the asset management company decided that the historical cost was the best applicable standard and estimated a net asset value (NAV) of the Atlante Fund as at 31 December 2016 of €3.48 billion. The asset management company finally noted that the report of Deloitte Financial Advisory S.r.l., independent value that was assigned to appraise the assets of the fund, noted a then current valuation of the investees showing a total NAV of the fund of €2.63 billion. As stated by the valuer, this valuation was subject to significant uncertainty deriving from the limited availability of objective data and a calculation method which was based only on equity market multiples, even though the companies were unlisted and at the start of an extensive process of restructuring and merger.

In the Intesa Sanpaolo financial statements as at 31 December 2016, as the Atlante Fund is classified under financial assets available for sale, based on the international accounting standards, it must be measured at fair value. Lacking additional information aside from the public information already available to the independent valuer assigned by the asset management company to be used to conduct a financial/income measurement, for the purposes of determining the fair value, reference was made to the assessment of Banca Popolare di Vicenza and Veneto Banca made by the assigned expert and published by the asset management company. The net asset value determined by the expert was

adjusted to also take account of the current value of the payment made by Intesa Sanpaolo on 3 January 2017, which, in the Intesa Sanpaolo 2016 financial statements, is posted under commitments. The fair value of Intesa Sanpaolo's units of the Atlante Fund as at 31 December 2016 came to €336 million, which, compared with the related carrying amount of €503 million, resulted in a value adjustment of €167 million posted to the income statement. The measurement conducted also returned a current value of the payment made by Intesa Sanpaolo in January 2017 of €122 million. The difference from the amount paid, equal to €60 million, was posted as a charge to the 2016 income statement through an allocation to allowances for risks and charges. As a result, the total amount of the charge generated by the Atlante Fund to the Intesa Sanpaolo Group's 2016 income statement was €227 million gross of taxes (equal to approximately 33% of the total amount paid by Intesa Sanpaolo) and €152 million net of taxes. In the 2016 reclassified income statement, the entire amount is attributed to the caption "Levies and other charges concerning the banking industry".

As previously mentioned, in July 2016, Quaestio launched a new closed-end alternative investment fund named "Atlante II", reserved exclusively for professional investors for the purpose of investing in enhancing the non-performing loans of numerous Italian banks. The duration of the Atlante II Fund is set until 31 March 2021, with possibility for the asset management company to extend it a further three years through binding decision of the Investors' Committee. The total amount of the Atlante II Fund has been set by the regulations from a minimum of €1,250 million to a maximum of €5,000 million. The underwriting commitments may be collected until 31 July 2017. As at 31 December 2016, the fund has collected commitments of €2.15 billion. Intesa Sanpaolo underwrote a commitment to pay in €155 million. The share Intesa Sanpaolo directly holds in the Atlante II Fund amounts to 7.2%. Also considering the share Intesa Sanpaolo holds in the Atlante Fund (19.89%), a unitholder of Atlante II with 37.1%, the Intesa Sanpaolo Group's total commitment to the Atlante II Fund to approximately 14.6%. On 2 December 2016, the Atlante II Fund requested a payment from Intesa Sanpaolo of around €109 million, for the fund to invest in the securitisation of NPLs of Banca Monte dei Paschi di Siena. As this operation was not concluded, the fund returned the payments made by unitholders, with the exception of the share retained by the fund to reimburse the expenses incurred to structure the operation. For Intesa Sanpaolo, this share amounted to approximately €1 million and was recognised in the 2016 income statement. As at 31 December 2016, therefore, Intesa Sanpaolo had no exposure to the Atlante II Fund, but only a commitment of €154 million.
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Recent Events

The Atlante Fund and the Atlante II Fund

On 27 January 2017, Quaestio announced that it had signed a memorandum of understanding, on behalf of the Atlante II Fund, for the acquisition of a €2.2 billion portfolio of non-performing loans of Nuova Banche Marche S.p.A., Nuova Banca dell'Etruria S.p.A. and Nuova Cassa di Risparmio di Chieti di S.p.A. Atlante II Fund's intervention will consist of acquiring the mezzanine tranche and part of the junior tranche issued by a securitisation vehicle that will acquire the portfolio of non-performing loans from said banks, arising from the contribution to REV Gestione Crediti S.p.A. of bad loans in November 2015. The investment of the Atlante II Fund will come to a maximum of €515 million net of at least €200 million of loans.

In the second quarter of 2017, the Atlante Fund made a fifth and sixth call, raising 280 million euro, of which 56 million euro provided by Intesa Sanpaolo, to fund the investment operations of the Atlante II Fund (see below). Including the payments made in the second quarter of 2017, a total of 87.76% of the original commitments subscribed by the investors have been called up.

As at 30 June 2017, Intesa Sanpaolo had paid in a total of 742 million euro and had a residual commitment to the Atlante Fund of 103 million euro.

With regard to the Venetian Banks, on 25 June 2017 the Ministry for the Economy and Finance initiated the compulsory administrative liquidation proceedings for the two banks, as contemplated by

the Consolidated Law on Banking, following the issue by the President of the Italian Republic of Law Decree 99 of 25 June 2017 concerning "Urgent provisions for the compulsory administrative liquidation proceedings of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A.". At the same time, Intesa Sanpaolo signed a contract with the liquidators concerning the acquisition, for a token price of 1 euro, of certain assets and liabilities belonging to the two banks. The placement of Banca Popolare di Vicenza and Veneto Banca in liquidation effectively voided the claims held by the Atlante Fund on the banks' capital. On 20 July 2017, the Atlante Fund announced that with the cancellation of the value of the Venetian bank investments, the unit value of its units was 78,100.986 euro, determined exclusively by the investment in the Atlante II Fund (plus a residual cash component). The valuations made by the expert appraiser engaged by the asset management company, including recent investments made by the Atlante II Fund, estimate the current value of the units held by Atlante to be in line with the subscription price.

As a result, the fair value as at 30 June 2017 of the stake held by Intesa Sanpaolo in the Atlante Fund was approximately 66 million euro (including the investment in the Atlante II Fund and the residual cash component), and an impairment loss of 449 million euro (301 million euro net of tax) was recognised in the income statement for the first half of 2017. Considering the 227 million-euro impairment loss posted in the income statement for 2016, the Atlante Fund has generated a comprehensive charge of 676 million euro for Intesa Sanpaolo, equal to 91% of the total amount paid in to date.

Finally, with the publication of the NAV of the Fund as at 30 June 2017, Quaestio Capital Management SGR announced that it was assessing the opportunity of liquidating the Atlante Fund, an option which will be analysed and discussed with the representatives of the investors.

Acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca

Intesa Sanpaolo signed a contract, effective as of 26 June 2017, with the liquidators of Banca Popolare di Vicenza S.p.A. ("Banca Popolare di Vicenza") and Veneto Banca S.p.A. ("Veneto Banca") concerning the acquisition, for a token price of €1, of certain assets and liabilities and certain legal relationships (the "Aggregate Set") of the two banks. The latter were placed into compulsory administrative liquidation on 25 June 2017, as envisaged by the Consolidated Law on Banking and Decree Law 99 of 25 June 2017 concerning "Urgent provisions for the compulsory administrative liquidation proceedings of Banca Popolare di Vicenza S.p.A. And Veneto Banca S.p.A." (the "Venetian Banks Decree").

Intesa Sanpaolo was awarded the contract through a transparent procedure involving six potential buyers. The outcome of the competitive procedure was announced on Wednesday 21 June 2017. The Bank's bid proved the better of two bids, in its ability to ensure business continuity and minimise the components left with the two banks in compulsory administrative liquidation.

The intervention of the Bank made it possible to avoid the serious social consequences that would have otherwise derived from an "atomistic" compulsory administrative liquidation of the two banks. This intervention will safeguard jobs at the banks involved, the savings of around two million households, the activities of around 200,000 businesses financially supported and, therefore, the jobs of three million people in the areas which record the country's highest economic growth rate. Without the deal, the Interbank Deposit Guarantee Fund would have been required to provide an upfront outlay of over €10 billion, to be recovered from future liquidation proceeds. Given the lack of resources immediately available to the Interbank Deposit Guarantee Fund, the banking system would have had to cover a large part of the funds needed to reimburse deposit holders in an extremely short amount of time, and the State would have had to cover the immediate exercise of the guarantee on liabilities undertaken by the two banks for a total amount of approximately €8.6 billion.

The Bank acquired an Aggregate Set which excludes NPLs (bad loans, unlikely-to-pay loans and past due exposures), subordinated bonds issued, as well as shareholdings and other legal relationships that the Bank does not consider functional to the acquisition. The Aggregate Set of acquisition includes, in addition to the selected assets and liabilities of Banca Popolare di Vicenza and Veneto Banca (as well

the international branches of the latter, located in Romania), and subject to approval of the related authorisations, the shareholdings in Banca Apulia S.p.A. (excluding the shareholdings held by the latter in Apulia Pronto Prestito S.p.A. and Apulia Previdenza S.p.A.), in Banca Nuova S.p.A., in SEC Servizi S.c.p.a., in Servizi Bancari S.c.p.a., and in the banks located in Moldova, Croatia, and Albania.

In addition, the Aggregate Set of acquisition includes high-risk performing loans of around €4 billion. However, the Bank will have the right to give these back to the banks in compulsory administrative liquidation, should certain conditions occur, during the period up to the approval of the financial statements for as at and for the year ended 31 December 2020, requiring that these loans be classified as bad loans or unlikely-to-pay loans.

The Aggregate Set does not include a corresponding equity component, given that the entire shareholders' equity of the two banking groups is subject to the compulsory administrative liquidation procedure. The assets and liabilities transferred will be balanced by a loan backed by the government (to be repaid over 5 years at an interest rate of around 1%) granted by the Bank to the banks in compulsory administrative liquidation. The amount of that loan, and of the loans that will be granted to the subsidiary banks for the transfer of bad loans, unlikely-to-pay loans, and past due exposures and of the shareholdings not functional to the transaction, was negotiated and set at a provisional amount of €5,351 million (based on the balance sheet of the operations as at 31 March 2017). If at the end of the due diligence process, as reported further on, the amount necessary to ensure that the transferred assets and liabilities balance exceeds the loan amount, the excess part will be backed by a state guarantee for an amount of up to €6,351 million.

The terms and conditions of the contract aim to ensure that the acquisition by the Bank is fully neutral in terms of the Intesa Sanpaolo Group's Common Equity Tier 1 ratio and dividend policy. Specifically, they provide for:

- a public cash contribution, to offset the impact on the capital ratios. Its size will lead to a phased-in Common Equity Tier 1 ratio of 12.5% to the risk-weighted assets (RWA) acquired. This contribution, which amounts to €3.5 billion not subject to taxation, was recorded as income in the income statement, in accordance with the IAS 20 accounting standard, and was assigned to the Bank on 26 June 2017;

- an additional public cash contribution to cover integration and rationalisation charges in relation to the acquisition. These charges include those relating to the closure of around 600 branches and the use of the solidarity allowance mechanism in relation to the exit, on a voluntary basis, of around 3,900 people of the Group resulting from the acquisition. These charges also relate to other actions to be taken to safeguard jobs, such as redeploying and retraining people. Also this contribution, which amounts to €1.285 billion not subject to taxation, was recorded as income in the income statement, in accordance with the IAS 20 accounting standard, and was assigned on 26 June 2017. This amount was set aside in a specific fund, considering the tax effects related to its use, and is therefore neutral for the year's net income; and

- public guarantees equal to €1.5 billion after tax, in order to sterilise risks, obligations and claims against The Bank due to events occurring prior to the sale or relating to assets/liabilities or relationships not included among those transferred. In any case, the banks in compulsory administrative liquidation will be liable for damages that may derive from past disputes and from disputes relating to the rules regulating the purchase of own shares and/or investment services. This includes disputes brought by parties who participated/did not participate in, or were excluded from the so-called "Offers for Settlement" and from "Welfare Incentives".

The Venetian Banks Decree introduced specific tax rules governing the transfer to the Bank of the assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. The rules are substantially designed to ensure for the acquiring bank a limited "continuity" in the tax treatment of the subjective positions of the sellers (as regard tax credits from the conversion of DTAs, the tax value of the assets, liabilities, and rights included in the sets acquired, income components with deferred taxation, tax losses, and the guarantee fees for non-eligible DTAs), and the "neutrality" of transfers and public contributions, as a result of which they will not generate tax liabilities for the acquiring bank.

Specifically:

- tax and non-tax assets and liabilities are transferred to the acquiring bank at the tax value they had for the sellers (in practice, at the effective date of the transfer, the acquiring bank is assigned the same tax position held by the sellers);
- tax credits deriving from the conversion of DTAs are transferred to the acquiring bank;
- similarly, the tax losses of the sellers are transferred to the acquiring bank;
- the transfer of the assets and liabilities is not subject to VAT and subject to a fixed registration, mortgage and cadastral tax of €200; and
- the contributions paid to the acquiring bank by the Ministry for the Economy and Finance to offset the impact on the capital ratios and support corporate restructuring measures are non-taxable for IRES and IRAP purposes, whereas the expenses incurred by the acquiring bank for the aforementioned restructuring will be deductible for tax purposes.

As regards anti-trust authorisations, on 10 July 2017 the Italian Competition Authority announced its decision not to investigate the arrangement, thereby giving its clearance for the deal.

With reference to the banking authorisations required to acquire control over the shareholdings of Banca Popolare di Vicenza and Veneto Banca, the terms set to formulate the offer and execute the contract did not allow the parties to ask and obtain from the European Central Bank, within 30 June 2017, the necessary authorisations to transfer the control and The Bank agreed to proceed with this transfer, on the assumption that it will have the possibility of returning the shareholdings whose transfer is not authorised and be completely indemnified from any and all negative effect as a consequence of the circumstance in which the transfer not previously authorised will be finalised.

Furthermore, should these authorisations not be obtained or be obtained with imposition of conditions or charges for the Bank, the latter will have the right to immediately return the shareholdings to the banks under compulsory administrative liquidation and with full indemnification of any negative effect deriving from the Bank maintaining these shareholdings and returning them.

In addition, with reference to the voting rights in the subsidiary banks, the Bank may not exercise its vote at meetings and intervene in their management and in the replacement of the corporate bodies until the authorisations are obtained, remaining at the same time fully indemnified from any ensuing negative effect or any effect in any case connected to their management as well as to the replacement (subject to possible removal) of the members of the management and control bodies of these banks. Therefore, when preparing the Half-yearly condensed consolidated financial statements, The Bank did not carry out the line-by-line consolidation of the shareholdings in question but provisionally recorded them as shareholdings within the acquired Aggregate Set.

In order to determine the final imbalance of the operations and definitively calculate the amount of public contribution paid by the State, the Ministry for the Economy and Finance and the Bank have jointly appointed a board of three independent experts, identified pursuant to the Venetian Banks Decree, which will conduct a specific due diligence leading to the generation of a detailed and analytic inventory of the captions comprising the final accounting position of assets and liabilities included within the acquired operations as at the execution date. As a result of the procedure to calculate the imbalance, the parties will ascertain the existence of any assets, liabilities or legal relationships not pertaining to the operations, with a consequent adjustment of the imbalance, and the Bank will have the right to return assets, liabilities or legal relationships to the Banks in compulsory administrative liquidation, in accordance with the provisions of the Venetian Banks Decree, also in this case with consequent adjustment of the imbalance. In addition, any positive or negative difference between the final calculated amount of the public contribution and the initial amount granted will be settled by the State or the Bank depending on the case. Within 5 days from the date on which the definitive amount of the imbalance of the operations is determined, the Bank will release its loan to the banks in liquidation, which will be immediately and automatically offset by the receivable arising from the imbalance, without prejudice to the obligation of the banks in compulsory administrative liquidation (and, jointly, the guarantor) to reimburse the loan under the terms and conditions thereof.

Finally, the contract includes termination clauses establishing that the contract is ineffective and the assets, liabilities and legal relationships acquired can be given back to the banks in compulsory administrative liquidation. These refer, specifically, to the event that the Venetian Banks Decree should not be converted into law or should be converted with amendments/integrations that make the transaction more expensive for The Bank, and should not be fully enacted within the terms provided by law. In this regard, we report that the decree was passed without substantial amendments by both the Chamber of Deputies and the Senate.

2017 Other highlights

In January 2017, Intesa Sanpaolo launched a 1.25 billion euro Additional Tier 1 issue targeted at professional investors and international financial intermediaries, with characteristics in line with the CRD IV regulation. It is listed on the Luxembourg Stock Exchange as well as the usual Over-the-Counter market.

The Additional Tier 1 is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be early redeemed by the issuer after 10 years from the issue date and on every coupon payment date thereafter.

The issuer will pay a fixed rate coupon of 7.75% per annum, payable semi-annually in arrears every 11 January and 11 July of each year, with the first coupon payment on 11 July 2017. The compounded yield to maturity is 7.90% per annum, equivalent to the 5-year Mid Swap Rate in Euro reckoned at the moment of issuance plus a spread equal to 719.2 basis points. In the event that the early redemption rights are not utilised on 11 January 2027, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier 1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.

In January Intesa Sanpaolo was ranked among the top 20 most sustainable companies in the world and the only Italian banking group in the classification, thanks to the implementation and further development of the best strategies for managing risks and opportunities in the environmental, social and governance areas (Source: Corporate Knights). This recognition is the result of Intesa Sanpaolo's now consolidated commitment in the field of sustainability, which obtained further significant confirmation with the share’s inclusion in the leading sustainability indices, including the Dow Jones Sustainability Indices (World and Europe), the CDP A-List and the FTSE4Good (Global and Europe).

As regards the stake in the Bank of Italy’s share capital, in 2017 further stakes equal to a total of approximately 5.38% of the capital of the Bank of Italy were sold - at nominal value, coinciding with the carrying value - for a price of approximately €404 million. Following the completion of the transaction, the Group’s stake in the Bank of Italy's share capital decreased to 27.46%.

On 7 March 2017, the Intesa Sanpaolo Group announced that it signed an agreement in respect of the sale of its entire stake in Allfunds Bank.

Allfunds Bank is a multimanager distribution platform for asset management products targeted to institutional investors and is 50%-held by Eurizon Capital SGR (in turn, 100%-owned by Intesa Sanpaolo) and 50% by AFB SAM Holding (Santander Group).

On 21 November 2017, the sale was finalised for a cash consideration of around €930 million. The finalisation of the transaction generates a net capital gain of around €800 million for the Intesa Sanpaolo Group’s consolidated income statement in the fourth quarter of 2017.

In May, Intesa Sanpaolo launched a 750 million euro Additional Tier 1 issue targeted at international markets, with characteristics in line with the CRD IV regulation. It is and listed on the Luxembourg Stock Exchange as well as the usual Over-the-Counter market.

The Additional Tier 1 is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be early redeemed by the issuer after 7 years from the issue date and on every coupon payment date thereafter.

The issuer will pay a fixed rate coupon of 6.25% per annum, payable semi-annually in arrears every 16 May and 16 November of each year, with the first coupon payment on 16 November 2017. The compounded yield to maturity is 6.348% per annum, equivalent to the 7-year Mid Swap Rate in Euro reckoned at the moment of issuance plus a spread equal to 585.6 basis points. In the event that the early redemption rights are not utilised on 16 May 2024, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier 1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.

For some time Intesa Sanpaolo has held an investment of 15.33% in the capital of the Chinese Bank of Qingdao (BQD). This was Intesa Sanpaolo's first investment on the Chinese market (2007), and was followed by additional investments in asset management through Eurizon Capital, which owns 49% of Penghua Fund Management, and the establishment in 2016 of its own operating company in wealth management, Qingdao Yicai Wealth Management Co. Ltd. (Yi-Tsai), whose shareholders are the parent company, Fideuram – Intesa Sanpaolo Private Banking and Eurizon Capital.

Intesa Sanpaolo has strongly contributed to developing the Chinese bank's business through a Framework Agreement and a Co-operation Agreement concerning reciprocal consulting and coordination on matters pertaining to appointments of managers, transactions on capital and/or extraordinary transactions, strategic plans and limits to investments by Intesa Sanpaolo in other Chinese commercial banks, while granting an exclusive as foreign banking investor in the capital of BQD. Cooperation has also been developed through direct appointment by Intesa Sanpaolo of several top managers of the bank.

In 2015 the Chinese bank began the process for listing on the Hong Kong stock exchange, which was completed with the IPO reserved for new shareholders, carried out in December 2015.

Following the listing and the dilution of Intesa Sanpaolo’s equity interest, Intesa Sanpaolo and BQD were compelled to significantly revise the previous Co-operation Agreements and align them with the limits permitted by local laws on listed companies. In March the two banks signed a new Co-operation Agreement which, different to the previous one, which had set out precise commitments for the counterparties, exclusively envisages a type of commercial co-operation, without binding obligations of the parties, mainly between BQD and the recently established newco set up by Intesa Sanpaolo (Yi-Tsai). The managers appointed by Intesa Sanpaolo, in the meantime, were also re-assigned to other positions as part of the Group's business relating to the Chinese market.

As a result of this changed relationship between Intesa Sanpaolo and BQD, the investment, which was previously classified under investments subject to significant influence, was reclassified to financial instruments available for sale, as the requirements of IAS 28 to classify the investment under associates ceased to exist. As a result of that reclassification, the investment was designated at fair value (equal to the stock exchange price) at the time of the reclassification, resulting in the recognition of a positive effect on the income statement of €131 million gross (€128 million net of taxes), to which the release of reserves for foreign exchange differences accrued since the start of the investment (equal to €58 million) and AFS reserves for €1 million must be added.

In 2008 Intesa Sanpaolo invested in the Nuovo Trasporto Viaggiatori (NTV), acquiring an initial stake of 20%, which was later raised, through the subscription of new rights issues, to 24.46%, for a total amount of €92 million. NTV was established in December 2006 as an alternative rail transport provider to Trenitalia, offering services on the country’s high-speed rail network

The economic and financial difficulties faced by the company in its first few years of business led, over the years, to the need to write down the investment in the consolidated financial statements of Intesa Sanpaolo. As at 31 March 2017, the investment was carried at equity for a value of approximately €13 million and was classified as an investment subject to significant influence in accordance with IAS 28.

On 29 June 2017, Intesa Sanpaolo sold a 4.74% stake in NTV to the Luxembourg fund Peninsula Investments II S.C.A. for approximately €24 million. The disposal generated a net gain of approximately €21 million. More recently, thanks to its positive business performance, NTV had the opportunity to optimise its capital structure through the refinancing of its debt, most of which was held with the Intesa Sanpaolo Group. The refinancing initiative primarily involved the placement of a €550 million bond, which enabled NTV to close its finance lease exposure with the Group, thereby reducing the share of NTV debt held by the Intesa Sanpaolo Group significantly from 86% to 21%.

Following the disposal of the 4.74% stake in NTV, which reduced the stake currently held by Intesa Sanpaolo in NTV to 19.72%, and the new structure of the company's financial exposure, the investment was reclassified to financial instruments available for sale (AFS), given that the conditions envisaged by IAS 28 for the classification of the investment as subject to significant influence no longer held. The original NTV shareholder's agreement initially signed by the shareholders, under which Intesa Sanpaolo enjoyed veto rights, expired in 2013 and has since not be renewed. As required by IAS/IFRS, the remaining equity investment in NTV was remeasured at its fair value upon reclassification (corresponding to the pro-rata share held of the comprehensive value of the company as at the date the stake was sold), which resulted in the recognition of an additional gain of 87 million, net of tax, in the income statement. Overall, the partial disposal of the stake in NTV and the reclassification of the remaining equity investment to the AFS portfolio had a positive impact of €108 million, net of tax, on the consolidated income statement of Intesa Sanpaolo.

On 26 July 2017 Burlington Loan Management DA, Pirelli & C. S.p.A. Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Fenice S.r.l. (the latter four, the "sellers"), entered into a sale and purchase agreement, pursuant to which Burlington, through a directly or indirectly wholly-owned Italian newco will purchase from the Sellers 611,910,548 shares of Prelios S.p.A. at a price of €0.105 per share. The Sellers and Burlington subsequently executed, on 2 August 2017, an amendment agreement by virtue of which the price agreed for the purchase and sale of the shares was set at €0.116 per share, with an increase of 10.48%. Therefore, the total, which shall be paid by the purchaser to the sellers in one instalment at closing, is equal to €70,981,624 (€13,659,289 shall be paid to Intesa Sanpaolo). The closing of the operation, subject to a series of conditions precedent, is expected by the end of the year, with final date on 31 January 2018.

Pursuant to art. 106, first paragraph of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), the purchaser shall be required to launch a mandatory tender offer on the remaining ordinary shares of Prelios at the same price paid to the sellers for the acquisition of the shares. As a consequence, the market could benefit from the increase in the agreed price per share. At the same time, the sellers will benefit from any possible price increase offered by the purchaser in the context of the tender offer.

On 27 July 2017, Engineering and Intesa Sanpaolo signed an agreement for the sale of 100% of the share capital of Infogroup, held by the Intesa Sanpaolo Group. Infogroup serves companies within the Intesa Sanpaolo Group by providing transaction banking services, corporate customer assistance, competence centres, management services and solutions, bancassurance, compliance and document management. The non-captive revenues are distributed mainly among services for banks and insurance companies, loyalty/e-commerce and financial information services.

The agreement includes, among other things, the establishment of a commercial agreement between Infogroup and the Intesa Sanpaolo Group, and maintaining employment levels. The transaction, expected to be completed by the end of the year, is only subject to the required authorisations from the competent authorities being received.

Pursuant to IFRS 5, the investment in Infogroup was reclassified under discontinued operations starting from the Interim Statement as at 30 September 2017, as illustrated in greater detail in the chapter on "Accounting policies".

On 23 August 2017, Intesa Sanpaolo and the shareholders of Morval Vonwiller Holding SA reached an agreement for the sale to Intesa Sanpaolo of the Swiss group of the same name, including Banque Morval SA, specialises in wealth and fund management through the Morval Vonwiller Holding Group. Through Banque Morval and the other companies of the Group, Morval Vonwiller Holding SA offers all the services of a banking organisation that specialises in wealth and fund management.

The agreement is in line with Intesa Sanpaolo's strategic plan to strengthen its presence on international markets in the field of private banking. The transaction is subject to obtaining all necessary regulatory authorisations. This process is expected to be concluded in the initial months of 2018.

On 13 September 2017, Intesa Sanpaolo and UniCredit completed the sale of 2,971,186 ordinary shares equal to 11.176% of the ordinary share capital of Eramet S.A., a French mining and metal processing company, equal to the respective entire investments held by the two banks in the company. Specifically, Intesa Sanpaolo sold 7.114% of the capital, which was posted under Assets available for sale. The transaction, realised through accelerated book-building targeted at Italian qualified investors and international institutional investors, closed with a final price of €57.00 per share.

On 18 September 2017, an ordinary share buy-back programme was launched and concluded. The programme executes a plan that assigns, free of charge, ordinary shares of Intesa Sanpaolo to the Group's employees; this covers the share-based incentive plan for 2016 reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold", as well as for those who, among Managers or Professionals that are not Risk Takers, accrue "relevant bonuses", as approved by the Intesa Sanpaolo Shareholders' Meeting of 27 April 2017. Several subsidiaries also terminated their purchase programmes of the Parent Company's shares to be assigned, free of charge, to their employees. The programmes were approved by their respective corporate bodies within their remits and are analogous to the programme approved at the Parent Company's Shareholders' Meeting.

Specifically, on the day of execution of the programme, the Intesa Sanpaolo Group purchased a total of 8,091,160 Intesa Sanpaolo ordinary shares, through Banca IMI (which was responsible for the programme execution), representing approximately 0.05% of the ordinary share capital and total share capital of the Parent Company (comprising ordinary shares and savings shares), at an average purchase price of €2.937 per share, for a total countervalue of €23,762,245. The Parent Company purchased 4,263,325 shares at an average purchase price of €2.937 per share, for a countervalue of €12,520,115.

On 21 September 2017, the offering period relating to the subordinated Tier 2 bond issue targeted at qualified investors and high-net-worth individuals on the domestic market ended with the assignment of a nominal amount of €723,700,000. It is a 7-year, floating-rate bond issue to be redeemed in whole at maturity. The coupon, payable quarterly in arrears on 26 March, 26 June, 26 September and 26 December of each year, from 26 December 2017 to 26 September 2024, is equal to 3-month Euribor plus 190 basis points per annum. The offer price was set at 100%. The settlement date was 26 September 2017. The minimum denomination of each bond is €100,000.

On 29 September 2017, Intesa Sanpaolo and other Intesa Sanpaolo Group companies contributed a series of properties to two closed-end real estate funds managed by InvestiRE SGR. At the same time, the contributing companies sold 70% of the quotas of these two funds to third-party investors. A put & call agreement was signed for the full sale, within 18 months and at the same conditions, of the remaining 30% of the quotas of the two funds. A portion of the properties contributed was then leased by the same Intesa Sanpaolo Group companies that had contributed them.

As at 30 September 2017, levies and other charges concerning the banking industry (excluding items deriving from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca) amounted to €639 million for the Group, net of tax (€938 million before tax) compared to €182 million in the first nine months of 2016 (€263 million before tax), and consisted of charges for

ordinary contributions to resolution and guarantee funds (€202 million net of tax, equal to €291 million before tax), charges deriving from the further impairment of the Atlante Fund investment (€301 million net of tax, equal to €449 million before tax), as well as charges relating to Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato (€101 million net of tax, equal to €150 million before tax), whose restructuring was approved by the Management Board of the Voluntary Scheme for the purpose of their subsequent sale to Cariparma, including an increase in the financial allocation of the Scheme by an additional €95 million and a new structure of the restructuring for a total amount of €640 million. The caption also included €35 million, net of tax, in charges incurred in relation to the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca.

Sovereign risk exposure

As at 30 June 2017, Intesa Sanpaolo Group's exposure in securities to Italian sovereign debt to a total of approximately €85 billion, in addition to receivables for approximately €14 billion. The security exposures increased slightly compared to €86 billion as at the 31 December 2016.

Management

Board of Directors

The composition of the Board of Directors of Intesa Sanpaolo is as set out below.

Director	**Position**	**Principal activities performed outside Intesa Sanpaolo S.p.A., where significant with respect to the Issuer's activities**
Gian Maria Gros-Pietro	Chairman	Chairman of ASTM S.p.A. Director of Edison S.p.A.
Paolo Andrea Colombo[(a)]	Deputy Chairperson	Chairman of Colombo & Associati S.r.l. Chairman of Saipem S.p.A.
Carlo Messina[(*)]	Managing Director and CEO	No principal outside activity
Bruno Picca	Director	Director of Intesa Sanpaolo Group Services S.c.p.A.
Rossella Locatelli[(a)]	Director	Chairman of Bonifiche Ferraresi S.p.A. Member, Oversight Committee of Darma SGR, a company under compulsory liquidation Chairman of B.F. Holding Member, Oversight Committee of Sofia Gestione del Patrimonio SGR in special administration
Giovanni Costa	Director	Director of Edizione S.r.l.
Livia Pomodoro[(a)]	Director	No principal outside activity
Giovanni Gorno Tempini[(a)]	Director	Director of Willis S.p.A.

Director	Position	Principal activities performed outside Intesa Sanpaolo S.p.A., where significant with respect to the Issuer's activities
		Chairman of Fondazione Fiera Milano
		Director of Avio S.p.A.
Giorgina Gallo[(a)]	Director	Director of Zignago Vetro S.p.A.
Franco Ceruti	Director	Director Intesa Sanpaolo Private Banking S.p.A.
		Director of Mediocredito Italiano S.p.A.
		Director of Banca Prossima S.p.A.
		Director of Intesa Sanpaolo Assicura S.p.A.
		Director of Intesa Sanpaolo Expo Institutional Contact S.r.l.
Gianfranco Carbonato[(a)]	Director	Chairman of Prima Industrie S.p.A.
		Chairman of Prima Power North America Inc., Arlington Heights, Chicago (Illinois), USA
		Director of Prima Power Suzhou Co., Ltd., Suzhou, P.R.C.
Francesca Cornelli[(a)]	Director	Director of Swiss Re Europe
		Director of Swiss Re International
		Director of Swiss Re Holding
		Director of Telecom Italia S.p.A.
Daniele Zamboni[(a)]	Director	No principal outside activity
Maria Mazzarella[(a)]	Director	No principal outside activity
Maria Cristina Zoppo[(a)]	Director and Member of the Management Control Committee	Chairman, Board of Auditors of Houghton Italia S.p.A.
		Standing Auditor of U.S. Alessandria Calcio S.r.l.
		Standing Auditor of Cooper-Standard Automotive Italy S.p.A.
Edoardo Gaffeo[(a)]	Director and Member of the Management Control Committee	No principal outside activity
Milena Teresa Motta[(a)]	Director and Member of the Management Control Committee	Director of Strategie & Innovazione S.r.l.
		Chairman, Board of Auditors of Trevi Finanziaria Industriale S.p.A.

Director	Position	Principal activities performed outside Intesa Sanpaolo S.p.A., where significant with respect to the Issuer's activities
		Standing Statutory Auditors of Brembo S.p.A.
Marco Mangiagalli[(a)]	Director and Member of the Management Control Committee	No principal outside activity
Alberto Maria Pisani[(a)]	Director and Member of the Management Control Committee	No principal outside activity

(*) Carlo Messina was appointed Managing Director and CEO by the Board of Directors on 28 April 2016. He is the only executive member on the Board
(a) Meets the independence requirements pursuant to Article 13.4 of the Articles of Association, the Corporate Governance Code and Article 148, third paragraph, of Legislative Decree 24 February 1998 no 58

The business address of each member of the Board of Directors is Intesa Sanpaolo S.p.A., Piazza San Carlo 156, 10121 Turin.

Administrative and Management bodies conflicts of interests

As at the date of this Base Prospectus and to the Intesa Sanpaolo's knowledge - also upon the examinations provided under article 36 of Law Decree No. 201 of 6 December 2011, as converted into Law No. 214 of 22 December 2011 - no member of the Board Directors, the Management Control Committee or the general management of Intesa Sanpaolo is subject to potential conflicts of interest between their obligations arising out of their office or employment with the Issuer or the Intesa Sanpaolo Group and any personal or other interests, except for those that may concern transactions put before the competent bodies of Intesa Sanpaolo and or/entities belonging to the Intesa Sanpaolo Group, such transactions having been undertaken in strict compliance with the relevant regulations in force. The members of the administrative, management and control corporate bodies of Intesa Sanpaolo are required to implement the following provisions aimed at regulating instances where there exists a specific interest concerning the implementation of a transaction:

- Article 53 (*Supervisory regulations*) of the Banking Law and the relevant implementing regulations issued by the Bank of Italy, with particular reference to the supervisory regulations relating to transactions with related parties;
- Article 136 (*Duties of banking officers*) of the Banking Law which requires the adoption of a particular authorisation procedure in case an officer, directly or indirectly, assumes obligations towards the bank in which such officer has an administrative, management or controlling role;
- Article 2391 (*Directors' interests*) of the Italian Civil Code; and
- Article 2391-*bis* (*Transactions with related parties*) of the Italian Civil Code.

The Issuer and its corporate bodies have adopted internal measures and procedures to guarantee compliance with the above mentioned provisions.

For information on compensation and transactions with related parties of the Intesa Sanpaolo Group, see Part H of the Notes to the consolidated financial statements for 2016 of Intesa Sanpaolo.

Principal Shareholders

As at 11 October , the shareholder structure of Intesa Sanpaolo was composed as follows (holders of shares exceeding 3 per cent. (*)).

SHAREHOLDER	ORDINARY SHARES	% OF ORDINARY SHARES
Compagnia di San Paolo	1,308,804,043	8.252%
BlackRock Inc. (1)	794,646,624	5.010%
Fondazione Cariplo	767,029,267	4.836%

(*) Shareholders being fund management companies may be exempted from disclosure up to the 5% threshold.

(1) Fund management Shareholder owning aggregate investment equal to 5.106% as per form 120 B dated 4 July 2017

Legal Risks

In addition to brief remarks on the litigation involving anatocism and other current account or credit facility conditions, other banking products and investment services, the following paragraphs provide concise information about the individual relevant disputes (indicatively, those with a remedy sought of more than 100 million euro and where the risk of an outlay is currently deemed probable or possible).

Dispute relating to anatocism and other current account or credit facility conditions – In 1999 the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interest payable on current accounts to be unlawful. Following this decision, a series of disputes emerged on the subject of the capitalisation of interest for contracts executed prior to that date, whereas the problem was partly resolved for contracts executed after the amendment of Art. 120 of the Banking Law introduced in the interim by Legislative Decree No. 342/99, which made it legal to capitalise interest payable and receivable, provided that both occur with the same frequency. In many cases, lawsuits pertaining to anatocism also concern other current account or credit facility conditions, such as interest rates and overdraft charges (no longer applied). The overall economic impact of lawsuits in this area remain at an insignificant level in absolute terms. The risks related to these disputes are covered by specific, adequate provisions to the allowances for risks and charges.

A new version of Art. 120 of the Banking Law banning the compounding of interest in banking transactions – without prejudice to the authority delegated to the Interdepartmental Committee for Credit and Savings (**CICR**) to establish the implementing provisions envisaged in the previous text – entered into force at the beginning of 2014. In 2015 the Consumers Movement Association (**AMC**) sued various banks taken by the banking industry, i.e. that the implementing resolution by the CICR was necessary. During the trial, Court of Milan handed down an order on 1 July 2015 against Intesa Sanpaolo enjoining it from compounding interest payable by its consumer customers.

In April 2016, Article 120 of the Banking Law was amended again to permit annual compounding of interest with the customer's authorisation. The implementing resolution by the CICR was published in August 2016. According to the new provisions, it applies to interest accrued from 1 October 2016.

For the time being, the compounding of interest is not applied to consumer customers of Intesa Sanpaolo, since the above order of the Court of Milan is still in effect. A motion has been filed to quash the above order and a decision is pending.

The dispute regarding account conditions also includes the class action suit brought in 2010 by Altroconsumo against Intesa Sanpaolo concerning the illegal nature of overdraft charges. The Court of Turin ruled that overdraft charges were void according to the principle that, in the absence of a formal credit facility, any overdraft would not justify the application of additional costs to the account-holder. The decision was upheld in the second instance. Intesa Sanpaolo has brought an action before the Court of Cassation in April 2017 and the judgement is still pending. In October 2012, the overdraft charge was replaced by the expedited approval fee.

Disputes concerning other banking products – In the context of the dispute relating to other banking products, which remained at normal, limited overall levels, in recent years there was an increase, with regard to consumer credit business, in requests from customers who repaid their loans in advance to obtain a partial refund of sums paid at the signing of the contract (by way of financial fees or insurance costs). In particular, the complaints revolve around an unclear distinction in contracts between fees for services rendered by the disbursing entity during the process of granting the loan, which thus are not eligible for a refund in the event of early repayment, and fees relating to management of the loan over time, which are therefore eligible for a pro-rated refund in the event of early repayment.

The foregoing contractual uncertainties relate to contracts entered into until 2010, in respect of which appropriate provisions have been set aside. In contracts entered into thereafter, the aspects outlined above have been clearly and explicitly stated. This was also acknowledged by an October 2016 decision by the Coordination Panel of the Financial and Banking Arbitrator, which supports the belief that there is not a significant risk for such contracts.

Disputes pertaining to investment services - In 2017 cases of this type of dispute continued to decrease in absolute terms and (albeit marginally) in value. The risks related to this type of dispute are also covered by specific, adequate provisions to the Allowances for risks and charges.

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

ENPAM's allegations concern the issuance and trading (in 2005) of several complex financial products known as "JP Morgan 69,000,000" and "JP Morgan 5,000,000" and the subsequent "swap" (held on 26 May 2006) of those products with other products known as "CLN Corsair 74,000,000", subsequently "restructured" in 2009 and 2010. In particular, the latter products were credit-linked notes, i.e. securities the repayment of whose principal at maturity was tied to the credit risk associated with a tranche of a synthetic CDO. Due to the defaults on the CDO portfolio, the investment allegedly resulted in significant losses, for which compensation is sought.

In the writ of summons, ENPAM petitions the court to make inquiries and hand down rulings on the basis of various legal concepts (contractual and tort liability and breach of Articles 23, 24 and 30 of the Financial Law. It also petitions the court to order the defendants to make restitution of the sum "of €222,209,776.71, in addition to interest and additional damages, and compensation for damages to be paid on an equitable basis pursuant to Art. 1226 of the Italian Civil Code". The portion attributable to the position of Cassa di Risparmio di Firenze is argued to be €103,806,716 (in addition to interest and the purported "additional damages").

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

At a preliminary stage, Cassa di Risparmio di Firenze raised various objections (including a lack of standing to be sued and the time bar of the actions brought). On the merits, it argued, among other

positions, that the provisions of the Financial Law indicated by ENPAM were not applicable and that there was no evidence of the damages. It also disputed the quantification of the damages by ENPAM and, alternatively, that it contributed to causing the damages in question. If an unfavourable judgment is rendered, Cassa di Risparmio di Firenze has requested that the court determine its internal share of the total liability of the defendants and that the other defendants be ordered to indemnify it against any sums that it may be required to pay by the court in excess of its share of the liability, and that BNP Paribas be ordered to indemnify Cassa di Risparmio di Firenze against any sums that it is ordered to pay ENPAM. The judgement is still in its initial phase due to some processual matters. Therefore, at present it is not possible to express a reliable assessment of the risk inherent in the trial since it is still in the initial phase.

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

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

A technical roundtable has been formed with Equitalia in order to assess the parties' claims.

Administrative and judicial proceedings against Banca IMI Securities Corp. of New York – The SEC (the U.S. financial market supervisory authority) has launched an investigation concerning the dealings of certain brokers, including Intesa Sanpaolo's subsidiary IMI Securities of New York, involving particular financial instruments known as "ADRs" (deposit receipts for shares issued by non-U.S. companies). IMI Securities discontinued this line of business in 2014.

In October 2016, the Antitrust Division of the Department of Justice (DOJ) of New York launched an investigation into such dealings in ADRs, and specifically into a possible cartel formed by certain participants, including IMI Securities.

In recent months, our cooperation with the supervisory authority has continued in order to focus on the operating procedures adopted by our subsidiary. The SEC's analyses have ascertained alleged deficiencies in oversight obligations in the business area of pre-released ADRs, in response to which our subsidiary has submitted counter-pleas and explanations in its defence to the SEC to mitigate the conclusions the Authority has reached. At the end of the half year, the discussions between SEC (Securities and Exchange Commission - (the U.S. financial market supervisory authority) and IMI SEC came to a close. After complex negotiations aimed at mitigating as much as possible the risk of sanctions due to breach of control obligations in the business area of pre-released ADRs (depositary receipts of shares issued by non-US companies), pursuant to Section 15(b)(4)(E) of the Exchange Act and to Section 17(a)(3) of the Securities Act, in the third quarter a settlement agreement was reached, on the basis of which IMI – SEC paid the total sum of approximately 35 million dollars, entirely covered by a provision. As to the investigation launched in October 2016 by the Antitrust Division of the Department of Justice (DoJ), concerning the same business area of pre-released ADRs, for alleged cartel among certain broker-dealers – including IMI SEC - cooperation is being provided through the submission of specific documents and information in order to clarify the position of IMI Securities Corp..

Administrative and judicial proceedings involving the New York branch - In December 2016 a final settlement was reached with the New York State Department of Financial Services (a New York State banking supervisor) in relation to a civil penalty imposed on Intesa Sanpaolo following a public supervisory action, which is still pending with the Federal Reserve Bank related to certain weaknesses

and deficiencies in the anti-money laundering controls, policies and procedures at the New York branch.

The penalty – expensed to the income statement in 2016 – was USD 235 million dollars (€225 million). The settlement reached with the New York State Department of Financial Services also provided that a Remediation Plan be agreed upon between Intesa Sanpaolo and the supervisor and put in place. The relevant executive actions are on going under the coordination and supervision of the New York State Department of Financial Services. The supervisory action was initiated in 2007 between Intesa Sanpaolo and the New York State Department of Financial Services and the Federal Reserve Bank. Intesa Sanpaolo was also subject to a criminal investigation initiated in 2008 by the New York District Attorney's Office and the Department of Justice into the methods used by Intesa Sanpaolo for clearing through the United States payments in dollars to/from countries subject to U.S. economic sanctions in the years from 2001 to 2008. The criminal investigation was concluded in 2012, when both law enforcement agencies determined to terminate their investigation and not to take any action against Intesa Sanpaolo.

IMI/SIR dispute - In judgement 11135 filed on 21 May 2015, the Court of Rome ordered Giovanni Acampora and Vittorio Metta, the latter jointly liable with the Prime Minister's Office (pursuant to Law No. 117/1988 on the accountability of the judiciary), to pay Intesa Sanpaolo €173 million net of tax, plus legal interest running from 1 February 2015 to the date of final payment, plus legal expenses.

The above judgement followed:

- the judgement of the Rome Court of Appeal No. 1306/2013, which overturned, on the basis of judicial corruption, the judgement handed down by that same Rome Court of Appeal in 1990, ordering IMI to pay the heir of entrepreneur Nino Rovelli (who passed away in the interim) the sum of approximately 980 billion Italian lire; and
- the compensation claim put forward by Intesa Sanpaolo (successor to IMI) on the basis of the judgements establishing the criminal liability of the corrupt judge (and his accomplices) and ordering the defendants to provide compensation for damages, referring the question of the amount of such damages to the civil courts.

The Court of Rome therefore proceeded to quantify the financial and non-financial damages due to Intesa Sanpaolo for a total of €173 million net of tax and after deduction of the amounts since received by Intesa Sanpaolo as part of the settlements with the Rovelli family and with the counterparties Previti and Pacifico.

Given that it was calculated net of tax, the award was grossed up and accounted for net of the amounts relating to: sums already recognised in the balance sheet (but not taken into account in the ruling by the Court of Rome) and to tax credits sold to Intesa Sanpaolo by the Rovelli family by way of settlement. These related to taxes previously paid by IMI as a result of the revoked, corrupt ruling, and the fiscal authorities have already been asked to pay them back. Consequently, €211 million has been booked in other operating income, along with the related taxes of €62 million.

The opposing parties have filed an appeal with a motion for a stay. The appeal briefs do not introduce any substantially new issues not considered and deemed groundless by the court.

In July 2016 the Rome Court of Appeal stayed the enforcement of the judgment of the first instance for the amount exceeding of €130 million, in addition to accessory amounts and expenses, and continued the case for the entry of pleadings at the hearing of 12 June 2018. As a result of this decision, in December 2016 the Office of the President of the Council of Ministers credited Intesa Sanpaolo with the sum of €131,173,551.58 (corresponding to the €130 million of the order, in addition to legal interest and reimbursement of expenses). To avoid dispute, for the time being only the exact

amount of the decision, without applying the "gross-up", has been demanded and collected. The case has been continued until June 2018.

Labour litigation

There were no significant cases of labour litigation from either a qualitative or quantitative standpoint as at 31 December 2016. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

Tax litigation

The Intesa Sanpaolo Group's tax litigation risks are covered by adequate provisions to allowances for risks and charges.

As at 31 December 2016, Intesa Sanpaolo S.p.A. had 234 pending litigation proceedings (303 as at 31 December 2015) for a total amount of €240 million (€847 million as at 31 December 2015, including three disputes in the settlement phase the value of which was €467 million), calculated considering proceedings both in administrative and judicial venues at various instances. As regards those situations, actual risk was quantified at €81 million as at 31 December 2016 (€229 million at the end of 2015, of which €135 million relating to litigation being settled).

At the Intesa Sanpaolo Group's other Italian companies included in the scope of consolidation (with the exclusion of Risanamento S.p.A., not subject to management and coordination by Intesa Sanpaolo), tax litigation totalled €198 million as at 31 December 2016 (€217 million at the end of 2015), covered by specific provisions of €35 million (€27 million at the end of 2015).

Tax disputes involving international subsidiaries, totalling €8 million (€537 million at the end of 2015), are covered by allowances of €3 million (€10 million at the end of 2015). The significant decrease in potential risks observed during 2016 is related to the settlement of the charge of illegal use of an offshore tax structure brought by the Italian tax authorities against the Luxembourg subsidiary Eurizon Capital S.A., (described further below).

The main events affecting the Intesa Sanpaolo Group in 2016 included the following.

On 22 March 2016, by implementing the resolution of the Management Board of 23 February 2016, Intesa Sanpaolo finalised a framework agreement with the Italian revenue Agency (the **Italian Revenue Agency**) to settle three important disputes deriving from two reports on findings by the Guardia di Finanza (the **Italian Tax Police**), served in September 2013 and February 2015. Under the agreement, the above mentioned disputes, which represented approximately 55% of a total value of the pending litigation of Intesa Sanpaolo, were settled through the payment of a total of €125 million, by way of principal and interest. No penalties were levied.

During 2016, the implementation of the framework agreements reached with the Italian Revenue Agency in 2015 for complete settlement of the charges concerning the 2005 tax period was also completed. The agreement resulted, in a reduction of the Italian Revenue Agency's claim from the original €376 million (including tax, penalties and interest) to approximately €6 million (the so-called **Castello Finance dispute**). On 5 February 2016, the settlement led to a reimbursement of €107 million , previously disbursed on a preliminary basis by Intesa Sanpaolo, and the related interest of €6 million .

With respect to the disputes concerning the recovery of registration tax on contributions of company assets and the subsequent sale of equity investments, reclassified by the tax authorities as transfer of business units, the Regional Tax Commission of Milan issued three rulings in our favour, filed on 20 February 2017, 25 May 2017 and 7 June 2017. The first tax dispute, having an approximate value of €2 million, concerns the reclassification of a transaction involving Cassa di Risparmio del Veneto,

Cassa di Risparmio di Parma e Piacenza and Banca Popolare Friuladria; the second dispute (with a value of €1.7 million) concerns the reclassification of a transaction between Cassa di Risparmio di Firenze and Cassa di Risparmio di Parma e Piacenza; the third, with an approximate value of €28 million, concerns the assessment of the higher value of the company with regard to the securities services business line contributed to Intesa Sanpaolo Servizi Transazionali (which has since been sold to State Street Bank GMBH). Even though the rulings of the lower courts have all been in our favour except for one, in this type of cases Intesa Sanpaolo prudentially considers the often unfavourable rulings of the Court of Cassation, and has made provisions to cover potential charges, calculated taking into account joint liability (with the counterparties) and the clauses of the equity sale agreements, which generally make it possible to pass on to the buyer the taxes applying to the transaction.

On 20 April 2017, the Tax Authority lodged an appeal with the Court of Cassation in a tax dispute concerning IRES (corporate income tax) and IRAP (regional tax on production) for 2008, on which the first and second instance courts had ruled in Intesa Sanpaolo's favour. The Bank then filed its defence. Differently from the Bank, the Tax Authority considers as charges equivalent for tax purposes to interest payable - subject to a limited 97% deductibility - the negative components of the fair value hedging derivatives of liabilities consisting of bonds and deposits (recognised under caption 90 of the income statement "Fair value adjustments in hedge accounting"). The aggregate value of the two joined tax disputes is €1.2 million as to IRES tax and €0.27 million as to IRAP tax, plus interest.

As concerns the reimbursement of tax credits, total credits of €105 million have been confirmed and partly reimbursed; they consist mainly of positions of the former Cassa di Risparmio della Puglia for IRPEG (former corporation tax) and ILOR (former local tax on earnings) relating to 1985 and 1986, and from 1990 to 1994 (€42 million in capital, plus interest).

In 2016 four cases of litigation with a total value of approximately €22.2 million (taxes, interest and penalties) were brought to a positive conclusion. The cases concerned registration tax paid on certain rulings of the judicial authority rendered in favour of a number of financial institutions in respect of pool loans to the Costanzo Group.

In addition, in August and November 2016 two auditors' reports, dated 27 July 2015 and 29 March 2016, issued by the Italian Revenue Agency, Emilia Romagna Regional Office, concerning the Italian corporate income tax (**IRES**) of the merged company Neos Finance in tax periods 2011 and 2012, were resolved by tax settlement proposal. The claims, concerning IRES and penalties of about €3.4 million, in addition to interest, concern the determination criteria of the threshold under which the impairment of loans covered by insurance policies contracted by customers could be immediately deducted. Since the effects of the tax claim were strictly temporary, as it concerned an issue of timing only, the total effective amount of penalties and interest was €0.7 million for the two years.

The most significant tax disputes of the former Centro Leasing, relating to the years from 2003 to 2007 (total value of approximately €41.7 million) and primarily concerning lease-back transactions, were resolved in December 2016. Resolution of the cases entailed the payment of €1.8 million (taxes of €0.8 million, interest of €0.2 million and penalties of €0.8 million), covered in their entirety by previous provisions.

Turning to the other Intesa Sanpaolo Group's companies, an agreement was reached with the Italian Revenue Agency, Emilia Romagna Regional Office, to settle the claims concerning the tax treatment by Intesa Sanpaolo Group's banks based in the region (Cariromagna, Carisbo and the merged Banca Monte Parma) of the losses related to the transfer of loans to customers out of the performing category, subject to lump-sum write-downs, to positions subject to individual impairment testing, as a consequence of their involvement in insolvency procedures. The total risk associated with the claims in question, €61 million, was settled for a total charge of €3 million (taxes of €2 million, interest of €0.3 million and penalties of €0.7 million). Deferred tax assets were recognised on the basis of the tax

charge, which may be recovered in tax periods after the periods of assessment, since they derive from a challenge of jurisdiction. Consequently, the actual charge in the income statement is represented by the interest and penalties only, for a total of €1 million.

With respect to Mediocredito Italiano, on 29 June 2016, the Italian Revenue Agency, Lombardy Regional Office, served a report on findings relating to a tax audit launched on 9 April 2014 concerning direct taxes, Italian regional tax on productive activities (**IRAP**), VAT and obligations of the tax collection agents relating to the 2011 tax period. The audit concluded without any findings against Mediocredito Italiano. As for previous disputes, a dispute concerning VAT for 2007, involving allegedly non-existent transactions and boat leasing (€6 million), was settled in a manner partially favourable to the company.

The Regional Tax Commission rejected the main appeal lodged by the Revenue Agency and, granting the cross-appeal filed by Mediocredito Italiano, annulled completely the assessment notice issued by the Revenue Agency, Large Taxpayers Office of Lombardy, concerning VAT in 2007 on boat leasing contracts of the former Intesa Leasing (value of the dispute 6.6 million euro including tax and penalties, plus interest).

As regards to Intesa Sanpaolo Group Services, on 26 May 2017 the tax assessment concerning IRES and IRAP for tax years from 2011 to 2014 was settled. The assessment concerned the consideration paid for the services of an Intesa Sanpaolo Group company established in Romania supplying back office services to ISGS. The settlement led to payment of additional taxes of 1.04 million euro (plus interest of about 0.12 million euro), without penalties, and with a reduction of 0.46 million euro from the amount assessed (approximately 30%). Please note that in May 2017 the Revenue Agency office in Turin requested information via a questionnaire on the contribution of a business unit from Intesa Sanpaolo to Intesa Sanpaolo Group Services which took place in 2012; specifically, the information sought concerns the VAT treatment of the consideration for the services provided by Intesa Sanpaolo to some subsidiaries, through the transferred business unit, in the part of the year prior of the transfer, but which were then billed by the transferee company ISGS. To date, the company has received no tax assessment notice in this regard.

With respect to Intesa Sanpaolo Group Services, the general audit conducted by the Italian Tax Police, which began on 26 November 2015, continued and concerned IRES, IRAP, VAT, other indirect taxes and labour regulations, was concluded in 2016. An initial auditors' report for 2011 was served in October 2016 and a second auditors' report for 2012, 2013 and 2014 in December 2016. The claims against the company concern the prices of services received from a Group company based in Romania. The greater IRES and IRAP assessed totalled €1.67 million, in addition to interest. No objections have been raised with regard to the suitability of the documentation submitted on the subject of the determination of intra-group prices, and thus the alleged irregularities will not result in the levying of penalties.

In a case involving abuse of the law, Banca IMI was served an auditors' report by the Italian Tax Police on 20 July 2016 concerning the reclassification as repurchase agreements of transactions in securities and single stock futures on regulated markets undertaken in tax periods 2011 and 2012. An agreement was reached with the Italian Revenue Agency for 2011, under which the claims were settled for a total charge of €1.8 million, compared to total claims of €25.6 million. Negotiations to reach a settlement on the basis of the same criteria applied for 2011 (the total value of the dispute is €42 million) are also under way for 2012.

In October 2016, the Italian Revenue Agency, Veneto Regional Office, served the conclusive auditors' report in the audit of Cassa di Risparmio del Veneto launched on 22 January 2016 relating to tax periods 2011 to 2014. The claims related solely to the fairness of the spread applied to Intesa Sanpaolo Bank Ireland on a subordinated loan and were resolved by levying IRES and IRAP on a total additional amount of €1.4 million for all of the tax periods considered. In the subsequent negotiations

with the Italian Revenue Agency, the Veneto-based bank was able to obtain recognition of the validity of the criteria used to price the disputed transaction and to have the charge for 2011 reduced to tax and interest of €0.02 million, without penalties. On this basis, claims relating to the 2011 tax period was resolved through a tax settlement proposal. The same criteria will also be applied to the subsequent years, from 2012 to 2014, which will be settled in 2017.

The dispute with the Italian revenue authority concerning the Luxembourg subsidiary Eurizon Capital S.A. (**EC LUX**), as set out in the auditors' report dated 10 February 2015 issued by the Guardia di Finanza, was settled in December 2016. Based on the claim (supported by documentation obtained by the auditors while at the offices of Eurizon SGR - **EC SPA**) that the company is resident in Italy for tax purposes due to the alleged presence in Italy of its administrative office and primary place of business, the auditors' report charged the company with failing to report income of approximately €731 million for the periods from 2004 to 2013. In June 2015, EC LUX received notices for the periods from 2004 to 2008 (a total of €122 million of IRES due, plus interest and penalties), which it appealed, providing evidence that it had operated in Luxembourg since 1988, with over 50 highly qualified employees primarily dedicated to managing, marketing and administering Luxembourg funds, it is subject to supervision by the local authorities and has always acted in full compliance with Italian tax law and the treaty for the avoidance of double taxation between Italy and Luxembourg.

In 2016 the Italian Revenue Agency, Lombardy Regional Office, which has jurisdiction over EC SPA, in coordination with Provincial Department 1 (**DP1**), reviewed the claims and conducted further inquiries concerning the relations between EC SPA and the Luxembourg subsidiary during the tax periods from 2011 to 2015. Following its review, the Regional Office concluded, in support of the soundness of the company's arguments, that during the periods 2003 to 2013 the Luxembourg company could not be considered to constitute an illegal offshore tax structure. However, according to the Regional Office, a part of the "profit" earned in the years in question by EC LUX should have been attributed to EC SPA, due to the alleged functional integration of the two companies and the contribution to management provided by the Italian parent to the Luxembourg subsidiary. According to a profit allocation model essentially based on a profit split, the Regional Office assigned EC SPA total taxable revenue for tax periods 2011 to 2015 of €102 million and total additional taxes due of €35 million, in addition to interest of €3 million, without any penalties. In addition, the Luxembourg company was permitted to file a petition (subject to review by the Luxembourg tax authority) to recover the taxes paid in Luxembourg on the taxable revenue attributed by the Regional Office to EC SPA, estimated at approximately €8 million.

Although EC SPA considers its position on transfer prices to be sound, a settlement was viewed in a favourable light due to the connection to the dispute concerning the illegal use of an offshore tax structure involving the Luxembourg subsidiary, which the Italian Revenue Agency simultaneously dismissed. In the agreement, finalised in December 2016, the Italian Revenye Agency thus acknowledged that it "considered the claims of illegal use of an offshore tax structure brought against Eurizon Capital SA in the auditors' report drafted on 12 February 2015 for the years 2004-2013 to be no longer current" and that it had "taken internal review measures with regard to the assessments issued to Eurizon Capital SA". In this framework, EC SPA has also filed a petition for an international transfer pricing ruling, so as to subject the adequacy of the transfer pricing system currently applied in dealings with foreign subsidiaries to more impartial, technical review. The ruling will enter into effect from the tax period in which the agreement is signed with the Italian Revenue Agency, but with possible retroactive effect, without the application of penalties, from the tax period in which the petition is filed (2016).

In November 2016, the Italian Revenue Agency, Lazio Regional Office, served Fideuram Vita with an auditors' report in which it proposed IRES and IRAP be levied on the additional sums of €0.75 million in 2012 and €0.01 million in 2013. Negotiations with the Italian Revenue Agency to settle the dispute are in progress.

In December 2016, an auditors' report issued by the Italian Revenue Agency, Lombardy Regional Office, in 2015 to Fideuram Investimenti SGR concerning IRES and IRAP for 2011, and specifically the fairness of the prices applied to outsourced management of investment funds on behalf of the Irish sister company Fideuram Asset Management Ireland, was settled. Resolution of the dispute entailed a total cost, by way of taxes and interest, of €2.3 million . An appropriate provision continues to be carried to cover the risk of a potential liability in connection with the same alleged irregularities in the subsequent periods of 2012 and 2013.

Cassa di Risparmio di Firenze received a request for clarification, for the years 2011 to 2013, concerning the VAT deductibility regime applied to purchases of goods and services by the merged Immobiliare Nuova Sede S.r.l., the builder of a property complex intended for use as the bank's new headquarters. At present, no assessment notices have been served.

In December 2016, Intesa Sanpaolo Private Banking and Intesa Sanpaolo, as consolidating entity, were served assessment notices by the Italian Revenue Agency, Lombardy Regional Office, concerning claims involving 2011 IRES and IRAP. The notices claim that the tax realignment pursuant to Law Decree 185/2008 of the goodwill resulting from the contribution of business units by Intesa Sanpaolo S.p.A. and by Cariromagna and the resulting deduction of amortisation charges were unlawful. Due to the inability to deduct the portion (one-tenth) amortised in 2011, amounting to €11.6 million, the Italian Revenue Agency claimed additional IRES and IRAP of €3.8 million, penalties of €3.4 million and interest. After verifying that its behaviour was consistent with practice (Revenue Agency Circular 8/E of 4 March 2010), the company decided to conduct a defence in the appropriate legal venues. No provision was recognised, since the risk of a tax liability was regarded as remote.

Intesa Bank Russia is a party to an ongoing tax dispute concerning 2010 and 2011. The local tax authorities have disputed the application of the withholding of 0% envisaged in the treaty for the avoidance of double taxation in effect between Russia and Luxembourg on the interest paid by the Russian bank to Intesa Sanpaolo Holding International S.A. (**ISPHI**) in respect of certain financing contracts. According to the Russian tax authorities, the beneficial owner of the interest is Intesa Sanpaolo and not ISPHI, characterised as a mere "conduit company". As a result, the interest paid by Intesa Bank Russia should have been subject to the 10% withholding tax envisaged in the Italy - Russia treaty. The value of the dispute, approximately €1.6 million (taxes, interest and penalties), has already been paid in full to the local tax authority. The third instance of the dispute, as the first two, was unfavourable to the company. The dispute in question could be extended to other years and financing transactions undertaken with other Intesa Sanpaolo Group companies, but at present the risk of a potential tax liability is deemed remote in that no back-to-back loans have been issued since 2012.

With regard to tax disputes in the first half of 2017, Intesa Sanpaolo has incurred no new disputes for significant amounts. However, it should be noted that on 15 May 2017 a general tax audit was launched by the Piedmont Regional Office - Large Taxpayers Office, concerning tax period 2014.

The main developments in the tax disputes already under way at the end of 2016 concerning the Parent Company are reported hereunder.

On 20 April 2017, the Tax Authority lodged an appeal with the Court of Cassation in a tax dispute concerning IRES (corporate income tax) and IRAP (regional tax on production) for 2008, on which the first and second instance courts had ruled in Intesa Sanpaolo’s favour. Intesa Sanpaolo then filed its defence. Differently from Intesa Sanpaolo, the Tax Authority considers as charges equivalent for tax purposes to interest payable - subject to a limited 97% deductibility - the negative components of the fair value hedging derivatives of liabilities consisting of bonds and deposits (recognised under caption 90 of the income statement “Fair value adjustments in hedge accounting”). The aggregate value of the two joined tax disputes is 1.2 million euro as to IRES tax and 0.27 million euro as to IRAP tax, plus interest.

As concerns the reimbursement of tax credits, total credits of 105 million euro have been confirmed and partly reimbursed; they consist mainly of positions of the former Cassa di Risparmio della Puglia for IRPEG (former corporation tax) and ILOR (former local tax on earnings) relating to 1985 and 1986, and from 1990 to 1994 (42 million euro in capital, plus interest).

Also for the Group companies, no significant events are reported in the first half of the year.

Also considering the absence of significant changes compared to 31 December 2016, the tax litigation risks are deemed to be covered by adequate provisions to allowances for risks and charges.

Declaration of the officer responsible for preparing the Issuer's financial reports

The officer responsible for preparing the Issuer's financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154-bis of the Financial Law, that the accounting information contained in this Base Prospectus corresponds to the Issuer's documentary results, books and accounting records.

FINANCIAL INFORMATION OF THE ISSUER – AN OVERVIEW

Audited Consolidated Annual Financial Statements

The annual financial information below as at and for the years ended 31 December 2015 and 31 December 2016 has been derived respectively from the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2016 (the **2016 Audited Financial Statements**) and from the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2015 (the **2015 Audited Financial Statements**). Certain income statement comparative data related to 2015 has been restated, in accordance with IFRS 5, with respect to the data previously presented in the audited consolidated financial statements as of and for the year ended 31 December 2015 to account for the sale of the controlled subsidiaries Setefi and Intesa Sanpaolo Card. Also, certain income statement comparative data related to 2014 has been restated with respect to the data previously presented in the audited consolidated financial statements as of and for the year ended 31 December 2014, in order to account for the reconsolidation of Pravex Bank - previously recorded as discontinued operations in accordance with IFRS 5 - following termination of the sale agreement in the first half of 2016.

Half-Yearly Financial Statements

The half-yearly financial information as at and for the six months ended on 30 June 2017 has been derived from the unaudited condensed consolidated half-yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended on 30 June 2017 (the **2017 Half-Yearly Financial Statements**) that include comparative balance sheet figures as at 31 December 2016 and income statement figures for the six months ended on 30 June 2016.

Incorporation by Reference

The annual financial statements referred to above are incorporated by reference in this Prospectus (see "*Documents Incorporated by Reference*") and should be read in conjunction with the accompanying notes and auditors' reports.

Accounting Principles

The annual and half-yearly financial statements referred to above have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board and the relative interpretations of the International Financial Reporting Interpretations Committee, otherwise known as International Financial Reporting Standards, as adopted by the European Union under Regulation 1606/2002/EC.

INTESA SANPAOLO
CONSOLIDATED ANNUAL STATEMENT OF INCOME
FOR THE YEAR ENDED 31/12/2016

The annual financial information below includes comparative figures as at and for the year ended 31 December 2016:

	31.12 2016 Audited	**31.12.2015 Audited** *(in millions of €)*	**31.12.2015 Restated Unaudited**
Interest and similar income	12,865	14,148	14,148
Interest and similar expense	-4,250	-4,910	-4,910
Interest margin	**8,615**	**9,238**	**9,238**
Fee and commission income	8,465	8,735	8,723
Fee and commission expense	-1,730	-1,686	-1,828
Net fee and commission income	**6,735**	**7,049**	**6,895**
Dividend and similar income	461	378	378
Profits (Losses) on trading	527	285	285
Fair value adjustments in hedge accounting	-34	-68	-68
Profits (Losses) on disposal or repurchase of	990	1,205	1,205
a) loans	-34	-44	-44
b) financial assets available for sale	990	1,452	1,452
c) investments held to maturity	-	-	-
d) financial liabilities	34	-203	-203
Profits (Losses) on financial assets and liabilities designated at fair value	1,051	977	977
Net interest and other banking income	**18,345**	**19,064**	**18,910**
Net losses / recoveries on impairment	-3,288	-2,824	-2,824
a) loans	-3,026	-2,751	-2,751
b) financial assets available for sale	-314	-203	-203
c) investments held to maturity	-	-	-
d) other financial activities	52	130	130
Net income from banking activities	**15,057**	**16,240**	**16,086**
Net insurance premiums	8,433	12,418	12,418
Other net insurance income (expense)	-10,508	-14,680	-14,680
Net income from banking and insurance activities	**12,982**	**13,978**	**13,824**
Administrative expenses	-9,505	-9,506	-9,430
a) personnel expenses	-5,494	-5,394	-5,364
b) other administrative expenses	-4,011	-4,112	-4,066
Net provisions for risks and charges	-241	-536	-535
Net adjustments to / recoveries on property and equipment	-354	-360	-357
Net adjustments to / recoveries on intangible assets	-577	-557	-554
Other operating expenses (income)	430	934	915
Operating expenses	**-10,247**	**-10,025**	**-9,961**
Profits (Losses) on investments in associates and companies subject to joint control	125	111	111
Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-

	31.12 2016 Audited	31.12.2015 Audited *(in millions of €)*	31.12.2015 Restated Unaudited
Goodwill impairment	-	-	-
Profits (Losses) on disposal of investments	356	103	103
Income (Loss) before tax from continuing operations	**3,216**	**4,167**	**4,077**
Taxes on income from continuing operations	-1,003	-1,359	-1,331
Income (Loss) after tax from continuing operations	**2,213**	**2,808**	2,746
Income (Loss) after tax from discontinued operations	987	-2	60
Net income (loss)	**3,200**	**2,806**	**2,806**
Minority interests	-89	-67	-67
Parent Company's net income (loss)	**3,111**	**2,739**	**2,739**
Basic EPS – Euro	0.18	0.16	0.16
Diluted EPS – Euro	0.18	0.16	0.16

INTESA SANPAOLO
CONSOLIDATED ANNUAL BALANCE SHEET
AS AT 31/12/2016

Assets	**31/12/2016 Audited**	**31/12/2015 Audited**
Cash and cash equivalents	8,686	9,344
Financial assets held for trading	43,613	51,597
Financial assets designated at fair value through profit and loss	63,865	53,663
Financial assets available for sale	146,692	131,402
Investments held to maturity	1,241	1,386
Due from banks	53,146	34,445
Loans to customers	364,713	350,010
Hedging derivatives	6,234	7,059
Fair value change of financial assets in hedged portfolios (+/-)	321	110
Investments in associates and companies subject to joint control	1,278	1,727
Technical insurance reserves reassured with third parties	17	22
Property and equipment	4,908	5,367
Intangible assets	7,393	7,195
of which		
- goodwill	4,059	3,914
Tax assets	14,444	15,021
a) current	3,313	3,626
b) deferred	11,131	11,395
- of which convertible into tax credit (Law no. 214/2011)	8,491	8,749
Non-current assets held for sale and discontinued operations	312	27
Other assets	8,237	8,121
Total Assets	**725,100**	**676,496**

INTESA SANPAOLO
CONSOLIDATED ANNUAL BALANCE SHEET
AS AT 31/12/2016

Liabilities and Shareholders' Equity	**31/12/2016 Audited**	**31/12/2015 Audited**
		(in millions of €)
Due to banks	72,641	59,327
Due to customers	291,876	255,258
Securities issued	94,783	110,144
Financial liabilities held for trading	44,790	43,522
Financial liabilities designated at fair value through profit and loss	57,187	47,022
Hedging derivatives	9,028	8,234
Fair value change of financial liabilities in hedged portfolios (+/-)	773	1,014
Tax liabilities	2,038	2,367
a) current	497	508
b) deferred	1,541	1,859
Liabilities associated with non-current assets held for sale and discontinued operations	272	-
Other liabilities	11,944	11,566
Employee termination indemnities	1,403	1,353
Allowances for risks and charges	3,427	3,480
a) post employment benefits	1,025	859
b) other allowances	2,402	2,621
Technical reserves	85,619	84,616
Valuation reserves	-1,854	-1,018
Redeemable shares	-	-
Equity instruments	2,117	877
Reserves	9,528	9,167
Share premium reserve	27,349	27,349
Share capital	8,732	8,732
Treasury shares (-)	-72	-70
Minority interests (+/-)	408	817
Net income (loss)	3,111	2,739
Total Liabilities and Shareholders' Equity	**725,100**	**676,496**

INTESA SANPAOLO
CONSOLIDATED HALF-YEARLY STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED 30/06/2017

The half-yearly financial information below includes comparative figures as at and for the six months ended on 30 June 2017.

	1st half of 2017 Unaudited	1st half of 2016 Unaudited
Interest and similar income	6,165	6,542
Interest and similar expense	-1,886	-2,187
Interest margin	4,279	4,355
Fee and commission income	4,496	4,059
Fee and commission expense	-976	-817
Net fee and commission income	3,520	3,242
Dividend and similar income	183	326
Profits (Losses) on trading	231	251
Fair value adjustments in hedge accounting	-3	-64
Profits (Losses) on disposal or repurchase of	435	711
a) loans	-19	-1
b) financial assets available for sale	479	701
c) investments held to maturity	1	-
d) financial liabilities	-26	11
Profits (Losses) on financial assets and liabilities designated at fair value	556	435
Net interest and other banking income	9,201	9,256
Net losses / recoveries on impairment	-1,583	-1,359
a) loans	-1,091	-1,317
b) financial assets available for sale	-462	-90
c) investments held to maturity	-	-
d) other financial activities	-30	48
Net income from banking activities	7,618	7,897
Net insurance premiums	3,254	5,142
Other net insurance income (expense)	-4,267	-6,088
Net income from banking and insurance activities	6,605	6,951
Administrative expenses	-4,477	-4,470
a) personnel expenses	-2,686	-2,682
b) other administrative expenses	-1,791	-1,788
Net provisions for risks and charges	-1,951	-113
Net adjustments to / recoveries on property and equipment	-166	-169
Net adjustments to / recoveries on intangible assets	-236	-272
Other operating expenses (income)	5,162	340
Operating expenses	-1,668	-4,684
Profits (Losses) on investments in associates and companies subject to joint control	329	107
Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Goodwill impairment	-	-
Profits (Losses) on disposal of investments	6	9
Income (Loss) before tax from continuing operations	5,272	2,383
Taxes on income from continuing operations	-21	-678
Income (Loss) after tax from continuing operations	5,251	1,705

Income (Loss) after tax from discontinued operations	-	105
Net income (loss)	5,251	1,810
Minority interests	-13	-103
Parent Company's net income (loss)	**5,238**	**1,707**
Basic EPS - Euro	0.31	0.10
Diluted EPS - Euro	0.31	0.10

INTESA SANPAOLO
CONSOLIDATED HALF-YEARLY BALANCE SHEET
AS AT 30/06/2017

	30.06.2017	31.12.2016
	Unaudited	**Audited**
		(in millions of €)
Assets		
Cash and cash equivalents	6,446	8,686
Financial assets held for trading	44,415	43,613
Financial assets designated at fair value through profit and loss	70,018	63,865
Financial assets available for sale	144,562	146,692
Investments held to maturity	2,305	1,241
Due from banks	78,147	53,146
Loans to customers	393,517	364,713
Hedging derivatives	5,209	6,234
Fair value change of financial assets in hedged portfolios (+/-)	-213	321
Investments in associates and companies subject to joint control	1,282	1,278
Technical insurance reserves reassured with third parties	16	17
Property and equipment	5,012	4,908
Intangible assets	7,413	7,393
of which		
- goodwill	4,059	4,059
Tax assets	15,951	14,444
a) current	3,656	3,313
b) deferred	12,295	11,131
– of which convertible into tax credit (Law no. 214/2011)	8,608	8,491
Non-current assets held for sale and discontinued operations	427	312
Other assets	13,511	8,237
Total Assets	**788,018**	**725,100**

INTESA SANPAOLO
CONSOLIDATED HALF-YEARLY BALANCE SHEET
AS AT 30/06/2017

Liabilities and Shareholders' Equity	30.06.2017 Unaudited	31.12.2016 Audited
Due to banks	101,450	72,641
Due to customers	304,518	291,876
Securities issued	101,499	94,783
Financial liabilities held for trading	42,517	44,790
Financial liabilities designated at fair value through profit and loss	63,017	57,187
Hedging derivatives	8,254	9,028
Fair value change of financial liabilities in hedged portfolios (+/-)	596	773
Tax liabilities	1,972	2,038
a) current	348	497
b) deferred	1,624	1,541
Liabilities associated with non-current assets held for sale and discontinued operations	268	272
Other liabilities	20,236	11,944
Employee termination indemnities	1,445	1,403
Allowances for risks and charges	5,132	3,427
a) post employment benefits	961	1,025
b) other allowances	4,171	2,402
Technical reserves	83,593	85,619
Valuation reserves	-1,838	-1,854
Redeemable shares	-	-
Equity instruments	4,102	2,117
Reserves	10,986	9,528
Share premium reserve	26,006	27,349
Share capital	8,732	8,732
Treasury shares (-)	-62	-72
Minority interests (+/-)	357	408
Net income (loss)	5,238	3,111
Total Liabilities and Shareholders' Equity	**788,018**	**725,100**

DESCRIPTION OF THE COVERED BONDS GUARANTOR

ISP CB Pubblico S.r.l. has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds.

ISP CB Pubblico S.r.l. was incorporated in the Republic of Italy as a limited liability company (*società a responsabilità limitata*) incorporated under Article 7-*bis* of Law 130, with Fiscal Code number and registration number with the Milan Register of Enterprises no. 05936150969 (in this respect please see the recent updates to Italian law described under the section "Selected Aspects of Italian Law").

Intesa Sanpaolo S.p.A., with the 60 per cent. of the quota capital of ISP CB Pubblico S.r.l., controls ISP CB Pubblico S.r.l. which belongs to the Intesa Sanpaolo Group and is subject to the direction and coordination (*direzione e coordinamento*), pursuant to Article 2497-bis of the Italian Civil Code, of Intesa Sanpaolo S.p.A.

ISP CB Pubblico S.r.l. was incorporated on 14 November 2007 and its duration shall be until 31 December 2050.

ISP CB Pubblico S.r.l. has its registered office at Via Monte di Pietà 8, 20121 Milan, Italy and the telephone number of the registered office is +39.02.8796.2973 and the fax number is +39.02.8796.3382.

The authorised, issued and paid in quota capital of ISP CB Pubblico S.r.l. is Euro 120,000.00.

Business Overview

The exclusive purpose of ISP CB Pubblico S.r.l. is to purchase from banks, against payment, receivables and securities also issued in the context of a securitisation, in compliance with Article 7-*bis* of Law 130 and the relevant implementing provisions, by means of subordinated loans granted or guaranteed also by the selling banks, as well as to issue guarantees for the covered bonds issued by such banks or other entities.

ISP CB Pubblico S.r.l., indeed, has granted the Covered Bonds Guarantee to the benefit of the Covered Bondholders, of the counterparts of derivatives contracts entered into with the purpose to cover the risks inherent the purchased credits and securities and of the counterparts of other ancillary contracts, as well as to the benefit of the payment of the other costs of the transaction, with priority in respect of the reimbursement of the others loans, pursuant to paragraph 1 of Article 7-*bis* of Law 130.

Within the limits allowed by the provisions of Law 130, ISP CB Pubblico S.r.l. can carry out the ancillary transactions to be stipulated in view of the performance of the guarantee and the successful conclusion of the issue of covered bonds in which it participates or, however, auxiliary to the aim of its purpose, as well as the re-investment in other financial activities of the assets deriving from the management of the credits and the securities purchased, but not immediately invested for the satisfaction of the Covered Bondholders' rights.

Since the date of its incorporation, ISP CB Pubblico S.r.l. has not engaged in any business other than the purchase of the Portfolio and the entering into of the Transaction Documents and other ancillary documents.

So long as any of the Covered Bonds remain outstanding, ISP CB Pubblico S.r.l. shall not, without the consent of the Representative of the Covered Bondholders, incur any other indebtedness for borrowed moneys or engage in any business (other than acquiring and holding the assets backing the Covered Bonds Guarantee, assuming the Subordinated Loan, issuing the Covered Bonds Guarantee and entering into the Transaction Documents to which it is a party), pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person (otherwise than as contemplated in the Conditions or the Intercreditor Agreement) or guarantee any additional quota.

ISP CB Pubblico S.r.l. will covenant to observe, *inter alia*, those restrictions which are detailed in the Intercreditor Agreement.

Administrative, Management and Supervisory Bodies

The directors of the Covered Bond Guarantor are:

Director	***Position***	***Principal activities performed outside Intesa Sanpaolo Group***
Carlo Bellavite Pellegrini	Chairman	• Full Professor of Corporate Finance and Corporate Governance - Faculty of Banking, Financial and Insurance - Università Cattolica del Sacro Cuore of Milan; • Vice President of Banca Aletti S.p.A.; • Chairman of the Statutory Auditors in CONAI – Consorzio Nazionale Imballaggi; Chairman of the Statutory Auditors in Südtiroler Speck S.r.l. (Citterio Group); • Statutory auditor (regular) in Pozzoli 1875 S.p.A. (Citterio Group); • Statutory auditor (regular) in Partecipazioni Nord Est S.r.l.; • Member of the Supervisory Board (ODV) in ATM S.p.A; • Member of the Supervisory Board (ODV) in Rail Diagnostic S.p.A (ATM Group).
Vanessa Gemmo	Director	Professor of Organization Science and Information Systems at IULM University, Department of Business, Law, Economics and Consumer Behaviour, Milan.

Andrea Calamanti	Director	Professor of Economy of financial intermediaries Statutory auditor (regular) in MTS S.p.A.

The statutory auditors of the Covered Bond Guarantor are:

Statutory Auditor	***Position***	***Principal activities performed outside Intesa Sanpaolo Group***
Nicola Bruni	Chairman	• Professor of Economics of Securities Market - Faculty of Economics- Università degli Studi of Bari Aldo Moro; • Chairman of the Statutory Auditors in CAMFIN S.p.A.; • Chairman of the Statutory Auditors in Compagnia Assicuratrice Linear S.p.A.; • Chairman of the Statutory Auditors in Alfaevolution Technology S.p.A.; • Chairman of the Statutory Auditors in Finitalia S.p.A.; • Statutory auditor (regular) in Unipol Banca S.p.A.; • Statutory auditor (regular) in Unipol Reoco S.p.A.; • Statutory auditor (regular) in Incontra Assicurazioni S.p.A.; • Statutory auditor (regular) in Pronto Assistance S.p.A.; • Statutory auditor (regular) in Pronto Assistance S.r.l.; • Statutory auditor (regular) in Manucor S.p.A.
Giuseppe Dalla Costa	Statutory auditor (regular)	• Chartered accountant and auditor; • Statutory auditor (regular) in Fidicomet; • Statutory auditor (regular) in Ebilforma, • Statutory auditor (regular) in Ebiter
Eugenio Braja	Statutory auditor (regular)	• Chartered accountant and auditor; • Chairman of the Statutory Auditors Iveco Orecchia S.p.A; • Professor of "Business Administration" and "Business combinations" at Università del Piemonte Orientale; • Statutory auditor (regular) Wabco automotive italia S.r.l.; • Statutory auditor (regular) Cerrato S.r.l.;

Statutory Auditor	***Position***	***Principal activities performed outside Intesa Sanpaolo Group***
		• Statutory auditor (regular) Ledal S.p.A.; • Statutory auditor (regular) Soluzioni Tecniche Energetiche S.p.A.; • Statutory auditor (regular) Santander Private Banking S.p.A. in liquidazione
Carlo Maria Bertola	Statutory auditor (alternate)	• Chairman of Statutory auditors in ATAM S.p.A.; • Chairman of the Statutory auditors in Gianmarco Moratti S.a.p.A.; • Chairman of the Statutory auditors in Massimo Moratti S.a.p.A.; • Statutory auditors in Deborah Group S.p.A.; • Statutory auditors in Mercurio S.p.A.; • Chairman of the Statutory auditors in Nibaspa S.r.l.; • Director of Consulenti Professionisti Associati S.p.A. • Director of Metodo S.r.l. • Director of Dedra S.r.l.; • Chairman of Supervisory Board of Econocom International Italia S.p.A.; • Chairman of Supervisory Board of Associazione Cascina Verde Onlus.
Renzo Mauri	Statutory auditor (alternate)	• Sole director and owner of MA Service S.r.l.

All the statutory auditors are registered with the Register of the Statutory Auditors (*Registro dei Revisori Legali*).

The business address of each member of the Board of Directors and the Board of Statutory Auditors is ISP CB Pubblico S.r.l., Via Monte di Pietà 8, 20121 Milan.

Conflicts of interest

There are no potential conflicts of interest between the duties of the directors and their private interest or other duties.

Quotaholders

The quotaholders of ISP CB Pubblico S.r.l. (hereafter together the "**Quotaholders**") are as follows:

Intesa Sanpaolo	60 per cent. of the quota capital;
Stichting Viridis 2	40 per cent. of the quota capital.

Intesa Sanpaolo, with the 60 per cent. of the quota capital controls ISP CB Pubblico S.r.l., which belongs to the Intesa Sanpaolo Group. In order to avoid any abuse, certain mitigants have been inserted in the Quotaholders' Agreement, as better described in the following Paragraph.

The Quotaholders' Agreement

The Quotaholders' Agreement contains *inter alia* a call option in favour of Intesa Sanpaolo to purchase from Stichting Viridis 2 and a put option in favour of Stichting Viridis 2 to sell to Intesa Sanpaolo, the quota of ISP CB Pubblico S.r.l. held by Stichting Viridis 2 and provisions in relation to the management of the Covered Bonds Guarantor. Each option may only be exercised from the day on which all the Covered Bonds have been redeemed in full or cancelled.

In addition the Quotaholders' Agreement provides that no Quotaholder of ISP CB Pubblico S.r.l. will approve the payments of any dividends or any repayment or return of capital by ISP CB Pubblico S.r.l. prior to the date on which all amounts of principal and interest on the Covered Bonds and any amount due to the Other Creditors have been paid in full.

Financial Information concerning the Covered Bonds Guarantor's Assets and Liabilities, Financial Position, and Profits and Losses

The statutory financial statements of ISP CB Pubblico S.r.l. as at and for the years ended on 31 December 2015 and 31 December 2016 and the statutory interim financial statements of the Covered Bonds Guarantor for the half-year period ended on 30 June 2017, has been prepared in accordance with IAS/IFRS Accounting Standards principles. Such financial statements, together with their respective auditors' reports and the accompanying notes, are incorporated by reference into this Base Prospectus (see Section "*Documents incorporated by reference*" below).

Capitalisation and Indebtedness Statement

The capitalisation of ISP CB Pubblico S.r.l. as at the date of this Base Prospectus is as follows:

Quota capital Issued and authorised

Intesa Sanpaolo has a quota of Euro 72,000 and Stichting Viridis 2 has a quota of Euro 48,000, each fully paid up.

Total capitalisation and indebtedness

Save for the foregoing and for the Covered Bonds Guarantee and the Subordinated Loan, in accordance with the Subordineted Loan Agreement, at the date of this document, ISP CB Pubblico S.r.l. has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Auditors

On 28 November 2011, the shareholders meeting appointed KPMG S.p.A. to perform the audit of the financial statements of the Covered Bonds Guarantor as at and for years 2012 to 2020, pursuant to aricles 155 and following of the Financial Law. Copies of the financial statements of the Covered Bonds Guarantor for each financial year could be inspected and obtained free of charge during usual business hours at the specified offices of the Administrative Services Provider and the Luxembourg Listing Agent. KPMG S.p.A., is a member of Assirevi, the Italian professional association of auditors and as required by article 17 "Setting up the Register" of Ministerial decree no. 145 of 20 June 2012 "Regulation implementing article 2.2/3/4/7 and article 7.7 of Legislative decree no. 39 of 27 January 2010, implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (12G0167)", KPMG S.p.A. is included in the Register of Certified Auditors held by the Ministery for Economy and Finance – Stage general accounting office, at no. 70623. KPMG S.p.A. address is: Via Vittor Pisani, 25, 20124 Milan.

DESCRIPTION OF THE ASSET MONITOR

The BoI OBG Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Covered Bonds Guarantee and, following the latest amendments to the BoI OBG Regulations introduced by way of inclusion of the new Part III, Chapter 3 (*Obbigazioni Bancarie Garantite*) in Bank of Italy's Circular No. 285 of 17 December 2013, the information to be provided to investors.

Pursuant to the BoI OBG Regulations, the asset monitor must be an independent auditor, enrolled with the Register of Certified Auditors held by the Ministry for Economy and Finance pursuant to Legislative Decree no. 39 of 27 January 2010 and the Ministerial decree no. 145 of 20 June 2012 and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer and the Guarator.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed to the Board of Directors of the Issuer.

Pursuant to an engagement letter entered into, on or about the Initial Issue Date, with the Issuer and the Seller, the Issuer has appointed BDO Italia S.p.A., *a società per azioni* incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi 94, 20131, Milan, Italy, fiscal code and enrolment with the companies register of Milan No. 07722780967, and included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at No. 167911, as asset monitor (the "**Asset Monitor**") in order to perform, subject to receipt of the relevant information from the Issuer, specific monitoring activities concerning, *inter alia*, (i) the compliance with the issuing criteria set out in Decree No. 310 in respect of the issuance of covered bonds, (ii) the compliance with the eligibility criteria set out under MEF Decree with respect to the Public Assets and Integration Assets included in the Portfolio; (iii) the compliance with the limits on the transfer of Public Assets and Integration Assets set out under MEF Decree; (iv) the effectiveness and adequacy of the risk protection provided by any swap agreement entered into in the context of the Programme; (v) the arithmetical accuracy of the calculations performed by the Calculation Agent in respect of the Mandatory Tests and (vi) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013.

The engagement letter is being updated in order to reflect latest amendments made to the BoI OBG Regulations and to be in line with the provisions contained therein in relation to the monitoring activity and reports to be prepared and submitted by the Asset Monitor also to the Board of Directors of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

Furthermore, on or about the Initial Issue Date, the Issuer, the Calculation Agent, the Asset Monitor, the Covered Bonds Guarantor and the Representative of the Covered Bondholders entered into the Asset Monitor Agreement, as more fully described under "*Description of the Transaction Documents — Asset Monitor Agreement*".

DESCRIPTION OF THE PORTFOLIO

Introduction

The Initial Portfolio and each New Portfolio acquired by the Covered Bonds Guarantor, consists of receivables originated by the Seller (or which have been transferred to the Seller by way, for example, of the transfer of going concern to the Seller, or in case of Securities or Public Securities, purchased by the Seller) and the Additional Seller, if any, sold to the Covered Bonds Guarantor in accordance with the terms of the Master Transfer Agreement, as more fully described under Section "*Description of the Transaction Documents – Master Transfer Agreement*".

In particular, the Portfolio may consist of some or all of the following assets: (i) Loans; and (ii) Public Securities. Assets under (i) and (ii) are jointly defined as the "**Public Assets**" and, within certain limits, Integration Assets (as defined below). The monetary claims arising out of Public Assets and Integration Assets (as defined below) are jointly defined as the "**Receivables**".

Further to the above, the Portfolio may be integrated through the inclusion of Integration Assets in limit of the Integration Assets Limit. Integration Assignments (whether through Integration Assets or through originally eligible Public Assets) shall be allowed for the purpose of complying with the Tests.

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

(i) deposits with banks residing in Eligible States;

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

provided that the assets listed under (i) and (ii) above shall meet the Integration Assets Rating Requirements.

Criteria applicable to the Receivables

Each of the Receivables forming part of the Portfolio shall comply with all of the following General Criteria set out under the Master Transfer Agreement:

(i) Receivables whose debtors or guarantors (pursuant to a "guarantee valid for the purpose of credit risk mitigation" (*garanzie valide ai fini della mitigazione del rischio di credito*), as defined by Article 1, paragraph 1, lett. h) of the MEF Decree) are (a) public administrations of Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement; (b) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the "Standardised Approach" to credit risk measurement, (c) municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement;

(ii) Receivables arising out of Loan Agreements which have been fully disbursed or, only in respect of the Multi-tranche Agreements, the Receivables arising out from each credit line or tranche which have been fully disbursed;

(iii) Receivables in respect of which as of the Cut-off Date (a) there are no amounts due and payable to the Seller by the relevant debtors, both as repayment of any instalments and as interest, which have not been paid and (b) neither the termination of the Loan Agreement nor the acceleration (*decadenza dal beneficio del termine*) of the payment obligations have been requested or declared nor the withdrawal (*recesso*) has occurred;

(iv) Receivables arising out of fixed rate loans or floating rate loans;

(v) Receivables in respect of which the relevant amortisation plan for principal and interest provides that the payments have to occur at or within previously fixed payment dates.

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

(a) loan and financing agreements, including loan agreements for a relevant purpose;

(b) loan and financing agreements "multi-tranche" which provide for disbursement of singles credit lines or tranches which differ from each other in the interest rate, the amortisation plan or the final reimbursement date (hereinafter, the "Multi-tranche Agreements");

(c) acknowledgement and consolidation acts or agreements, related to loans disbursed on the basis of a credit opened agreement (*contratto di apertura di credito*) pursuant to article 205-bis of the Legislative Decree no. 267 of 18 August 2000 (also denominated master credit opened agreement), by means of which are ruled, inter alia, interest rate, amortisation plan and the final reimbursement date;

(d) disbursement and receipt acts or agreements (however denominated) – related to loans disbursed on the basis of a credit opened agreement (*contratto di apertura di credito*) (however denominated) – by means of which, inter alia, the interest rate, the amortisation plan, the disbursement date and the final reimbursement date are ruled;

(e) loan and financing agreements (which provide for, inter alia, an indication of loan amount, interest rate, amortisation plan, guarantees, disbursement date and final reimbursement date) on the basis of a plafond made available by means of an adjudication of a competitive bid and/or the relevant agreement, or by means of a specific loan agreement (*convenzione speciale di finanziamento*) or a treasury agreement (*convenzione di tesoreria*) (which provide for the disbursement of singles loans up to a predetermined maximum amount (*id est* a plafond);

(f) receivables purchase agreements with predetermined principal and interest reimbursement dates or receivables purchase agreements in which the receivables have been settled by means of fixing of principal and interest reimbursement dates.

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

The Receivables shall also comply with the Specific Criteria.

Features of the Securities

Pursuant to the BoI OBG Regulations, the Portfolio can include all such securities that meet the following features:

(a) if securities issued or guaranteed by public administrations of the Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement; or

(b) if securities issued or guaranteed by public administrations of States other than Admitted States, attract a risk weighting factor equal to 0 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement; or

(c) if securities issued or guaranteed by municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States, attract a risk weight factor not exceeding 20 per cent. pursuant to the

Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement; or

(d) asset backed securities issued in the context of securitisation transactions, meeting the following requirements:

(i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., receivables and securities with the features set forth Article 2, paragraph 1, lett. a), b) and c) of the MEF Decree; and

(ii) attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement; or

(e) if securities issued by banks, if such banks have their legal office in an Admitted State, or in other states, attract a risk weighting factor equal to 0 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement, and such securities have a residual maturity no longer than one year.

The securities set out under paragraphs b) and c) above, added to the receivables in respect of the same entities listed in such paragraphs, can be included in the Portfolio within the limit of the 10 per cent. of the nominal value of the assets included in the Portfolio.

The securities set out under paragraph e) above can be included in the Portfolio within the Integration Assets Limit.

The above mentioned characteristics might be subsequently amended on the basis of the amendments or integration of the BoI OBG Regulations.

COLLECTION AND RECOVERY PROCEDURES

1. Collection procedures

Through its own collection procedure, ISP carries out all the transactions aimed at the collection of the amounts due in respect of the loans granted.

Such activity is currently carried out through Intesa Sanpaolo Group Services ("**ISGS**") which centralizes all the activities of Middle and Back Office of the Intesa Sanpaolo Group.

The following collection and invoicing procedures are applied by ISP.

For loans, liquidity line agreements (short / medium-long term) and revolving, at any payment date, a payment notice is sent to the borrower (or to the different entity responsible for the payment) with respect to the relevant instalment, and, in the case of pool lending, a notice to the other lenders providing for the indication of the relevant quota. For floating rate transactions, prior to the aforesaid payment notice a communication of the applicable interest rate is sent.

Two different procedures for the arrangement and delivery of the payment notice shall be applied, depending on the entity in charge of the payment:

(i) Public Administration: the payment notice is arranged and sent manually (by means of registered letter) because of the particular nature of the underlying loan transaction. The payment notice shall contain a detailed description of the instalment calculation and the administrative unit exclusively responsible for the relevant payment. For loans for which a pre-defined public budget for the repayment of the instalment is provided, the payment notice shall contain an indication of the debt still outstanding and of the residual budget.

The delivery of the payment notice is carried out between 90 and 60 days prior to the relevant payment date, in accordance with contractual provisions or the preferences of the entities responsible for the payment.

(ii) Other entities: the payment notice is automatically sent through the electronic mail transmission service (Systema), about 60 to 45 days prior to the payment date. Contracts which provide for specific provisions regarding the timing for the delivery of the payment notice, similar to those applied to the Public Administration, are not subject to the procedure described above.

Failure in delivery or receipt of the payment notice will not relieve the borrower of the payment obligation vis-à-vis ISP.

The collections shall pass through the TARGET 2 system and, if the case may be, on transitory accounts to be designated by ISGS whether the information necessary for the identification of the relevant loan/client are expressed in the payment documents, the reconciliation is automatic (fully automatic if the amount to be collected is referred to the instalment due in connection with only one transaction; partially automatic, if the amount to be collected relates to different instalments due in the context of several transactions), except for payment of a considerable amount, to be paid by Ministries through the Bank of Italy, or in cases of breach of the instructions provided for the payment to the client, in which case the reconciliation is manual.

At the end of the process, any delay in payment is to be pointed out and, where necessary, the relevant recovery procedures will commence.

2. Collections and Transfer Procedures in respect of instalments referred to Loans transferred to the Covered Bonds Guarantor

The instalments relating to Loans transferred to the Covered Bonds Guarantor are collected by ISP which, in accordance with the Servicing Agreement, credits the collected sums on the Collection Accounts (one for principal amounts and one for interest amounts), in the name of the Covered Bonds Guarantor. ISP, in accordance with the Servicing Agreement, will provide segregation (even accounting) of the Collections and of any other sums received in respect of the Receivables from any other amounts collected.

In particular, at the end of each business day, for all Collections verified through GRMA procedure, related to the Receivables transferred to the Covered Bonds Guarantor:

- an accounting record in respect of ISP and the Covered Bonds Guarantor shall automatically be prepared;
- the Collections be transferred from ISP to the Covered Bonds Guarantor trough the "cash pooling" procedure, which would on a daily basis liquidate the cash flows on these accounts and replicate them on the Investment Account opened in the name of the Covered Bonds Guarantor with Intesa Sanpaolo.

In addition, there are other non standard but frequent types of collections:

- instalment collection with multiple descriptions (contabile multipla);
- collection exceeding the amount of the relevant instalment.

The former relates to the simultaneous collection of a number of instalments related to several relations which ISP may have with the respective transferor. In such cases, ISP shall adopt the ordinary management accounting criteria and the first accounting notes will be the same above mentioned.

For the latter it will be necessary to evaluate, even on the basis of the provisions set forth under the Master Transfer Agreement and the Servicing Agreement, whether to credit the exceeding amount to the Covered Bonds Guarantor or to hold such amount in favour of ISP that will record a debt towards the client.

In addition, in case of delay by ISP in crediting the Collections, the Covered Bonds Guarantor would record penalty interests towards ISP, within the limits and the modalities provided for by the Master Transfer Agreement.

3. Loans Renegotiations

The process of renegotiation of loans towards the Public Administration is applicable to transaction arising out of the restructuring pursuant to article 41 of Law no. 448 of 2001, by way of:

- renegotiating the terms of the respective loan; or
- redeeming such loan in advance simultaneously with the granting of a new loan or the issuance of certain bonds.

4. Management of loans in arrears or likely to become in arrears

Constant monitoring of the quality of the loan portfolio is pursued through specific operating activities for all the phases of loan management, using both IT procedures and activities aimed at the systematic analysis of loans, in order to promptly detect any symptoms of anomaly and promote corrective actions aimed at preventing situations of possible deterioration of credit risk.
Syntoms of the possible deterioration of loans are captured through several indicators (level of risk of any debtor and level of risk of the economic group, rating of the relevant borrower, overdrafts, ratio of instalments in arrears, etc.).

On the basis of the monitoring activity mentioned above, the Bank identifies within its portfolio loans which, while not yet showing features falling within the definition of "non-performing loans", require special management approaches. These loans still considered as "performing" fall in the categories of "Proactive Management/Credito proattivo" and "In risanamento".

Since July 2014, the Proactive Management Unit has been established for the management of those customers showing potential problems, with the aim of addressing the anomalies in a correct and timely manner from the very first signs of deterioration, with the involvement of the commercial unit

as from the very first phases of the process. Proactive Management process is carried out through specialised structures both at a central (Chief Lending Officer Area) and at a peripheral level (Regional Directions for loans pertaining to Banche dei Territori Division).

High risk positions are taken care by the Proactive Management Unit and the relationship manager must prepare an action plan within 30 days.

The Proactive Management Unit supports the loan manager in order to analyse the loan, validates the action plans and monitors that such plans are followed.

When risks are perceived as particularly high, the loan may be classified as Non performing (Deteriorato).

The status, "In Risanamento", used to be apply to positions with overall exposure higher than € 1 million (at group level) and with at least one of the following conditions:

- prospect of an interbank table for any restructuring plan;
- request for a moratorium/standstill in sight/presence of an inter-bank table for any restructuring plan/reorganization or restructuring / reorganization under the Bankruptcy Law (art. 67 letter. d, art. 182 / bis);
- possible restructuring / reorganization under the Bankruptcy Law (art. 67 letter. d, art. 182 / bis or of similar models of foreign law).

Such status is currently being dismissed: since July 2016 no loan positions are classified as In Risanamento and therefore the status applies to the existing stock only.

Loans classified as "Credito proattivo" are still considered as "performing".

Non performing loans (Credito Deteriorato)

In 2014 the European Banking Authority (EBA) published the final version of the "Draft Implementing Technical On Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013". Consequently on January 2015 the Bank of Italy issued an updated regulations providing for the amendment of the subdivision of non-performing financial assets into risk-categories, thus harmonizing its regulations to the new European Union law.

According to new Bank of Italy's regulations, "Non performing loans" consist in:

- Past due exposures ("Sconfino");
- Unlikely to pay ("Inadempienze probabili");
- Doubtful ("Sofferenze").

All such exposures are subject to specific valuations for accounting purposes.

Furthermore, it has also been identified a new array of exposures covering all loans being renegotiated because of financial difficulties (existing or likely to exist) of the counterparty. Such range of loans can be classified as follows:

- Forbearance Non Performing: non performing exposures with forbearance measures
- Forbearance Performing: performing exposures with forbearance measures.

Past due exposures (Sconfino)

Exposures other than those classified as Doubtful or Unlikely to Pay that, as at reporting date, are past due for over 90 days on a continuous basis and exceeding a materiality threshold.

Unlikely to pay (Inadempienze Probabili)

Some specific and minimum criteria are taken into consideration for the classification of an exposure as Unlikely to pay. It's the result of the assessment as to the improbability that the borrower will thoroughly fulfil its credit obligations (by way of repayment of principal and/or interest) without recourse to actions such as the enforcement of guarantees/ collateral. Such assessment should be carried out irrespectively of any past due and/or unpaid amounts (or instalments).

5. Management of the Defaulted Assets classified as "in sofferenza"

The Servicer shall manage the recovery activities of the Defaluted Loan classified as "in sofferenza" through delegated structure – currently ISGS which- once the Defaulted Assets has been classified as "in sofferenza" - shall immediately implement through its specialized units (Strutture di recupero crediti) the most suitable recovery actions.

When resolving upon the course of action for the recovery of the claims, both legal proceedings and out-of-court settlements shall carefully be considered, in terms of costs-benefits, in view of, among other things, the financial implication of estimated recovery times.

A judicial action will be carried out as follows:

- directly by the Servicer (also through ISGS) to the extent possible, for actions to be taken by the parties (atti di parte) (e.g. submission of the proof of claim) or with the assistance of in-house counsels; and
- by appointing external counsels for judicial initiatives (e.g. injunction decree (decreto ingiuntivo), and real estate enforcement proceedings, etc), whose activity will be closely supervised.

As for the recovery activity of positions having a significant value, an initial assessment will be carried out and all the urgent and necessary actions will be implemented to maximise the chance of recovery of the claim.

The best operating strategy will then be planned in order to maximise the recovery within the shortest possible timeframe and, in particular, it may be resolved:

(a) carrying out the direct recovery of single claims (whether in the framework of a judicial action or by an out-of-court procedure);

(b) entrusting the recovery to external companies (almost exclusively in the case of positions of negligible amount); or

(c) carrying out transfers of single claims without recourse (pro soluto) to third parties.

6 Securities Management

6.1 Collections and further payments

On the basis of the payment instructions originally given to the Debtors, all principal redemption amounts, interest payments and any other amounts due for any reason in relation to the Securities will be credited by Monte Titoli or Clearstream (as the case may be) to the custodian bank in favour of the securities account opened and maintained in the name of the Covered Bonds Guarantor, through the specific segregated liquidator account, properly opened with Monte Titoli or Clearstream. The custodian bank automatically and promptly pays the amounts collected as follows:

- any principal amount to the Principal Securities Collection Account; and
- any interest amount to the Interest Securities Collection Account

(jointly, the "**Securities Collection Account**")

in accordance with the Cash, Management and Agency Agreement.

In the case in which, for any reason, the Servicer – also through appointed entities, such as ISGS - receives any collections, the Servicer shall carry out the reconciliation of the amounts received within 20 (twenty) days from the receipt of such amount by the Debtors and credit to the relevant Collection Account, in respect of principal and interest, such sums received and reconciliated within 3 (three) Business Days following the reconciliation of such amounts and with value on account corresponding to the collection date by the Servicer.

6.2 Collection payment verification and report of the Securities Collection Account flows

Further to any payment date of each Security, as set forth under the relevant Security documents, the Servicer - also though appointed entities, such as ISGS -will verify that the amounts due as principal, interest or for any other reason due in relation to each Security have been credited on the relevant Security Collection Account, in respect of principal and interest, with value on account corresponding to the relevant payment date of each Securities, as set forth under the relevant Security documents.

The Servicer undertakes to promptly – also through appointed entities, such as ISGS deliver upon request to the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, the Account Bank Report complete, exact and precise of all flows with reference to the Securities Collection Accounts and the Interest Securities Collection Account as of the immediately preceding calendar month and, broadly, the documents concerning the collections, as well as to give evidence of the transfer of such amount on the relevant Collection Account, in accordance with the procedures previously agreed with the Covered Bonds Guarantor.

The Servicer shall monitor on a continuing basis the financial performance of the Securities and the fulfillments of the Debtors' obligations in respect of the Securities, and shall apply to the Securities the same procedures, where applicable, set forth for the receivables.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer guaranteed by the Covered Bonds Guarantor. The Covered Bonds Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bonds Guarantee until the occurrence of an Article 74 Event or an Issuer Event of Default, service by the Representative of the Covered Bondholders on the Covered Bonds Guarantor of either an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay or, if earlier, following the occurrence of a Covered Bonds Guarantor Events of Default and service by the Representative of the Covered Bondholders of a Covered Bonds Guarantor Acceleration Notice on the Covered Bonds Guarantor. The Issuer will not be relying on payments by the Covered Bonds Guarantor in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders:

(i) the Covered Bonds Guarantee provides credit support to the Issuer;

(ii) the Tests are intended to ensure that the Portfolio is sufficient to repay the Covered Bonds at all times;

(iii) among the Tests: (i) the Asset Coverage Test, in particular, is intended to maintain the sufficiency of the Covered Bonds Guarantor's assets in respect of the Covered Bonds and (ii) the Amortisation Test is intended to test the sufficiency of the Covered Bonds Guarantor's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the Covered Bonds Guarantor;

(iv) the Pre-Maturity Liquidity Test is intended to trigger the provision of liquidity for Hard Bullet Covered Bonds when the Issuer's credit ratings fall below a certain level;

(v) extendable maturity provisions are applicable to all Series of Covered Bonds other than the Hard Bullet Covered Bonds as specified in the relevant Final Terms.

Certain of these factors are considered more fully in the remainder of this section.

Covered Bonds Guarantee

The Covered Bonds Guarantee provided by the Covered Bonds Guarantor guarantees payment of the Guaranteed Amounts on the Due for Payment Date in respect of all Covered Bonds issued under the Programme. The Covered Bonds Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment following the occurrence of an Issuer Event of Default or an Article 74 Event. In this circumstance (and until a Covered Bonds Guarantor Event of Default occurs and a Covered Bonds Guarantor Acceleration Notice is served), the Covered Bonds Guarantor's obligations will only be to pay the Guaranteed Amounts on the Due for Payment Date.

See further "*Description of the Transaction Documents — Covered Bonds Guarantee*", as regards the terms of the Covered Bonds Guarantee.

Under the terms of the Portfolio Administration Agreement, the Issuer and the Seller must ensure on a continuing basis and on each Calculation Date or on any other date on which the verification of the Tests is required pursuant to the Transaction Documents that the Portfolio is in compliance with the Tests described below.

If on any Calculation Date the Portfolio is not in compliance with the Tests, then the Seller (and should the Seller fail to do so, the Issuer) shall sell Public Assets or Integration Assets to the Covered Bonds Guarantor in an amount sufficient to allow the Tests to be met as soon as possible, in accordance with the relevant Master Transfer Agreement. To this extent the Seller shall grant additional amounts under the Subordinated Loan for the purposes of funding the purchase of Public Assets or Integration Assets. If the breach of Tests is not remedied and for so long as such breach is continuing, no further Series of Covered Bonds will be issued and no payments under the Subordinated Loan will be effected.

Tests

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

(a) prior to the occurrence of an Issuer Event of Default, the OC Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of all Series of Covered Bonds (the "**Asset Coverage Test**") or, following the occurrence of an Issuer Event of Default, and service of the Notice to Pay by the Representative of the Covered Bondholders, the Amortisation Test Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the "**Amortisation Test**")

(b) the Net Present Value of the Eligible Portfolio shall be equal to, or greater than, the Net Present Value of the outstanding Covered Bonds (the "**NPV Test**");

(c) the Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Interest Payments and the Annual Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Annual Interest Payments (the "**Interest Coverage Test**");

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

The MEF Decree requires the nominal amount of the Portfolio is to be equal to, or greater than, the outstanding nominal amount of the outstanding Covered Bonds. The Tests are fulfilled in accordance with the Portfolio Administration Agreement. In particular, with reference to the Asset Coverage Test and the Amortisation Test, such tests will be run depending on whether or not an Issuer Event of Default has occurred, provided that both tests are structured to ensure that the outstanding nominal amount of the Portfolio is equal to, or greater than, the nominal amount of the outstanding Covered Bonds.

Compliance with the Tests will be verified by the Calculation Agent and internal risk management functions of the Intesa Sanpaolo Group (under the supervision of the management body of the Issuer) on each Calculation Date and on any other date on which the verification of the Tests is required pursuant to the Transaction Documents, and subsequently checked by the Asset Monitor on a semi-annual basis.

In addition to the above, following the occurrence of a breach of the Tests, based on the information provided by the Servicer with reference to the end of the previous month and with reference to the last day of each calendar month (starting from the date on which such breach has been notified, and until 6 (six) months after the date on which such breach has been cured the Calculation Agent shall verify compliance with the Tests not later than the fifth Business Day of the following calendar month.

For the purposes of this section:

"**6-Month Euribor Equivalent Margin**" means the negative or positive margin, calculated by the Servicer, applied to the 6-Month Euribor used under the TBG Swaps that the Covered Bonds Guarantor would receive by entering into one or more interest rate swaps with a maturity equal to the average number of days to maturity of the outstanding Covered Bonds, semi-annual payments and with respect to which it would pay the interest maturing on (i) each relevant class of Eligible Investments and Authorised Investments and (ii) the Investment Account, in accordance with the composition of investments at the time of calculation.

"**Accrued Interest**" means in relation to any loan, bond or other asset at any date (the "**determination date**"), the amount of (or the Euro Equivalent amount of) the interest on such loan, bond or other asset (not being interest which is currently paid on the determination date) which has accrued from and including the relevant Bond Payment Date or Loan Payment Date, as the case may be, immediately prior to the determination date up to and including the determination date.

"**Amortisation Test Adjusted Eligible Portfolio**" means an amount equal to:

EP – Z

where:

EP means the Outstanding Principal Balance of the Eligible Portfolio

Z = (the weighted average number of days to maturity of the outstanding Series of Covered Bonds/365) multiplied by the Euro Equivalent of the outstanding Covered Bonds multiplied by **N**

where

N = Negative Carry Factor.

"**Annual Interest Payments**" means, as of a Calculation Date or any other relevant date and with reference to each of the three following Guarantor Interest Periods an amount equal to the aggregate of (a) expected interest payments (or the Euro Equivalent of the expected interest payments) in respect of the outstanding Series of Covered Bonds (other than floating rate Covered Bonds) and (b) Expected Floating Payments in respect of interest on floating rate Covered Bonds.

"**Annual Net Interest Collections from the Eligible Portfolio**" means, as of a Calculation Date or any other relevant date and with reference to each of (x) the three following Guarantor Payment Dates or (y) the three following Guarantor Interest Periods and (z) the relevant Collection Periods (as the case may be) an amount equal to the difference between (i) the sum of (a) interest payments (or the Euro Equivalent of the interest payments) from the Fixed Component of the Eligible Portfolio, payments and Expected Floating Payments in respect of interest from the Floating Component of the Eligible Portfolio received or expected to be received, (b) any amount expected to be received by the Covered Bonds Guarantor as payments under the TBG Swaps (which are not Excluded Swaps), (c) with reference to Covered Bonds with semi-annual CB Payment Dates, any amount (or the Euro Equivalent of any amount) expected to be received by the Covered Bonds Guarantor as payments under the CB Swaps (which are not Excluded Swaps), (d) with reference to Covered Bonds with annual CB Payment Dates, the amount (or the Euro Equivalent of the amount) to be received annually by the Covered Bonds Guarantor as payment under the CB Swaps (which are not Excluded Swaps); (e) any amount credited on the Investment Account as Reserve Fund Required Amount; and (ii) the payments (or the Euro Equivalent of the payments) to be effected in accordance with the relevant Priority of Payments, by the Covered Bonds Guarantor in priority to, and including, payments under the Swap Agreements (which are not Excluded Swaps). For the avoidance of doubt, items under (i)(a) above shall include interest expected to be received from the investment, into Eligible Investments and Authorised Investments, of principal collections arising from the expected amortisation of the Eligible Portfolio.

"**Asset Percentage**" means 93% or such other lower percentage as the Issuer on behalf of the Covered Bonds Guarantor shall determine in accordance with the Rating Agency's methodologies (after procuring the required overcollateralization also to take into account the provisions of Clause 15 (Undertakings of the Parties in respect of Certain Risks) of the Portfolio Administration Agreement, and notify, using the pro forma notice attached under Schedule 1 (Notice of the Asset Percentage) of the Portfolio Administration Agreement, to the Representative of the Covered Bondholders, the Servicer, the Calculation Agent, the Asset Monitor and the Rating Agency. Any adjustment of the Asset Percentage, as previously notified, will appear from the relevant Investor Report as the new Asset Percentage as determined in accordance with the Portfolio Administration Agreement.

"**Current Balance**" means in relation to a Public Asset, Integration Asset, Eligible Investment or Authorised Investment at any given date, the aggregate (without double counting) of the Outstanding Principal Balance, Accrued Interest and Interest Arrears relating to that Public Assets, Integration Asset, Eligible Investment or Authorised Investment as at that date.

"**Defaulted Asset**" means Receivables which have been classified by the Servicer on behalf of the Covered Bonds Guarantor as Crediti in Default and/or the Securities which have been classified by the Servicer on behalf of the Covered Bonds Guarantor as Defaulted Securities.

"**Defaulted Securities**" means (i) any Securities classified as "in sofferenza" in compliance with the Collection Policies, as interpreted and applied in compliance with the BoI Regulations and in accordance with principles governing the prudential administration of the Receivables and with the

maximum standard of diligenza professionale and (ii) the Securities that may be considered as "in default" in accordance with the provisions of the respective Relevant Securities Documents and (iii) the Delinquent Securities for more than 30 Business Days starting from the maturity date provided for under the respective Relevant Securities Documents (for the avoidance of doubts, in this latter case both Securities in respect of which the respective Relevant Securities Documents provide for the classification as in "default" for non payment for more than 30 Business Days and Securities in respect of which no particular term is provided for under the respective Relevant Securities Documents could be classified as Defaulted Securities).

"**Discount Factor**" means the discount rate, implied in the relevant Swap Curve, calculated by the Servicer.

"**Earliest Maturing Covered Bonds**" means at any time the Series of the Covered Bonds that have the earliest Maturity Date (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or the earliest Extended Maturity Date (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date).

"**Eligible Portfolio**" means the aggregate of Public Assets and Integration Assets, without any double counting (including any sum standing to the credit of the Accounts (other than the Expenses Account, the Corporate Account and the Quota Capital Account), and the Eligible Investments and Authorised Investments), *excluding* (a) any Defaulted Assets and those Public Assets and Integration Assets for which a breach of the representations and warranties granted under Clause 2 (*Dichiarazioni e Garanzie del Cedente*) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the aggregate of Integration Assets in excess of the Integration Assets Limit, (c) the aggregate of Integration Assets which do not meet the Integration Assets Rating Requirements.

"**Euro Equivalent**" means at any date, in relation to any amount or payment referred to a loan, a bond, an agreement or any other asset the amount or payment referred to such loan, bond, agreement or asset at such date denominated in Euro where the exchange rate corresponds to (i) the current exchange rate fixed by the Servicer in accordance with its usual practice at that time for calculating that equivalent should any currency hedging agreement be not in place or (ii) the exchange rate indicated in the relevant currency hedging agreement in place.

"**Expected Floating Payments**" means the amount (or the Euro Equivalent amount), determined on the basis of the Swap Curve, of expected principal and interest payments from the Floating Component of the Eligible Portfolio, the expected Swap Agreements floating leg payments, or the expected interest payments on outstanding Series of floating rate Covered Bonds, as the case may be.

"Fixed Component of the Eligible Portfolio" means the Public Assets or Integration Assets being part of the Eligible Portfolio remunerated on the basis of a fixed rate of interest.

"Floating Component of the Eligible Portfolio" means the Public Assets or Integration Assets being part of the Eligible Portfolio remunerated on the basis of a floating rate of interest.

"**Integration Assets Rating Requirements**" means (a) in respect of Integration Assets consisting of bank securities having a remaining maturity date of 364 days or less, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity equal to or higher than "P-3" by Moody's and (b) in respect of Integration Assets consisting of deposits with bank, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the entity with which the demand or time deposits are made equal to or higher than "P-3" by Moody's.

"**Interest Arrears**" means in relation to any loan, bond or other asset at any date, the amount of (or the Euro Equivalent amount of) interest and expenses which are due and payable and are unpaid as of such date.

"**Interest Payments**" means, as of a Calculation Date or any other relevant date, with reference to all following Guarantor Interest Periods up to the last Maturity Date, or Extended Maturity Date, as the case may be, an amount equal to the aggregate of (a) expected interest payments (or the Euro Equivalent of the expected interest payments) in respect of the outstanding Series of Covered Bonds

(other than floating rate Covered Bonds) and (b) Expected Floating Payments in respect of interest on floating rate Covered Bonds.

"**Negative Carry Factor**" means 0.50 per cent. as long as the Issuer's rating is equal to or higher than Baa3. If the Issuer is downgraded below Baa3, it shall be equal to the algebraic difference, if positive, between (i) (a) the WA Swap Margin paid by the Covered Bonds Guarantor to the CB Hedging Counterparty under the CB Swaps or, absent such CB Swaps, (b) the WA CB Margin or (c) a combination of (a) and (b), and (ii) the 6-Month Euribor Equivalent Margin.

"**Net Interest Collections from the Eligible Portfolio**" means, as of a Calculation Date or any other relevant date with reference to all (x) following Guarantor Payment Dates, (y) relevant Collection Periods, and (z) relevant Guarantor Interest Periods (as the case may be), up to the last Maturity Date or Extended Maturity Date, as the case may be, an amount equal to the difference between **(i)** the sum of (a) interest payments (or the Euro Equivalent of the interest payments) from the Fixed Component of the Eligible Portfolio, payments and Expected Floating Payments in respect of interest from the Floating Component of the Eligible Portfolio received or expected to be received, (b) any amount expected to be received by the Covered Bonds Guarantor as payments under the TBG Swaps (which are not Excluded Swaps), (c) any amount (or the Euro Equivalent of any amount) expected to be received by the Covered Bonds Guarantor as payments under the CB Swaps (which are not Excluded Swaps); (d) any amount credited on the Investment Account as Reserve Fund Required Amount; and **(ii)** the payments (or the Euro Equivalent of the payments) to be effected in accordance with the relevant Priority of Payments, by the Covered Bonds Guarantor in priority to, and including, payments under the Swap Agreements (which are not Excluded Swaps). For the avoidance of doubt, items under (i) (a) above shall include interest expected to be received from the investment, into Eligible Investments and Authorised Investments, of principal collections arising from the expected amortisation of the Eligible Portfolio.

"**Net Present Value**" means, as of any date, an amount equal to the algebraic sum of the product of each relevant Discount Factor and expected payments (or the Euro Equivalent of the expected payments) to be received or to be effected.

"**Net Present Value of the Eligible Portfolio**" means at any date an amount equal to the algebraic sum of (i) the product of (a) each relevant Discount Factor and (b) expected principal and interest payments (or the Euro Equivalent of expected principal and interest payments) from the Fixed Component of the Eligible Portfolio and Expected Floating Payments in respect of principal and interest from the Floating Component of the Eligible Portfolio, (ii) the product of (c) each relevant Discount Factor and (d) expected payments to be received or to be effected by the Covered Bonds Guarantor under or in connection with the TBG Swaps and the CB Swaps (which are not Excluded Swaps), (iii) the product of (e) each relevant Discount Factor and (f) any amount (or the Euro Equivalent of any amount) expected to be paid by the Covered Bonds Guarantor in priority to the TBG Swaps and the CB Swaps payments, in accordance with the relevant Priorities of Payments and (iv) any sum standing to the credit of the Accounts (other than the Expenses Account, the Corporate Account and the Quota Capital Account), for the avoidance of doubts, without any double counting with the Integration Assets, Eligible Investments and Authorised Investments included in point (i) above.

"Net Present Value of the Outstanding Covered Bonds" means at any date an amount equal to the sum of (i) the product of (a) each relevant Discount Factor and (b) expected principal and interest payments (or the Euro Equivalent of expected principal and interest payments) in respect of the outstanding Series of Covered Bonds (other than floating rate Covered Bonds) and (ii) the product of (c) each relevant Discount Factor and (d) Expected Floating Payments in respect of principal and interest on floating rate Covered Bonds.

"**OC Adjusted Eligible Portfolio**" means an amount equal to:

A + B + C + D + E - Z

where:

- **A** = PA * P

where

PA = the Outstanding Principal Balance of Public Assets excluding (a) any Defaulted Assets and those Public Assets for which a breach of the representations and warranties granted under Clause 2 (Dichiarazioni e Garanzie del Cedente) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the Authorised Investments which are Public Assets and (c) Eligible Investments which are Public Assets;

P = Asset Percentage;

- **B** = Integration Assets excluding (a) any Defaulted Assets and those Integration Assets for which a breach of the representations and warranties granted under Clause 2 (Dichiarazioni e Garanzie del Cedente) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the Outstanding Principal Balance of Integration Assets in excess of the Integration Assets Limit, (c) the Integration Assets which do not meet the Integration Assets Rating Requirements.
- **C** = the Outstanding Principal Balance of Eligible Investments which are Public Assets;
- **D** = the Outstanding Principal Balance of Authorised Investments which are Public Assets;
- **E** = any sum standing to the credit of the Accounts (other than the Expense Account, the Corporate Account and the Quota Capital Account), for the avoidance of doubts, without any double counting with B and excluding any sum in excess of the Integration Assets Limit;
- **Z =** (the weighted average number of days to maturity of the outstanding Covered Bonds/365) multiplied by the outstanding Covered Bonds multiplied by **N**.

  where

  N = Negative Carry Factor.

"**Outstanding Principal Balance**" means, at any date, in relation to a loan, a bond, a Series of Covered Bonds or any other asset the aggregate nominal principal amount outstanding (or the Euro Equivalent of the aggregate nominal principal amount outstanding) of such loan, bond, Series of Covered Bonds or asset at such date.

"**Outstanding Principal Balance of the Covered Bonds**" means the Outstanding Principal Balance of the outstanding Series of Covered Bonds.

"**Random Basis**" means any process which selects Public Assets on a basis that is not designed to favour the selection of any identifiable class or type or quality of assets from all the Public Assets forming part of the Portfolio.

"**Required Redemption Amount**" means in respect of any relevant Series of Covered Bonds, the amount calculated as follows: the Outstanding Principal Balance of the relevant Series of Covered Bonds ***multiplied*** (1 + (N x (days to maturity of the relevant Series of Covered Bonds/365)). Where "N" is the Negative Carry Factor.

"**Relevant Securities Documents**" means the relevant prospectuses (or, for Securities in respect of which duty to publish a prospectus is not provided for, the issue notice published in accordance with the relevant applicable law) and/or the terms and conditions of the Securities (or similar documents in accordance with the relevant applicable law) and the documents by means of which Guarantees are given.

"**Swap Curve**" means the term structure of interest rates used by the Servicer in accordance with the best market practice and calculated based on market instruments.

"**Swap Margin**" means the positive or negative margin applied to the 6-Month Euribor paid by the Covered Bonds Guarantor with respect to the relevant CB Swap.

"**WA CB Margin**" the weighted average positive or negative margin applied to the 6-Month Euribor paid by the Issuer with respect to the Covered Bonds.

"**WA Swap Margin**" the weighted average positive or negative margin applied to the 6-Month Euribor that the Covered Bonds Guarantor will pay under the CB Swaps.

Pre-Maturity Liquidity Test

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

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

For the purpose of this paragraph the "**Pre-Maturity Liquidity Test"** is complied with if on any Pre-Maturity Liquidity Test Date if, during the Pre-Maturity Rating Period, all of the Issuer's credit ratings are equal to, or greater than, the Pre-Maturity Liquidity Required Ratings.

"**Pre-Maturity Rating Period**" means the period of 12 months preceding the Maturity Date of any Hard Bullet Series of the Covered Bonds.

Following a breach of a Pre-Maturity Liquidity Test in respect of a Series of Hard Bullet Covered Bonds:

(i) the Issuer shall:

(a) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or

(b) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-Maturity Liquidity Guarantor Ratings; and/or

(c) take action in the form of a combination of the foregoing which in aggregate adding up to an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;

and/or

(ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

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

(a) 20 Business days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test, and

(b) the Maturity Date of that Series of Covered Bonds,

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

For the purposes of this section:

"**Adjusted Required Redemption Amount**" which is an amount equal to the Required Redemption Amount of the Earliest Maturing Covered Bonds *plus* or *minus* any swap termination amounts payable respectively by or to the Covered Bonds Guarantor *less* amounts standing to the credit of the Accounts (excluding the Expense Account, the Corporate Account and the Quota Capital Account and all the amounts required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds and all the amounts to be applied on the following Guarantor Payment Date to repay higher ranking amounts in the relevant Priorities of Payments) *less* the Outstanding Principal Balance of any Eligible Investments and Authorised Investments.

Set-Off Risk and Claw-Back Risk

Pursuant to the Portfolio Administration Agreement, the Servicer has undertaken, upon occurrence of an Issuer Downgrading Event or a Servicer Downgrading Event, to notify on a quarterly basis the Rating Agency of each of the Potential Set-Off Amount and the Potential Claw-Back Amount. As long as the Issuer Downgrading Event and the Servicer Dowingrading Event is continuing, the Asset Percentage shall be reduced by an amount equal to the Potential Set-Off Amount and the Potential Claw-Back Amount.

"**Issuer Downgrading Event**" means the Issuer being downgraded to "P-3", or below, by Moody's.

"**Potential Claw-Back Amount**" means an amount, calculated by the Servicer as a percentage of the Portfolio that the Seller determines as potentially subject to claw-back.

"**Potential Set-Off Amount**" means an amount, calculated by the Servicer as a percentage of the Portfolio that the Seller determines as potentially subject to set-off by the Debtors.

"**Servicer Downgrading Event**" means the Servicer being downgraded to "Ba1", or below, by Moody's.

Commingling Risk for loans granted in pool

Pursuant to the Portfolio Administration Agreement, the Servicer has undertaken, upon occurrence of an ATI Agent Trigger Event, to notify the Rating Agency, the Representative of the Covered Bondholders and the Hedging Counterparties of such events and shall identify the ATI Commingling Affected Portfolio. Further to such event, and for so long as the event is continuing, if no other ATI Agent Remedy Actions has been implemented, the determination of the Asset Percentage shall be modified so as to consider the amounts which may be subject to commingling risk in case of bankruptcy of the relevant ATI Agent Bank.

For the purpose of this section:

"**ATI**" means an *Associazione Temporanea di Imprese* or a *Raggruppamento Temporaneo* as ruled under Legislative Decree no. 163 of 12 April 2006 as amended and supplemented from time to time, and the relevant implementing regulations.

"**ATI Agent Bank**" means, in respect of a Loan disbursed by lenders in pool as ATI or Convenzioni in Pool, the bank (other than the Issuer and the Servicer) acting as agent bank for the pool on the basis of an irrevocable mandate (an in rem propriam mandate) granted to it.

"**ATI Agent Remedy Actions**" means that (a) the Asset Percentage has been modified in accordance with the Portfolio Administration Agreement in order to cure an ATI Agent Trigger Event and the Tests are satisfied taking into account such amendment to the Asset Percentage, (b) a guarantee in respect of the relevant ATI Agent Bank's obligations has been granted by an eligible entity in accordance with the provisions of the Servicing Agreement, (c) the ATI Commingling Reserve Amount has been credited to the Investment Account on the immediately preceding Guarantor Payment Date or (d) the amounts standing to the credit of the Accounts are sufficient, taking into account the amounts to be paid under points (i) to (v) of the Pre-Issuer Default Interest Priority of Payments, to constitute the ATI Commingling Reserve Amount on the next Guarantor Payment Date.

"**ATI Agent Trigger Event**" means any of the following event: (a) the unsecured, unguaranteed and unsubordinated debt obligations of an ATI Agent Bank are rated below "Baa3" by Moody's or (b) any amount due to be paid by an ATI Agent Bank to the Servicer or the Covered Bonds Guarantor in

accordance with the relevant Loan Agreements or ancillary documents is not duly and timely paid by the relevant ATI Agent Bank.

"**ATI Commingling Affected Portfolio**" means the aggregate amount of the Loans in relation to which the relevant ATI Agent Bank has been affected by an ATI Agent Trigger Event.

"**ATI Commingling Reserve Amount**" means, on any date, an amount equal to (a) the peak of the Collections expected to be received during one of the following Collection Periods in respect of the ATI Commingling Affected Portfolio minus (b) the amount of the Reserve Fund Required Amount already credited (or to be credited on the relevant Guarantor Payment Date) on the Investment Account, provided that if the difference between (a) and (b) above is a negative number the ATI Commingling Reserve Amount shall be equal to zero.

"***Convenzioni in Pool***" means temporary pools composed by two or more banks other than an ATI.

ACCOUNTS AND CASH FLOWS

ACCOUNTS

The following Accounts are established and shall be maintained with the Account Bank and the Receivables Collection Account Bank as separate accounts in the name of the Covered Bonds Guarantor.

The Receivables Collection Accounts shall be held with the Receivables Collection Account Bank for as long as the Receivables Account Bank maintains the Minimum Required Receivables Collection Account Bank Rating.

The Securities Collection Accounts, the Investment Account, the Securities Account, the Eligible Investments Account, the Quota Capital Account, the Expenses Account and the Corporate Account shall be held with the Account Bank for as long as the Account Bank maintains the Minimum Required Account Bank Rating.

The Principal Receivables Collection Account

Deposits. An Euro denominated current account established and maintained with Receivables Collection Account Bank into which:

(i) by the end of the second Business Day immediately following the relevant reconciliation, any principal payment and any Interest Component of the Purchase Price received by the Servicer in relation to the Receivables will be deposited with value date as of the relevant date of receipt;

(ii) promptly upon receipt, all principal components and the Interest Component of the Purchase Price of the proceeds arising out of the liquidation of Receivables will be transferred with value date as of the relevant date of receipt.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Principal Receivables Collection Account will be transferred to the Investment Account by the Receivables Collection Account Bank.

(the "**Principal Receivables Collection Account**").

The Interest Receivables Collection Account

Deposits. An Euro denominated current account established and maintained with Receivables Collection Account Bank into which:

(i) by the end of the second Business Day immediately following the relevant reconciliation, any interest payment (other than the Interest Component of the Purchase Price) received by the Servicer in relation to the Receivables will be deposited with value date as of the relevant date of receipt;

(ii) promptly upon receipt, all proceeds (net of any principal component thereof) arising out of the liquidation of Receivables will be transferred with value date as of the relevant date of receipt.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Interest Receivables Collection Account will be transferred to the Investment Account by the Receivables Collection Account Bank.

(the "**Interest Receivables Collection Account**" and together with the Principal Receivables Collection Account, the "**Receivables Collection Accounts**").

The Principal Securities Collection Account

Deposits. An Euro denominated current account established and maintained with the Account Bank into which:

(i) on a daily basis, any principal payment and any Interest Component of the Purchase Price received in relation to the Securities will be deposited.

(ii) promptly upon receipt, all principal components of the proceeds arising out of the liquidation of

Securities (other than the Eligible Investments and the Authorised Investments) will be transferred.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Principal Securities Collection Account will be transferred to the Investment Account by the Account Bank.

(the "**Principal Securities Collection Account**").

The Interest Securities Collection Account

Deposits. An Euro denominated current account established and maintained with the Account Bank into which:

(i) on a daily basis, any interest payment (other than the Interest Component of the Purchase Price) in relation to the Securities will be deposited.

(ii) promptly upon receipt, all proceeds (net of any principal component thereof) arising out of the liquidation of Securities (other than the Eligible Investments and the Authorised Investments) will be transferred.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Interest Securities Collection Account will be transferred to the Investment Account by the Account Bank.

(the "**Interest Securities Collection Account**" and together with the Principal Securities Collection Account, the "**Securities Collection Accounts**).

The Investment Account

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

(i) the Receivables Collection Account Bank shall transfer by the end of the relevant day of receipt any amount standing to the credit of the Receivables Collection Accounts and the Account Bank shall transfer in the Investment Account by the end of the relevant day of receipt any amount standing to the credit of the Securities Collection Accounts;

(ii) by the end of the relevant day of receipt the Account Bank shall transfer (a) the funds resulting from the reimbursement or liquidation of all Eligible Investments and Authorised Investments; (b) any amount to be credited to the Investment Account in accordance with the relevant Priority of Payments (including any CB Swaps Accumulation Amount, the Reserve Fund Required Amount, the ATI Commingling Reserve Amount, the Interest Accumulation Amount and any Purchase Price Accumulation Amount); and (c) any amount (if any) standing to the credit of the Transaction Account, after distribution in accordance with the applicable Priorities of Payments of payments due on the relevant CB Payment Dates or payments of the purchase price to be paid in accordance with the Master Transfer Agreement.

Withdrawals:

(i) within 2 Business Days prior to each Guarantor Payment Date, any amount standing to the credit of the Investment Account (other than the CB Swaps Accumulation Amount and the Interest Accumulation Amount) shall be transferred to the Transaction Account.

(ii) 2 Business Days prior to each CB Payment Date, any amount to be paid under the CB Swaps on such CB Payment Date shall be transferred to the Transaction Account.

(iii) 2 Business Days prior to each CB Payment Date, the Interest Accumulation Amount shall be transferred to the Transaction Account.

(iv) 2 Business Days prior to each date on which a purchase price has to be paid under the Master Transfer Agreement, the Purchase Price Accumulation Amount shall be transferred to the Transaction Account upon instruction of the Servicer.

(v) 2 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, any amount to be paid under the Covered Bonds on such CB Payment Date shall be transferred to the Transaction Account.

(vi) 10 Business Days after the Initial Issue Date an amount equal to Euro 150,000.00 shall be transferred to the Corporate Account and an amount equal to Euro 120,000.00 shall be transferred to the Expenses Account.

(the "**Investment Account**").

The Securities Account

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which the Account Bank, pursuant to any order of the Cash Manager or the Covered Bonds Guarantor, will deposit and keep the Public Assets and Integration Assets consisting of securities (other than the Eligible Investments and the Authorised Investments).

Withdrawals. All the Public Assets and Integration Assets consisting of securities (other than the Eligible Investments and the Authorised Investments) will be (a) liquidated in accordance with the provisions of the Portfolio Administration Agreement or (b) sold to the relevant Seller in accordance with the Master Transfer Agreement upon instruction of the Servicer, and proceeds credited to the Investment Account by the Cash Manager.

(the "**Securities Account**").

The Eligible Investments Account

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which the Account Bank, pursuant to any order of the Cash Manager, will deposit all securities constituting Eligible Investments and Authorised Investments purchased by the Cash Manager on behalf of the Covered Bonds Guarantor with the amounts standing to the credit of the Investment Account.

Withdrawals. Within 3 Business Days prior to each CB Payment Date falling prior to the occurrence of an Issuer Event of Default or an Article 74 Event, the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated for an amount equal to the CB Swap Accumulation Amount or Interest Accumulation Amount, as the case may be, and proceeds credited to the Investment Account by the Account Bank unless there are sufficient funds already deposited in the Investment Account to cover the CB Swap Accumulation Amount or the Interest Accumulation Amount, as the case may be.

Within 3 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, all the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated and proceeds credited to the Investments Account by the Account Bank.

Within 3 Business Days prior to each Guarantor Payment Date, the Authorised Investments and the Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated and proceeds credited to the Investment Account.

Within 3 Business Days prior to each date on which a purchase price in respect of any Revolving Assignment has to be paid under the Master Transfer Agreement, the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated for an amount equal to the Purchase Price Accumulation Amount and proceeds credited to the Investment Account by the Account Bank unless there are sufficient funds already deposited in the Investment Account to cover the Purchase Price Accumulation Amount.

(the "**Eligible Investments Account**").

The Quota Capital Account

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which all the sums contributed by the quotaholders of the Covered Bonds Guarantor as quota capital have been credited and all interest accrued thereon will be credited.

(the "**Quota Capital Account**").

The Expenses Account

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

(i) 10 Business Days after the Initial Issue Date an amount equal to Euro 120,000.00 will be credited;

(ii) on each Guarantor Payment Date, an amount equal to the Covered Bonds Guarantor Disbursement Amount will be credited.

Withdrawals. The general expenses (other than the Expenses) due and payable at any time within each Guarantor Interest Period will be paid with the monies standing to the credit of the Expenses Account.

(the "**Expenses Account"**)

The Corporate Account

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

(i) 10 Business Days after the Initial Issue Date an amount equal to Euro 150,000.00 will be credited;

(ii) on each Guarantor Payment Date, an amount equal to the Covered Bonds Guarantor Retention Amount will be credited.

Withdrawals. The Expenses due and payable at any time within each Guarantor Interest Period will be paid with the monies standing to the credit of the Corporate Account.

(the "**Corporate Account"**)

The Transaction Account

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

(i) 2 Business Days prior to each Guarantor Payment Date, (a) any amount standing to the credit of the Investment Account (other than the CB Swaps Accumulation Amount, the Interest Accumulation Amount and the Purchase Price Accumulation Amount) shall be transferred and (b) any amounts to be paid by the Hedging Counterparty under the TBG Swaps will be credited.

(ii) 2 Business Days prior to each CB Payment Date (a) any amount to be paid under the CB Swaps on such CB Payment Date and deposited on the Investment Account shall be transferred and (b) the amounts to be paid by the CB Hedging Counterparty under the CB Swaps will be credited.

(iii) 2 Business Days prior to each CB Payment Date any Interest Accumulation Amount deposited on the Investment Account shall be transferred.

(iv) 2 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, any amount to be paid under the Covered Bonds on such CB

Payment Date shall be transferred from the Investment Account.

(v) 2 Business Days prior to each date on which a purchase price has to be paid under the Master Transfer Agreement, the Purchase Price Accumulation Amount shall be transferred from the Investment Account to the Transaction Account upon instruction of the Servicer.

(vi) Any drawdown under the Subordinated Loan Agreement will be credited.

Withdrawals:

(i) on each Guarantor Payment Date, the Cash Manager will execute payments or credit the relevant amounts in accordance with the relevant Priorities of Payments (including the purchase price of Public Assets and Integration Assets funded through Available Funds).

(ii) on each CB Payment Date the Cash Manager will execute payments under the CB Swaps.

(iii) 1 Business Day prior to each CB Payment Date falling after an Issuer Event of Default or an Article 74 Event or a Covered Bonds Guarantor Event of Default, the Cash Manager will transfer to the Paying Agent the amounts necessary to execute payments of interests and principal due in relation to the outstanding Covered Bonds in accordance with the Post-Issuer Defaults Priority of Payments.

(iv) 2 Business Days following the relevant CB Payment Date, any amount in excess, after payments of the amounts mentioned above, will be transferred to the Investment Account by the Cash Manager.

(v) On the date on which the Definitive Purchase Price of the New Portfolio or the Rectified Purchase Price of the New Portfolio has to be paid in accordance with the Master Transfer Agreement, an amount equal to the lower of (a) the Purchase Price Accumulation Amount and (b) the Definitive Purchase Price of the New Portfolio or the Rectified Purchase Price of the New Portfolio, as the case may be, will be transferred to the Seller by the Cash Manager.

(vi) 2 Business Days following the payment under the preceding paragraph, any amount equal to the positive difference, if any, between the Purchase Price Accumulation Amount and the Definitive Purchase Price of the New Portfolio or Rectified Purchase Price of the New Portfolio, as the case may be, actually paid to the Seller will be transferred to the Investment Account by the Cash Manager.

(vii) The Cash Manager will execute payments for the purchase of any Public Assets and Integration Assets funded through the Subordinated Loan in accordance with the provisions of the Master Transfer Agreement.

(the "**Transaction Account**")."

CASH FLOWS

This section summarises the cash flows of the Covered Bonds Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Accounts and their order of priority (all such orders of priority, the "**Priority of Payments**") (a) prior to an Issuer Event of Default and a Covered Bonds Guarantor Event of Default, (b) following an Issuer Event of Default but prior to a Covered Bonds Guarantor Event of Default and (c) following a Covered Bonds Guarantor Event of Default.

Pre-Issuer Default Interest Priority of Payments

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

(i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any and all taxes due and payable by the Covered Bonds Guarantor;

(ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Expenses, to the extent that such costs and expenses are not met by utilising any amounts standing to the credit of the Expenses Account and/or the Corporate Account on the Guarantor Payment Date falling in March and September of each year and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;

(iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer;

(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date; and (c) to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;

(v) *fifth*, to credit to the Investment Account an amount equal to the Reserve Fund Required Amount;

(vi) *sixt*, if an ATI Agent Trigger Event occurs and is continuing and no other ATI Agent Remedy Actions has been implemented, to credit to the Investment Account an amount equal to the ATI Commingling Reserve Amount;

(vii) *seventh*, to credit to the Principal Receivables Collection Account an amount equal to the amounts paid under item (i) of the Pre-Issuer Default Principal Priority of Payment on any preceding Guarantor Payment Date and not yet repaid under this item (vii);

(viii) *eighth*, if a Servicer Termination Event has occurred, to credit all remaining Interest Available Funds to the Investment Account until such Servicer Termination Event is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is

appointed to service the Portfolio (or the relevant part thereof);

(ix) *ninth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Interest Available Funds to the Investment Account until the following Guarantor Payment Date;

(x) *tenth*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (iv) above;

(xi) *eleventh*, to pay *pari passu* and *pro rata*, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);

(xii) *twelfth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable as Minimum Interest Amount under the Subordinated Loan;

(xiii) *thirteenth*, to pay any Premium Interest Amount under the Subordinated Loan.

Pre-Issuer Default Principal Priority of Payments

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

(i) *first*, to pay any amount due and payable under items (i) to (vi) of the Pre-Issuer Default Interest Priority of Payment, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;

(ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the TBG Swaps and (b) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payment under the CB Swaps after the relevant Guarantor Payment Date;

(iii) *third*, if the Pre-Maturity Liquidity Test is satisfied, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay the purchase price of the Public Assets and/or Integration Assets offered for sale by the Seller, the Additional Sellers (if any) or the Issuer in the context of Revolving Assignment in accordance with the provisions of the Master Transfer Agreement or any amount due to the Seller as purchase price in the context of Revolving Assignment pursuant to the Master Transfer Agreement that was not paid on the previous Guarantor Payment Date, (b) to credit to the Investment Account the Purchase Price Accumulation Amount;

(iv) *fourth*, to deposit on the Investment Account any residual Principal Available Funds in an amount sufficient to ensure that taking into account the other resources available to the Covered Bonds Guarantor, the Tests are met;

(v) *fifth*, if a Servicer Termination Event has occurred, all residual Principal Available Funds to be credited to the Investment Account until such event of default of the Servicer is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

(vi) *sixth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation

Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Principal Available Funds to the Investment Account until the following Guarantor Payment Date;

(vii) *seventh*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (ii) above;

(viii) *eight*, to pay *pari passu* and *pro rata* any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement) not already provided for under item (xi) of the Pre-Issuer Default Interest Priority of Payment;

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

Post-Issuer Default Priority of Payments

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

(i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;

(ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any amount due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Administrative Services Provider, the Calculation Agent, the Asset Monitor, the Portfolio Manager, the Swap Service Providers and the Servicer and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;

(iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date and (c) to pay any interest due and payable on such Guarantor Payment Date or to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the Guarantor Interest Period starting from such Guarantor Payment Date, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;

(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof,

(a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps;

(b) to pay any amount in respect of principal due and payable on each Series

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

(c) to pay any Hedging Senior Payment, in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payments under the CB Swaps during the Guarantor Interest Period starting from such Guarantor Payment Date;

(v) *fifth*, to deposit on the Investment Account any residual amount until all Covered Bonds are fully repaid or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated;

(vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreement not provided for under items (iii) and (iv) above;

(vii) *seventh*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, pari passu and pro rata according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);

(viii) *eighth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;

(ix) *ninth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as principal under the Subordinated Loan;

(x) *tenth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan.

Post-Guarantor Default Priority of Payments

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

(i) *first*, to pay, pari passu and pro rata according to the respective amounts thereof, any Expenses and taxes;

(ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amounts due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Swap Service

Providers and the Servicer and to credit an amount up to the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;

(iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, and (b) to pay any amount, other than in respect of principal, due and payable on each Series of Covered Bonds and (c) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps;

(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any amount in respect of principal due and payable under each Series of Covered Bonds on such Guarantor Payment Date and (c) to pay any Hedging Senior Payments in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps;

(v) *fifth*, to pay, pari passu and pro rata according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreements not provided for under items (iii) and (iv) above;

(vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);

(vii) *seventh*, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;

(viii) *eighth*, to pay, pari passu and pro rata according to the respective amounts thereof, any amounts due as principal under the Subordinated Loan;

(ix) *ninth*, to pay, pari passu and pro rata according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan.

USE OF PROCEEDS

The net proceeds to the Issuer from the issue of each Series of Covered Bonds will be used by Intesa Sanpaolo Group for general funding purposes.

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Master Transfer Agreement

Pursuant to a master transfer agreement entered into on 20 May 2009 and subsequently amended (the "**Master Transfer Agreement**"), the Seller assigned and transferred the Initial Portfolio to the Covered Bonds Guarantor, without recourse (pro soluto), in accordance with Law 130. Furthermore, the Seller and the Covered Bonds Guarantor agreed that the Seller may assign and transfer Public Assets and/or Integration Assets to the Covered Bonds Guarantor from time to time, on a revolving basis, in the cases and subject to the limits for the transfer of further Public Assets and/or Integration Assets.

Further Assignments

For the assignment of each New Portfolio, the Covered Bonds Guarantor shall pay the Seller an amount equal to the sum of the individual price of each Receivable and Security of all the Receivables or Securities in such New Portfolio, to be calculated in accordance with the provisions set forth under the Master Transfer Agreement.

The Receivables comprised in each New Portfolio shall comply with the General Criteria (if applicable in relation to the relevant issuance, the Specific Criteria) on the relevant Cut-off Date. Each Portfolio may be composed by Integration Assets provided that the total amount of such Integration Assets does not exceed the Integration Assets Limit.

The Further Assignments shall be aimed at:

(a) issuing further Covered Bonds funded by means of amounts drawn under the Subordinated Loan, (the "**Issuance Collateralisation Assignment**"); or

(b) investing principal Collections by means of purchasing further Public Assets using the principal collections received by the Covered Bonds Guarantor in relation to the Public Assets and Integration Assets which are part of the Portfolio and in accordance with the relevant Priorities of Payments (the "**Revolving Assignment**"); or

(c) complying with the Tests, and preventing the breach of the Tests, in accordance with the Portfolio Administration Agreement (the "**Integration Assignment**"), subject to the Integration Assets Limits.

The obligation of the Covered Bonds Guarantor to purchase any New Portfolio shall be conditional upon, inter alia, (a) the existence of Principal Available Funds with reference to the Pre-Issuer Default Principal Priority of Payments for the carrying out of the Revolving Assignments, and (b) the funding of the requested amounts under the relevant Subordinated Loan for the carrying out of Issuance Collateralisation Assignments or Integration Assignments;

The obligation of the Covered Bonds Guarantor to purchase any New Portfolio shall be also subject to certain conditions subsequent set out in the Master Transfer Agreement.

Criteria

Each of the Receivables forming part of the Portfolio shall comply with all the General Criteria and to the applicable Specific Criteria.

Price Adjustments

The Master Transfer Agreement provides a price adjustment mechanism pursuant to which:

(i) if, following the relevant Cut-off Date, any Receivable which is part of the Portfolio does not meet the Criteria, then such Receivable will be deemed not to have been assigned and transferred to the Covered Bonds Guarantor pursuant to the Master Transfer Agreement;

(ii) if, following the relevant Cut-off Date, any Receivable which meets the Criteria but it is not part of the Portfolio, then such Receivable shall be deemed to have been assigned and

transferred to the Covered Bonds Guarantor with effects as of the Effective Date of the relevant Portfolio, pursuant to the Master Transfer Agreement.

Repurchase of Receivables and Pre-emption right

The Seller is granted an option right, pursuant to Article 1331 of Italian Civil Code, to repurchase Receivables or Securities individually or in block, also in different tranches. In order to exercise the option right, the Seller is required to pay the Covered Bonds Guarantor an amount to be calculated in accordance with the provisions set forth under the Master Transfer Agreement. The exercise of the option right shall be conditional upon, inter alia, (a) the verification by the Calculation Agent, and the confirmation of the Seller, that the exercise of such right shall not cause the breach of the Tests and (b) the absence of the Issuer Events of Default set forth under Condition 11(c) (*Issuer Event of Default*) point (iii) *(Insolvency*).

The Seller is granted a pre-emption right to repurchase Receivables or Securities to be sold by the Covered Bonds Guarantor to third parties, at the same terms and conditions provided for such third parties. Such pre-emption rights shall cease should the Seller be submitted to any of the procedures set forth in Title V of the Banking Law.

Termination of the Covered Bonds Guarantor's obligation to purchase and termination of the agreement

Pursuant to the Master Transfer Agreement, the obligation of the Covered Bonds Guarantor to purchase New Portfolios shall terminate upon the occurrence of any of the following: (i) a breach of the undertakings and duties assumed by the Seller pursuant to the Transaction Documents, in the event such breach is not cured within the period specified in the Master Transfer Agreement, or it is otherwise not curable; (ii) a breach of the Seller's representations and warranties given in any of the Transaction Documents; (iii) a Seller's material adverse change; (iv) an event which is negatively affecting the corporate and financial situation of the Seller (inter alia, enforcement against the Sellers' assets, winding-up of the Seller, opening of a bankruptcy or insolvency proceeding); (v) a change of control of the Seller and consequent exit from the Intesa Sanpaolo Group; (vi) a change in law and regulations following to which the issue of Covered Bonds is impossible or less convenient, both from an economic and commercial point of view, for the parties; (vii) the Seller being notified of the commencement of a judicial proceeding which may reasonably cause the occurrence of a material adverse change of the Seller; (viii) the occurrence of an Issuer Event of Default notified by the Representative of the Covered Bondholders both to the Issuer and the Covered Bonds Guarantor. Further to the occurrence of an event described above, the Covered Bonds Guarantor shall no longer be obliged to purchase New Portfolios.

Undertakings

The Master Transfer Agreement also contains a number of undertakings by the Seller in respect of its activities in relation to the Receivables or Securities. The Seller has undertaken, inter alia, to refrain from carrying out activities with respect to the Receivables or Securities which may prejudice the validity or recoverability of any Receivable or Security and in particular not to assign or transfer the Receivables or Securities to any third party or to create any security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables or Securities. The Seller has also undertaken to refrain from any action which could cause any of the Receivable or Security to become invalid or to cause a reduction in the amount of any of the Receivable or Security or the Guarantee. The Master Transfer Agreement also provides that the Seller shall waive any set off rights in respect of the Receivables or Securities, and cooperate actively with the Covered Bonds Guarantor in any activity concerning the Receivables or Securities.

Governing Law

The Master Transfer Agreement is governed by Italian law.

Warranty and Indemnity Agreement

On 20 May 2009, the Seller and the Covered Bonds Guarantor entered into a warranty and indemnity agreement, subsequently amended, (the "**Warranty and Indemnity Agreement**"), pursuant to which the Seller made certain representations and warranties to the Covered Bonds Guarantor.

Specifically, as of the date of execution of the Transfer Agreement and as of each Issue Date, the Seller has given and will give to the Covered Bonds Guarantor, *inter alia*, representations and warranties about: (i) its status and powers, (ii) the information and the documents provided to the Covered Bonds Guarantor, (iii) its legal title on the Receivables or Securities, (iv) the status of the Receivables or Securities, (v) the terms and conditions of the Receivables or Securities.

Pursuant to the Warranty and Indemnity Agreement, the Seller has undertaken to fully and promptly indemnify and hold harmless the Covered Bonds Guarantor and its officers, directors and agents (each, an "**Indemnified Person**"), from and against any and all damages, losses, claims, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and disbursements and any value added tax and other tax thereon as well as any claim for damages by third parties) awarded against, or incurred by, any of them, arising from any representations and/or warranties made by the Seller under the Warranty and Indemnity Agreement, and certain representations and/or warranties made by the Seller under the Master Transfer Agreement, being materially false, incomplete or incorrect and/or failure by the Seller to perform any of the obligations and undertakings assumed by the Seller.

Without prejudice of the foregoing, the Seller has further undertaken that, if any Receivable does not exist, in whole or in part, (including where such non existence is based only on a judicial pronouncement that is not definitive), the Seller shall immediately pay the Covered Bonds Guarantor any damage, costs, expenses incurred by the Covered Bonds Guarantor. In the event that, thereafter, any definitive judicial pronouncement recognises that such Receivable exists, the Covered Bonds Guarantor shall repay the amounts mentioned above received by the Seller on the immediately subsequent Guarantor Payment Date, in accordance with the relevant Priorities of Payments.

Governing Law

The Warranty and Indemnity Agreement is governed by Italian law.

Subordinated Loan Agreement

On 20 May 2009, the Seller and the Covered Bonds Guarantor entered into a subordinated loan agreement, as subsequently amended, (the "**Subordinated Loan Agreement**"), pursuant to which the Seller granted the Covered Bonds Guarantor a subordinated loan (the "**Subordinated Loan**") with a maximum amount equal to the Maximum Amount, as amended from time to time. Under the provisions of such agreement, upon the relevant disbursement notice being filed by the Covered Bonds Guarantor, the Seller shall make advances to the Covered Bonds Guarantor in amounts equal to the relevant price of the New Portfolios transferred from time to time to the Covered Bonds Guarantor in order to carrying out (a) Issuance Collateralisation Assignment or (b) Integration Assignment.

The Covered Bonds Guarantor shall pay any amounts due under the Subordinated Loan in accordance with the relevant Priorities of Payments. The Subordinated Loan shall be remunerated by way of the Subordinated Loan Interest Amount.

Governing Law

The Subordinated Loan Agreement is governed by Italian law.

Covered Bonds Guarantee

On or about the Initial Issue Date the Covered Bonds Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds (the "**Covered Bonds Guarantee**"), in accordance with the provisions of Law 130 and of the MEF Decree.

Under the terms of the Covered Bonds Guarantee, if the Issuer defaults in the payment on the due date (subject to any applicable grace periods) of any moneys due and payable under or pursuant to the Covered Bonds, or if any other Issuer Event of Default or an Article 74 Event occurs, the

Covered Bonds Guarantor has agreed (subject as described below) to pay, or procure to be paid, following service by the Representative of the Covered Bondholders of the Notice to Pay or an Article 74 Notice to Pay (which has not been withdrawn), unconditionally and irrevocably to or to the order of the Representative of the Covered Bondholders (for the benefit of the Covered Bondholders), any amounts due under the Covered Bonds as and when the same were originally due for payment by the Issuer, as of any Maturity Date or, if applicable, Extended Maturity Date by the Issuer.

Pursuant to Article 7-*bis*, paragraph 1, of Law 130 and Article 4 of the MEF Decree, the guarantee provided under the Covered Bonds Guarantee is a first demand (*a prima richiesta*), unconditional, irrevocable (*irrevocabile*) and independent guarantee (*garanzia autonoma*) and therefore provides for direct and independent obligations of the Covered Bonds Guarantor *vis-à-vis* the Covered Bondholders and with limited recourse to the Available Funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer. The provisions of the Italian Civil Code relating to *fideiussione* set forth in articles 1939 (*Validità della fideiussione*), 1941, paragraph 1 (*Limiti della fideiussione*), 1944, paragraph 2 (*Escussione preventiva*), 1945 (*Eccezioni opponibili dal fideiussore*), 1955 (*Liberazione del fideiussore per fatto del creditore*), 1956 (*Liberazione del fideiussore per obbligazione futura*) and 1957 (*Scadenza dell'obbligazione principale*) shall not apply to the Covered Bonds Guarantee.

Following the occurrence of an Article 74 Event or an Issuer Event of Default and the service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, the Covered Bonds Guarantor shall pay or procure to be paid on the relevant Scheduled Due for Payment Date to the Covered Bondholders an amount equal to those Guaranteed Amounts which shall become due for payment in accordance with the relevant Conditions, but which have not been paid by the Issuer to the relevant Covered Bondholder on the relevant Scheduled Payment Date.

Following the occurrence of a Covered Bonds Guarantor Event of Default and the service by the Representative of the Covered Bondholders, of a Covered Bonds Guarantor Acceleration Notice in respect of all Covered Bonds, which shall become immediately due and repayable, the Covered Bonds Guarantor shall pay or procure to be paid on the Due for Payment Date to the Covered Bondholders, the Guaranteed Amounts for all outstanding Covered Bonds.

Following service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of a Covered Bonds Guarantor Event of Default, payment by the Covered Bonds Guarantor of the Guaranteed Amounts pursuant to this Covered Bonds Guarantee will be made, subject to and in accordance with the Post-Issuer Default Priority of Payments, on the relevant Scheduled Due for Payment Date, provided that, if an Extended Maturity Date is envisaged under the relevant Final Terms and actually applied, any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Covered Bonds Guarantor on any Scheduled Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. In addition, to the extent that the Covered Bonds Guarantor has insufficient moneys available after payment of higher ranking amounts and taking into account amounts ranking *pari passu* therewith in the relevant Priorities of Payments, the Covered Bonds Guarantor shall make partial payments of the Guaranteed Amounts in accordance with the Post-Issuer Default Priority of Payment.

Following service of a Covered Bonds Guarantor Acceleration Notice all Covered Bonds will accelerate, in accordance with the Conditions, against the Covered Bonds Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves and the Available Funds shall be applied in accordance with the Post-Guarantor Default Priority of Payment.

All payments of Guaranteed Amounts by or on behalf of the Covered Bonds Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Covered Bonds Guarantor will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the

appropriate tax authority for the amount required to be withheld or deducted. The Covered Bonds Guarantor will not be obliged to pay any amount to any Covered Bondholder in respect of the amount of such withholding or deduction.

Exercise of rights

Following the occurrence of an Article 74 Event and service of an Article 74 Notice to Pay (which has not been withdrawn) on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Events of Default, the Covered Bonds Guarantor in accordance with the provisions of Article 4, paragraph 4, of the MEF Decree shall temporarily substitute for the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

Following the occurrence of an Issuer Event of Default (other than the event referred under Condition 12(c) (iii)) and service of a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Event of Default, the Covered Bonds Guarantor, in accordance with the provisions set forth under the Covered Bonds Guarantee (as well as in accordance with the provisions of Article 4, paragraph 3, of the MEF Decree), shall substitute the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

Following the occurrence of an Issuer Event of Default referred under Condition 11(c) (iii) and service of a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Events of Default, as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Covered Bonds Guarantor in accordance with the provisions of Article 4, paragraph 3, of the MEF Decree shall substitute the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

As a consequence and as expressly indicated in the Conditions, the Covered Bondholders have irrevocably delegated to the Covered Bonds Guarantor (also in the interest and for the benefit of the Covered Bonds Guarantor) the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders upon request of the Covered Bonds Guarantor, shall provide the Covered

Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 10(a) (*Gross up by Issuer*).

Governing Law

The Covered Bonds Guarantee is governed by Italian law.

Servicing Agreement

On 20 May 2009 the Servicer has agreed, pursuant to the terms of a servicing agreement, subsequently amended, (the "**Servicing Agreement**"), to administer and service the Receivables or Securities, on behalf of the Covered Bonds Guarantor. The appointment to the Servicer is not a mandate *in rem propriam* and, therefore, the Covered Bonds Guarantor is entitled to revoke or terminate the same in accordance with the provisions set forth in the Servicing Agreement.

As consideration for the activity performed and reimbursement of expenses, the Servicing Agreement provides that the Servicer will receive certain fees payable by the Covered Bonds Guarantor on each Guarantor Payment Date in accordance with the applicable Priorities of Payments.

Servicer's activities

In the context of the appointment, the Servicer has undertaken to perform, with its best diligence and highest ethical standards, *inter alia*, the activities specified below:

(i) administration, management and collection of the Receivables or Securities in accordance with the Servicing Agreement, the Collection Policies and the OBG Regulations; management and administration of enforcement proceedings and insolvency proceedings;

(ii) to perform certain activities with reference to the data processing pursuant to the Privacy Law;

(iii) to keep and maintain updated and safe the documents relating to the Receivables or Securities transferred from the Seller to the Covered Bonds Guarantor; to consent to the Covered Bonds Guarantor and the Representative of the Covered Bondholders to examine and inspect the documents and to draw copies;

(iv) upon the occurrence of a Covered Bonds Guarantor Events of Default, the Servicer shall follow only the instructions given by the Representative of the Covered Bondholders and disregard those instructions given by the Covered Bonds Guarantor.

The Servicer is entitled to delegate the performance of certain activities to third parties, except for the supervisory activities in accordance with the regulation of the Governor of the Bank of Italy of 3 November 2003. Notwithstanding the above, the Servicer shall remain fully liable for the activities performed by a party so appointed by the Servicer, and shall maintain the Covered Bonds Guarantor fully indemnified for any losses, costs and damages incurred for the activity performed by a party so appointed by the Servicer.

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

Servicer Reports

The Servicer has undertaken to prepare and submit, prior to the occurrence of a breach of the Tests, quarterly reports to the Covered Bonds Guarantor, the Administrative Services Provider, the Asset Monitor, the Rating Agency, the Representative of the Covered Bondholders, the Hedging Counterparties and the Calculation Agent, in the form set out in the Servicing Agreement, containing information about the Collections made in respect of the Portfolio during the preceding Collection Period. The reports will provide the main information relating to the Servicer's activity during the period, including without limitation: a description of the Portfolio (outstanding amount, principal and interest), information relating to delinquencies, defaults and collections during the Collection Period.

Further to the occurrence of a breach of the Tests, and until the sixth month following the cure of such Tests, the Servicer has undertaken to prepare and submit a monthly report, substantially equal to the quarterly report above mentioned, to the Covered Bonds Guarantor, the Administrative Services Provider, the Asset Monitor, the Rating Agency, the Representative of the Covered Bondholders, the Hedging Counterparties and the Calculation Agent. The reports will provide the main information relating to the Servicer's activity during the month prior to the relevant issue date of the report.

Successor Servicer

According to the Servicing Agreement, upon the occurrence of a termination or withdrawal event, the Covered Bonds Guarantor shall have the right, but not the obligation, to withdraw the appointment of the Servicer and, subject to the approval in writing of the Representative of the Covered Bondholders and prior written notice to the Rating Agency, to appoint a Successor Servicer. The Successor Servicer shall undertake to carry out the activity of administration, management and collection of the Receivables or Securities, as well as all other activities provided for in the Servicing Agreement by entering into a servicing agreement having substantially the same form and contents as the Servicing Agreement and accepting the terms and conditions of the Intercreditor Agreement.

The Covered Bonds Guarantor may terminate the Servicer's appointment and appoint a Successor Servicer following the occurrence of any of the termination event (each a "**Servicer Termination Event**"). The Servicer Termination Events include:

(i) an insolvency, liquidation or winding up event occured with respect to the Servicer;

(ii) loss of the minimum required rating provided for the Servicer under the Servicing Agreement;

(iii) failure to observe or perform duties under the Transaction Documents and the continuation of such failure for a period of 15 Business Days following receipt of written notice from the Covered Bonds Guarantor where such breach prejudiced the reliance of the Covered Bonds Guarantor on the Servicer;

(iv) amendments of the functions and services involved in the management of the claims and in the recovery and collection procedures, if such amendments may individually or jointly, prevent the Servicer from fulfilling the obligations assumed under the Servicing Agreement;

(v) inability of the Servicer to meet the legal requirements and the Bank of Italy's regulations for entities acting as servicer.

Governing Law

The Servicing Agreement is governed by Italian law.

Administrative Services Agreement

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

Governing Law

The Administrative Services Agreement is governed by Italian law.

Intercreditor Agreement

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

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to a Covered Bonds Guarantor Events of Default having occurred, ensure that all the Available

Funds are applied in or towards satisfaction of the Covered Bonds Guarantee's payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the Post-Guarantor Default Priority of Payments provided in the Intercreditor Agreement.

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

The Covered Bonds Guarantor has granted a general irrevocable mandate to the Representative of the Covered Bondholders, in the interest, and for the benefit of the Covered Bondholders and the other Secured Creditors, to act in the name and on behalf of the Covered Bonds Guarantor on the terms and conditions specified in the Intercreditor Agreement, in exercising the rights of the Covered Bonds Guarantor under the Transaction Documents to which it is a party, other than the rights related to the collection and recovery of the Receivables or Securities and to cash and payment services (save, in this respect, as provided otherwise therein).

Governing Law

The Intercreditor Agreement is governed by Italian law.

Cash Management and Agency Agreement

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer, the Cash Manager, the Account Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Seller, the Servicer, the Subordinated Loan Provider, the Administrative Services Provider, the Calculation Agent and the Representative of the Covered Bondholders entered into a cash allocation, management and payments agreement, subsequently amended, (the "**Cash Management and Agency Agreement**"), pursuant to which the Account Bank, the Receivables Collection Account Bank, the Cash Manager, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider and the Calculation Agent will provide the Covered Bonds Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts.

Pursuant to the Cash Management and Agency Agreement:

(i) the Receivables Account Bank will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with account handling services in relation to moneys from time to time standing to the credit of the Receivables Collection Accounts;

(ii) the Account Bank will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with account handling services in relation to moneys from time to time standing to the credit of the Other Accounts (as defined below);

(iii) the Cash Manager will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with certain cash management services in relation to moneys standing to the credit of the Accounts;

(iv) the Calculation Agent will provide, *inter alia*, the Covered Bonds Guarantor: (i) with the Payments Report which will set out the Available Funds and the payments to be made on the following Guarantor Payment Date and (ii) with the Investors Report which will set out certain information with respect to the Portfolio and the Covered Bonds;

(v) the Paying Agent will provide the Issuer and the Covered Bonds Guarantor with certain payment services.

Receivables Collection Account Bank

The Receivables Collection Accounts will be opened in the name of the Covered Bonds Guarantor and shall be operated by the Receivables Collection Account Bank, and the amounts to the credit thereof

shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

On behalf of the Covered Bonds Guarantor, the Receivables Collection Account Bank shall maintain or ensure that records in respect of each of the Receivables Collection Accounts are maintained and such records will, on or prior to each Servicer Report Date, show separately: (i) the balance of each of Receivables Collection Accounts as of the immediately preceding Collection Date; (ii) the total interest accrued and paid on the Receivables Collection Accounts as of the immediately preceding Collection Period; and (iii) details of all amounts credited to, and transfers made from, each of the Receivables Collection Accounts in the course of the immediately preceding Collection Date. The Receivables Collection Account Bank will provide information to the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Administrative Services Provider and/or the Calculation Agent upon their request, about the balance of those of the Receivables Collection Accounts which are held with it.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Receivables Collection Account Bank shall always maintain the Minimum Required Receivables Collection Account Bank Rating provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

The Receivables Collection Account Bank may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Receivables Collection Account Bank pursuant to the terms of the Cash Management and Agency Agreement. The Receivables Collection Account Bank shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

Account Bank

The Other Accounts will be opened in the name of the Covered Bonds Guarantor and shall be operated by the Account Bank, and the amounts standing to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

On behalf of the Covered Bonds Guarantor, the Account Bank shall maintain or ensure that records in respect of each of the Accounts are maintained and such records will, on or prior to each Servicer Report Date, show separately: (i) the balance of each of the Other Accounts as of the immediately preceding Collection Date; (ii) the total interest accrued and paid on the Other Accounts as of the immediately preceding Collection Date; and (iii) details of all amounts or securities credited to, and transfers made from, each of the Other Accounts in the course of the immediately preceding Collection Period. The Account Bank will provide information to the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Administrative Services Provider and/or the Calculation Agent, upon their request, about the balance of those of the Accounts which are held with it.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Account Bank shall always maintain the Minimum Required Account Bank Ratings, provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

The Account Bank may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Account Bank pursuant to the terms of the Cash Management and Agency Agreement. The Account Bank shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of

Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

Cash Manager

On each Guarantor Payment Date, the Cash Manager shall, subject to receiving the Payments Report from the Calculation Agent, execute the payment instructions stated by the Calculation Agent and shall allocate the amounts standing on the Transaction Account according to the relevant Priorities of Payments, except for the payments to be carried out by the Paying Agent under the outstanding Covered Bonds.

During each Collection Period, the Cash Manager may instruct the Account Bank to invest funds standing to the credit of the Investment Account in Eligible Investments or Authorised Investments on behalf of the Covered Bonds Guarantor.

Subject to compliance with the definitions of Eligible Investments and Authorised Investments and the other restrictions set out in the Cash Management and Agency Agreement, the Cash Manager shall have absolute discretion as to the types and amounts of Eligible Investments and Authorised Investments which it may acquire and as to the terms on which, through whom and on which markets, any purchase of Eligible Investments or Authorised Investments may be effected. As long as the Account Bank meets the requirements under the Cash Management and Agency Agreement, with particular regard to the Minimum Required Account Bank Ratings, the Collection Accounts and the Investment Account constitute Eligible Investments, the Cash Manager will be under no obligation or duty whatsoever to instruct or consider instructing the Account Bank to invest funds standing to the credit of the Investment Account in any other Eligible Investment.

On or prior to each Servicer Report Date, the Cash Manager shall deliver a copy of its report, *inter alia*, to the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, which shall include information on the Eligible Investments and Authorised Investments.

The Cash Manager may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Cash Manager pursuant to the terms of the Cash Management and Agency Agreement. The Cash Manager shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into a the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

Calculation Agent

The Calculation Agent will prepare a Payments Report no later than the fifth Business Day prior to each Guarantor Payment Date, subject to receipt by it of reports from the Servicer, the Cash Manager, the Receivables Collection Account Bank, the Account Bank and the Administrative Services Provider, which will set out the Available Funds and payments to be made on the immediately succeeding Guarantor Payment Date in accordance with the applicable Priorities of Payments. Such Payments Report will be available for inspection during normal business hours at the registered office of the Luxembourg Listing Agent.

On or prior to the Investors Report Date the Calculation Agent shall prepare and deliver, *inter alios*, to the Seller, the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Servicer, the Administrative Services Provider, the Luxembourg Listing Agent, the Cash Manager, the Rating Agency, the Investors Report setting out certain information with respect to the Portfolio and the Covered Bonds and promptly publish the Investors Report on the website of the Calculation Agent.

Paying Agent

The Paying Agent shall, prior to the delivery of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), make payments of principal and interest in respect of the Covered Bonds on behalf of the Issuer in accordance with the Conditions, the relevant Final Terms and the Cash Management and Agency Agreement.

Following the occurrence of an Article 74 Event or an Issuer Event of Default and following delivery of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay or of a Covered Bonds Guarantor Event of Default (in order to provide for the payment of the amounts due by the Covered Bonds Guarantor to the Covered Bondholders under the Covered Bonds Guarantee), the Account Bank, upon instruction of the Cash Manager, shall pay, in accordance with the terms and conditions set forth under the Cash Management and Agency Agreement, to the Paying Agent, an amount equal to the amount necessary to execute payments of interest and principal due in relation to in respect of outstanding Covered Bonds on the relevant CB Payment Date.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Paying Agent shall always maintain the Minimum Required Paying Agent Ratings, provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

Luxembourg Listing Agent

The Luxembourg Listing Agent will, upon and in accordance with the signed, written instructions of the Issuer or, after the occurrence of an Issuer Event of Default, the Covered Bonds Guarantor or, following the occurrence of a Covered Bonds Guarantor Event of Default, the Representative of the Covered Bondholders, arrange for publication of any notice which is to be given to the Covered Bondholders by publication in a newspaper having general circulation in Luxembourg, or any other means from time to time accepted by the Luxembourg Stock Exchange, and will maintain one copy thereof at its address and will supply a copy thereof to the Issuer, the Paying Agent, Monte Titoli and the Luxembourg Stock Exchange.

The Luxembourg Listing Agent will: (a) promptly forward to the Issuer, the Paying Agent, the Administrative Services Provider, the Representative of the Covered Bondholders and the Covered Bonds Guarantor a copy of any notice or communication addressed to the Covered Bonds Guarantor or to the Issuer by any Covered Bondholders and which is received by the Luxembourg Listing Agent; (b) make available to the Issuer, the Covered Bonds Guarantor and the Paying Agent such information in its possession as is reasonably required for the maintenance of the records in respect of all the Accounts; (c) comply with the listing rules of the Luxembourg Stock Exchange in connection with the Programme; and (d) promptly inform the Covered Bonds Guarantor of any fact which may affect its duties in connection with the Programme.

Termination

Upon the occurrence of certain events, including the Account Bank, the Receivables Collection Account Bank or the Paying Agent ceasing to maintain the respective Minimum Required Ratings, either the Issuer (only prior to the occurrence of an Issuer Event of Default and with respect to certain agents only), the Representative of the Covered Bondholders or the Covered Bonds Guarantor, provided that (in the case of the Covered Bonds Guarantor) the Representative of the Covered Bondholders consents in writing to such termination, may terminate the appointment of the Account Bank, the Receivables Collection Account Bank, the Cash Manager, the Paying Agent, the Luxembourg Listing Agent and the Calculation Agent, as the case may be, under the terms of the Cash Management and Agency Agreement.

Governing Law

The Cash Management and Agency Agreement will be governed by Italian law.

Portfolio Administration Agreement

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer, the Seller, the Servicer, the Subordinated Loan Provider, the Cash Manager, the Asset Monitor, the Representative of the Covered Bondholders and the Calculation Agent have entered into the Portfolio Administration Agreement, subsequently amended. Pursuant to such agreement the Seller, the Issuer and the Covered Bonds Guarantor have undertaken certain obligations for the replenishment of the Portfolio in order to cure a breach of the Tests.

Pursuant to the terms and conditions of the Portfolio Administration Agreement, the Calculation Agent

has agreed to verify the compliance of the Tests and, in the event of a breach, to immediately notify in writing the Representative of the Covered Bondholders, the Issuer, the Seller, the Asset Monitor, the Paying Agent, the Hedging Counterparties and the Rating Agency of such breach. On each Calculation Date, moreover, the Calculation Agent shall deliver an asset cover report including the relevant calculations in respect of the Tests to the Issuer, the Covered Bonds Guarantor, the Seller, the Representative of the Covered Bondholders, the Asset Monitor and the Hedging Counterparties.

Following the delivery of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay (and prior to the occurrence of any Covered Bonds Guarantor Events of Default), if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Portfolio Manager, the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the Portfolio Administration Agreement, subject to any pre-emption right of the Seller or the Issuer pursuant to the Master Transfer Agreement or any other Transaction Documents. The proceeds of any such sale shall be credited to the Investment Account. Following the delivery of a Notice to Pay and appointment of the Portfolio Manager, the Portfolio Manager shall deliver the reports required by the Portfolio Administration Agreement.

Following the delivery of a Covered Bonds Guarantor Acceleration Notice, the Representative of the Covered Bondholders shall, in the name and on behalf of the Covered Bonds Guarantor, direct the Servicer to sell Selected Assets in accordance with the Portfolio Administration Agreement, subject to any pre-emption right of the Seller pursuant to the Master Transfer Agreement or any other Transaction Documents. The proceeds of any such sale shall be applied in accordance with the relevant Priority of Payments.

Governing Law

The Portfolio Administration Agreement will be governed by Italian law.

Asset Monitor Agreement

On or about the Initial Issue Date, the Asset Monitor, the Covered Bonds Guarantor, the Calculation Agent, the Cash Manager, the Issuer, the Seller and the Representative of the Covered Bondholders entered into an asset monitor agreement (the "**Asset Monitor Agreement**"), pursuant to which the Asset Monitor has agreed to perform certain tests and procedures and carry out certain monitoring and reporting services with respect to the Issuer and the Covered Bonds Guarantor.

Pursuant to the Asset Monitor Agreement, the Asset Monitor has agreed with the Issuer and, upon the delivery of a Notice to Pay, with the Covered Bonds Guarantor, subject to due receipt of the information to be provided by the Calculation Agent, to conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable with a view of verifying the compliance by the Covered Bonds Guarantor with such tests.

The Asset Monitor will be required to conduct such tests no later than the relevant Asset Monitor Report Date (as defined under the Asset Monitor Agreement). On each Asset Monitor Report Date, the Asset Monitor shall deliver to the Covered Bonds Guarantor, the Calculation Agent, the Representative of the Covered Bondholders, the Servicer and the Issuer the Asset Monitor Report.

Other than in relation to the verification of the Tests, the Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it under the Asset Monitor Agreement is true and correct and is complete and not misleading. The results of the tests conducted by the Asset Monitor will be delivered to the Calculation Agent, the Covered Bonds Guarantor, the Issuer and the Representative of the Covered Bondholders.

In the Asset Monitor Agreement, the Asset Monitor has acknowledged to perform its services also for the benefit and in the interests of the Covered Bonds Guarantor (to the extent it will carry out the services under the appointment of the Issuer) and the Covered Bondholders and accepted that upon delivery of a Notice to Pay, it will receive instructions from, provide its services to, and be liable *vis-à-vis* the Covered Bonds Guarantor or the Representative of the Covered Bondholders on its behalf.

The Issuer and (upon delivery of a Notice to Pay) the Covered Bonds Guarantor may, subject to the

prior written notice to the Rating Agency and the prior written consent of the Representative of the Covered Bondholders, revoke the appointment of the Asset Monitor by giving not less than one year or earlier than one year, in the event of a breach of warranties and covenants, written notice to the Asset Monitor (with a copy to the Representative of the Covered Bondholders, the Servicer and the Calculation Agent). If termination of the appointment of the Asset Monitor would otherwise take effect less than 30 days before or after any Calculation Date immediately after which an Asset Monitor Report shall be delivered, then such termination shall not take effect until the tenth day following such Calculation Date. In any case, no revocation of the appointment of the Asset Monitor shall take effect until a successor, notified in writing to the Rating Agency and approved by the Representative of the Covered Bondholders, has been duly appointed in accordance with the provisions of the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign by giving not less than one year (or such shorter period as the Representative of the Covered Bondholders may agree) prior written notice of termination to the Issuer, the Covered Bonds Guarantor, the Calculation Agent, the Servicer and the Representative of the Covered Bondholders, provided that such resignation will not take effect unless and until, *inter alia*: (i) a substitute Asset Monitor being appointed by the Issuer and (upon delivery of a Notice to Pay) the Covered Bonds Guarantor, with the prior written notice to the Rating Agency and with the prior written approval of the Representative of the Covered Bondholders, on substantially the same terms as those set out in the Asset Monitor Agreement; (ii) the Asset Monitor being not released from its obligations under the Asset Monitor Agreement until a substitute Asset Monitor has entered into such new agreement and it has become a party to the Intercreditor Agreement; (iii) the Representative of the Covered Bondholders, after the prior written notice to the Rating Agency, consenting in writing to the resignation (such consent not to be unreasonably withheld or delayed) and (iv) if such resignation would otherwise take effect less than 30 days before or after any Calculation Date immediately after which an Asset Monitor Report shall be delivered, then such resignation shall not take effect until the tenth day following such Calculation Date.

Governing Law

The Asset Monitor Agreement is governed by Italian law.

Quotaholders' Agreement

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer and Stichting Viridis 2 entered into a quotaholders' agreement (the "**Quotaholders' Agreement**"), containing provisions and undertakings in relation to the management of the Covered Bonds Guarantor. In addition, pursuant to the Quotaholders' Agreement, Stichting Viridis 2 will grant a call option in favour of the Issuer to purchase from Stichting Viridis 2 and Intesa Sanpaolo will grant a put option in favour of Stichting Viridis 2 to sell to Intesa Sanpaolo the quota of the Issuer quota capital held by Stichting Viridis 2.

Governing Law

The Quotaholders' Agreement will be governed by Italian law.

Dealer Agreement

On or about the Initial Issue Date, the Issuer, the Representative of Covered Bondholders and the Dealer entered into a dealer agreement, subsequently amended, (the "**Dealer Agreement**"), which contains certain arrangements under which the Covered Bonds may be issued and sold, from time to time, by the Issuer to the Dealer or any other dealers.

The Issuer, the Covered Bondholders and the Seller will indemnify the Dealer for costs, liabilities, charges, expenses and claims incurred by or made against the Dealer arising out of, in connection with or based on breach of duty or misrepresentation by the Issuer, the Covered Bonds Guarantor or the Seller.

The Dealer Agreement contains provisions relating to the resignation or termination of appointment of existing Dealer and for the appointment of additional or other dealers acceding as new dealer: (i) generally in respect of the Programme or (ii) in relation to a particular issue of Covered Bonds.

The Dealer Agreement contains stabilisation provisions.

Pursuant to the Dealer Agreement, the Issuer, the Covered Bonds Guarantor and the Seller give certain representations and warranties to the Dealer in relation to, *inter alia*, themselves and the information given by each of them in connection with this Base Prospectus.

Governing Law

The Dealer Agreement will be governed by Italian law.

Subscription Agreement

The Dealer Agreement also contains the *pro forma* of the Subscription Agreement to be entered into in relation to each issue of Covered Bonds.

On or prior to the relevant Issue Date, the Issuer and the Relevant Dealers will enter into a subscription agreement under which the Relevant Dealers will agree to subscribe for the relevant tranche of Covered Bonds, subject to the conditions set out therein.

Under the terms of the Subscription Agreement, the Relevant Dealers will confirm the appointment of the Representative of the Covered Bondholders.

Governing Law

The Subscription Agreement will be governed by Italian law.

Deed of Pledge

On or about the Initial Issue Date the Covered Bonds Guarantor executed a deed of pledge, subsequently amended, (the "**Deed of Pledge**") by means of which the Covered Bonds Guarantor pledged in favour of the Covered Bondholders and the Secured Creditors all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Covered Bonds Guarantor is entitled pursuant or in relation to the Transaction Documents (other than the English law Transaction Documents, the Deed of Pledge and the Conditions), including the monetary claims and rights relating to the amounts standing to the credit of the Accounts and any other account established by the Covered Bonds Guarantor in accordance with the provisions of the Transaction Documents. The Covered Bonds Guarantor will further grant a pledge in favour of the Covered Bondholders and the Secured Creditors of all of its rights, title, interest and benefit from time to time in and to any Eligible Investments or Authorised Investments made on behalf of the Covered Bonds Guarantor and the amounts and the securities standing to the credit of the Securities Account.

Governing Law

The Deed of Pledge is governed by Italian law.

Deed of Charge

On or about the Initial Issue Date, the Covered Bonds Guarantor executed a deed of charge (the "**Deed of Charge**") by means of which the Covered Bonds Guarantor assigns by way of security to, and charges in favour of, the Representative of the Covered Bondholders (acting in its capacity as Security Trustee for itself and on trust for the Covered Bondholders and the Secured Creditors), all of its rights, title, interest and benefit from time to time in and to the Swap Agreements.

Governing Law

The Deed of Charge is governed by English law.

Swap Agreements

CB Swaps

In order to hedge the currency and/or interest rate exposure in relation to its floating or fixed rate obligations under the CB, the Covered Bonds Guarantor may enter into one or more swap transactions with the CB Hedging Counterparty on each Issue Date as confirmed by a confirmation (a **"CB Swap**

Confirmation") evidencing the terms of such transaction (a "**CB Swap**" and jointly the "**CB Swaps**"), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) (the "**Credit Support Annex**") and CB Swap Confirmation (the "**CB Master Agreement**").

TBG Swaps

In order to hedge the interest rate and/or currency risks related to the transfer of each Portfolio, the Covered Bonds Guarantor will enter into one or more swap transactions with the TBG Hedging Counterparty, on the date of each transfer as confirmed by a confirmation (a "**TBG Swap Confirmation**" and together with the CB Swap Confirmations, the "**Swap Confirmations**") evidencing the terms of such transaction (a "**TBG Swap**" and jointly the "**TBG Swaps**" and together with the CB Swaps, the "**Swap Agreements**"), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, Credit Support Annex and TBG Swap Confirmation (the "**TBG Master Agreement**" and together with the CB Master Agreement, the "**Master Agreements**").

With respect to any Swap, the respective Hedging Counterparty will, *inter alia*, be required to have the Minimum Required Hedging Counterparty Rating provided for under the respective Master Agreement.

In the event that the Hedging Counterparty ceases to hold a Moody's First Trigger Required Rating ("**Initial Moody's Rating Event**"), then the Hedging Counterparty shall notify the Rating Agency, the Representative of the Covered Bondholders and the Covered Bonds Guarantor within 30 Business Days of such rating event and shall use its reasonable endeavors and as soon as reasonably practicable after such rating event and at its cost provide collateral pursuant to the terms of the Credit Support Annex.

In the event that the Hedging Counterparty shall cease to hold a Moody's Second Trigger Required Rating ("**Subsequent Rating Event**"), then the Hedging Counterparty shall be required, (as soon as reasonably practicable after such downgrade) at its cost:

(i) to continue to provide collateral under the terms of the Credit Support Annex until (ii) below occurs; and

(ii) either to

  (a) transfer all its interest in, and obligations under, this Agreement to another entity that holds a Moody's Second Trigger Required Rating; or

  (b) procure another entity that holds a Moody's First Trigger Required Rating and/or a Moody's Second Trigger Required Rating to become a guarantor in respect of the obligations of the Hedging Counterparty under this Agreement.

Failure or inability by the Hedging Counterparty to comply with the obligations described above following an Initial Rating Event or a Subsequent Rating Event shall constitute an Additional Termination Event in accordance with Section 5(b)(v) of the Master Agreements in respect of which the Hedging Counterparty shall be the sole Affected Party.

The Covered Bonds Guarantor may only designate an Early Termination Date if it has found a replacement counterparty willing to enter into a new transaction close to the current one (economic and legal terms).

Each Master Agreement will terminate on the Maturity Date or, if applicable under the relevant Final Terms, the Extended Maturity Date or the Long Date Due For Payment Date, as the case may be, unless terminated earlier in accordance with its terms.

Under the terms of each Swap Confirmation, on or about each Payment Date, or Swap Payment Date in the case of the relevant Hedging Counterparty, both the Covered Bonds Guarantor and the relevant Hedging Counterparty are required to make a payment as set out in the respective Swap Confirmation.

In the event that the Covered Bonds Guarantor fails to make any one such payment then the relevant Hedging Counterparty is entitled to terminate all of the Swaps to which it is a party. Upon such termination, the Covered Bonds Guarantor may be required to make a termination payment to the Hedging Counterparty. Such payment will be made in accordance with the Priority of Payments set out in the Intercreditor Agreement. In the event that the Hedging Counterparty fails to make any payment then the Covered Bonds Guarantor is entitled to terminate all of the Swaps to which such Hedging Counterparty is a party. In the event that following a termination due to the occurrence of an Event of Default, a Termination Event or Additional Termination Event, the Covered Bonds Guarantor may be required to make a termination payment to the Hedging Counterparty, such payment will be made in accordance with the Priority of Payments set out in the Intercreditor Agreement.

Governing Law

The Swaps are governed by English law.

Notwithstanding the above, the Covered Bonds Guarantor could enter into hedging agreements, other than the Master Agreements, in order to hedge the interest rate and/or currency risk related to the transfer of each Portfolio or to the Covered Bonds. Details of such agreements will be provided for, from time to time, in the relevant Final Terms.

Master Definition Agreement

Pursuant to a master definition agreement entered into on or about the Initial Issue Date and subsequently amended between the Covered Bonds Guarantor and the other parties to the Transaction Documents (the "**Master Definition Agreement**"), the definitions of certain terms used in the Transaction Documents have been agreed.

Governing Law

The Master Definition Agreement is governed by Italian law.

ISP Mandate Agreement

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

Governing Law

The ISP Mandate Agreement is governed by Italian law.

ISGS Mandate Agreement

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

Governing Law

The ISGS Mandate Agreement is governed by Italian law.

SELECTED ASPECTS OF ITALIAN LAW

The following is an overview only of certain aspects of Italian law that are relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. It is not intended to be exhaustive and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.

Law 130, Article 7-*bis* thereof and BoI OBG Regulations. General remarks

Law 130 was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

Law Decree No. 35 of 14 March 2005, converted with amendments into law by Law no. 80 of 14 May 2005, added articles 7-*bis* and 7-*ter* to Law 130, for the purpose of allowing Italian banks to use the securitisation techniques introduced by Law 130 in view of issuing covered bonds (*obbligazioni bancarie garantite*).

Law 130 was further amended by Law Decree No. 145 of 23 December 2013 (*Decreto Destinazione Italia*) as converted with amendments into Law No. 9 of 21 February 2014 (the "**Destinazione Italia Decree**") and by Law Decree No. 91 of 24 June 2014 (*Decreto Competitività*) as converted with amendments into Law No. 116 of 11 August 2014 ("**Law Decree 91**").

Pursuant to article 7-*bis*, certain provisions of Law 130 apply to transactions involving the "true" sale (by way of non-gratuitous assignment) of receivables or asset backed securities issued in the context of securitisation transactions meeting certain eligibility criteria set out in article 7-*bis* and in MEF Decree, where the sale is to a vehicle incorporated pursuant to article 7-*bis* and all amounts paid by the debtors are to be used by the special purpose vehicle exclusively to meet its obligations under a guarantee to be issued by it, in view of securing the payment obligations of the selling bank or of other banks in connection with the issue of covered bonds.

Pursuant to article 7-*bis*, the purchase price of the assets to be included in the portfolio shall be financed through the taking of a loan granted or guaranteed by the bank selling the assets or a different bank. The payment obligations of the special purpose vehicle under such loan shall be subordinated to the payment obligations *vis-à-vis* the covered bondholders, the counterparties of any derivative contracts hedging risks in connection with the assigned receivables and securities, the counterparties of any other ancillary contract and counterparties having a claim in relation to any payment of other costs of the transaction.

The covered bonds are further regulated by the Decree of the Ministry for the Economy and Finance No. 310 of 14 December 2006 ("**MEF Decree**") and the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of the circular no. 285 of 17 December 2013, containing the "*Disposizioni di vigilanza per le banche"* as further implemented and amended, (the "**BoI OBG Regulations**"). Pursuant to the BoI OBG Regulations, the covered bonds may be issued also by banks which are member of banking groups meeting, as of the date of issuance of the covered bonds, certain requirements relating to the consolidated regulatory capital and the consolidated solvency ratio at the group's level. Such requirements must be complied with, as of the date of issuance of the covered bonds, also by banks selling the assets, where the latter are different from the bank issuing the covered bonds and do not fall within the same banking group.

The Special Purpose Vehicle

On 8 May 2015, the Ministerial Decree No. 53/2015 (the "**Decree 53/2015**") issued by the Ministry of Economy and Finance has been published in the Official Gazette of the Republic of Italy. The Decree 53/2015 came into force on 23 May 2015, repealing the Decree No. 29/2009. Pursuant to Article 7 of the Decree 53/2015, the assignee companies which guarantee covered bonds, belonging to a banking group as defined by Article 60 of the Banking Law (such as ISP CB Pubblico S.r.l.), will no longer have to be registered in the general register held by the Bank of Italy pursuant to Article 106 of the

Banking Law.

Eligibility criteria of the assets and limits to the assignment of assets

Under the MEF Decree, the following assets, *inter alia*, may be assigned to the purchasing company, together with any ancillary contracts aimed at hedging the financial risks embedded in the relevant assets: (a) loans extended to, or guaranteed by, the following entities, and securities issued or guaranteed by the same entities: (i) Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement; (ii) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the Directive 2006/48/EC regulation under the "Standardised Approach" to credit risk measurement (provided that such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the covered bonds guarantor); (b) asset backed securities issued in the context of securitisation transactions, meeting the following criteria: (i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans and securities referred to in letter (a) above; (ii) the relevant asset backed securities attract a risk weighting factor not exceeding 20 per cent. under the "Standardised Approach" to credit risk measurement.

For the purpose above, the relevant provisions define a guarantee "valid for purposes for the credit risk mitigation" as a guarantee eligible for the "credit risk mitigation", in accordance with Directive 2006/48/EC of 14 June 2006 (the "**Restated Banking Directive**"). Similarly, the "Standardised Approach" shall provide a uniform approach to credit risk measurements as defined by the Restated Banking Directive.

The BoI OBG Regulations set out certain requirements for banks belonging to banking groups with respect to the issuance of covered bonds to be met at the time of the relevant issuance:

(i) a regulatory capital on a consolidated basis of not less than Euro 250,000,000.00; and

(ii) an overall capital ratio on a consolidated basis of not less than 9 per cent.

The above mentioned requirements must be complied with, as of the date of the assignment, also by the banks selling the assets, where the latter are different from the bank issuing the covered bonds and do not fall within the same banking group.

If the bank selling the assets does not belong to a banking group, the above mentioned requirements relate to the individual regulatory capital and/or overall capital ratio.

Moreover, the BoI OBG Regulations set out certain limits to the possibility for banks to assign eligible assets, which are linked to the tier 1 ratio ("**T1R**") and common equity tier 1 ratio ("**CET1R**") of the individual bank (or of the relevant banking group, if applicable), in accordance with the following grid, contained in the BoI OBG Regulations:

Ratios		Limits to the assignment
Group "a"	T1R ≥ 9 % and CET1R ≥ 8 %	No limits
Group "b"	T1R ≥ 8 % and CET1R ≥ 7 %	Assignment allowed up to 60% of the eligible assets
Group "c"	T1R ≥ 7 % and CET1R ≥ 6 %	Assignment allowed up to 25% of the eligible assets

The relevant T1R and CET1R set out in the grid relate to the aggregate of the covered bonds transactions launched by the relevant banking group or individual bank, as the case may be. If foreign

entities belonging to the banking group of the bank selling the assets have issued covered bonds in accordance with their relevant jurisdiction and have therefore segregated part of their assets to guarantee the relevant issuances, the limits set out above shall be applied to the eligible assets held by the Italian companies being part of the assigning bank's banking group.

In addition to the above, certain further amendments have been introduced in respect of the monitoring activities to be performed by the asset monitor.

The limits to the assignment set out above do not apply to Integration (as defined below) of the portfolio, provided that Integration is allowed exclusively within the limits set out by the BoI OBG Regulations.

The substitution of eligible assets included in the portfolio with other eligible assets of the same nature is also permitted, provided that certain conditions indicated under the BoI OBG Regulations are met.

Ring-Fencing of the assets

Under the terms of article 3 of Law 130, all the receivables relating to a Law 130 transaction, the relevant collections and the financial assets purchased using the collections arising from the relevant receivables will by operation of law be segregated for all purposes from all other assets of the special purpose vehicle and from those relating to the other Law 130 transactions carried out by the same special purpose vehicle On a winding up of the special purpose vehicle such assets will only be available to holders of the covered bonds in respect of which the special purpose vehicle has issued the covered bond guarantee and to the other secured creditors of the special purpose vehicle. In addition, the assets relating to a particular covered bond transaction will not be available to the holders of covered bonds issued under any other covered bond transaction or to general creditors of the special purpose vehicle.

However, under Italian law, any other creditor of the special purpose vehicle which is not a party to the transaction documents would be able to commence insolvency or winding up proceedings against the special purpose vehicle in respect of any unpaid debt.

The assignment

The assignment of receivables under Law 130 is governed by article 58 paragraphs 2, 3 and 4 of the Banking Law. The prevailing interpretation of these provisions, which view has been strengthened by article 4 of Law 130, is that:

(a) as from the date of publication in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) of the notice of assignment of the relevant receivables in accordance with the applicable provisions of Article 58 of the Banking Law, the assignment of the relevant receivables will become enforceable against:

  (i) any creditors of the seller of the relevant receivables who have not commenced enforcement by means of obtaining an attachment order (*pignoramento*) prior to the date of publication of the notice of assignment of the relevant receivables;

  (ii) a receiver in the insolvency of the seller of the relevant receivables; and

  (iii) prior assignees of the relevant receivables who have not perfected their assignment by way of (A) notifying the assigned debtors or (B) making the assigned debtors acknowledge the assignment by an acceptance bearing a date certain at law (*data certa*) prior to the date of publication of the notice of assignment of the relevant receivables or in any other way permitted under applicable law,

without the need to follow the ordinary rules under Article 1265 of the Italian Civil Code as to making the assignment effective against third parties; and

(b) as from the later of (A) the date of the publication of the notice of assignment of the relevant

receivables, and (B) the date of registration (*iscrizione*) of such notice with the Companies' Register of the district where the issuer is enrolled, in accordance with the applicable provisions of Article 58 of the Banking Law, the assignment of the relevant receivables will also become enforceable against:

(i) the assigned debtors; and

(ii) a receiver in the insolvency of the assigned debtors (so that any payments made by an assigned debtor to the purchasing company may not be subject to any claw back action according to Article 65 and Article 67 of the Bankruptcy Law),

without the need to follow the ordinary rules under Article 1264 of the Italian Civil Code as to making the assignment effective against the assigned debtor.

The benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the relevant receivables will automatically be transferred to and perfected with the same priority in favour of the special purpose vehicle, without the need for any formality or annotations.

As from the date of publication of the assignment of the relevant receivables in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), no legal action may be brought to attach the relevant receivables, or the sums derived therefrom, other than for the purposes of enforcing the rights of the holders of the covered bonds and to meet the costs of the transaction.

Article 7-*bis* provides for a special regime for the assignment of claims against public administrations, which deviates from the generally applicable regime (set out by articles 69 and 70 of Royal Decree no. 2440 of 18 November 1923). Article 7-*bis*, paragraph 4, expressly provides that articles 69 and 70 of Royal Decree no. 2440 of 1923 shall not apply to assignments of assets under Article 7-*bis*. Accordingly, the assignment of receivables against public administration shall be governed by the same rules governing the assignment of other receivables in the context of Article 7-*bis* and Law 130.

However, Article 7-*bis*, paragraph 4, also provides that where the functions of servicer (*soggetto incaricato della riscossione dei crediti*) are attributed, in the context of covered bonds transaction, to an entity other than the assigning bank (whether from the outset or eventually), notice of such circumstance shall be given by way of publication in the Italian Official Gazette and registered mail with return receipt to the relevant public administrations.

Exemption from claw-back

Assignments executed under Law 130 are subject to revocation on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the transaction is entered into (i) in cases where paragraph 2 of article 67 applies, within three months of the adjudication of bankruptcy of the relevant party or (ii) in cases where paragraph 1 of article 67 applies, within six months of the adjudication of bankruptcy.

The subordinated loans to be granted to the special purpose vehicle and the covered bonds guarantee are subject to the provisions of article 67, paragraph 4, of the Bankruptcy Law, pursuant to which the provisions of article 67 relating to the claw back of for-consideration transactions, payments and guarantees do not apply to certain transactions.

In addition to the above, any payments made by an assigned debtor to the special purpose vehicle may not be subject to any claw back action according to Article 65 and 67 of the Bankruptcy Law.

Tests set out in the MEF Decree

Pursuant to article 3 of the MEF Decree, the issuing bank and the assigning bank (to the extent different from the issuing bank), will have to ensure that, in the context of the transaction, the following tests are satisfied on an ongoing basis:

(i) the outstanding aggregate nominal amount of the portfolio shall be greater than or equal to the aggregate nominal amount of the outstanding covered bonds;

(ii) the net present value of the portfolio, net of the transaction costs to be borne by the special purpose vehicle, including therein the expected costs and the costs of any hedging arrangement entered into in relation to the transaction, shall be greater than or equal to the net present value of the outstanding covered bonds;

(iii) the amount of interest and other revenues generated by the portfolio, net of the costs borne by the special purpose vehicle, shall be greater than or equal to the interest and costs due by the bank under the outstanding covered bonds, taking also into account any hedging arrangements entered into in relation to the transaction.

Integration Assets

For the purpose of ensuring compliance with the tests described above and pursuant to article 2 of the MEF Decree, in addition to assets which are eligible in accordance with article 2, paragraph 1 of the MEF Decree, the following assets may be used for the purpose of the integration of the portfolio:

(a) the creation of deposits with banks incorporated in Admitted States or in a State which attracts a risk weight factor equal to 0 per cent. under the "Standardised Approach" to credit risk measurement;

(b) the assignment of securities issued by the banks referred to under (a) above, having a residual maturity not exceeding one year,

(the "**Integration Assets**").

Integration through Integration Assets shall be allowed within the limits of 15 per cent. of the nominal value of the assets included in the portfolio.

In addition, pursuant to article 7-bis of Law 130 and the MEF Decree, integration of the portfolio (the "**Integration**"), whether through eligible assets or Integration Assets, shall be carried out in accordance with the modalities, and subject to the limits, set out in the BoI OBG Regulations.

More specifically, under the BoI OBG Regulations, Integration is allowed exclusively for the purpose of (a) complying with tests set out in the MEF Decree; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements and (c) complying with the 15 per cent. limitation of the Integration Assets included the portfolio. The limits to the assignment indicated above do not apply to the Integration.

The Integration is not allowed in circumstances other than as set out in the BoI OBG Regulations.

The features of the covered bonds guarantee

According to article 4 of the MEF Decree the covered bonds guarantee shall be limited recourse to the portfolio, irrevocable, first demand, unconditional and autonomous from the obligations assumed by the issuer of the covered bonds. Accordingly, such obligations shall be a direct, unconditional, unsubordinated obligation of the special purpose vehicle, limited recourse to the special purpose vehicle's available funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the issuer of the covered bonds.

In order to ensure the autonomous and independent nature of the covered bonds guarantee, article 4 of the MEF Decree provides that the following provisions of the Italian Civil Code, generally applicable to personal guarantees (*fideiussioni*), shall not apply to the covered bonds guarantee: (a) article 1939, providing that a *fideiussione* shall not generally be valid where the guaranteed obligation is not valid; (b) article 1941, paragraph 1, providing that a *fideiussione* cannot exceed the amounts due by the guaranteed debtor, nor can it be granted for conditions more onerous than those pertaining to the main obligation; (c) article 1944, paragraph 2, providing, *inter alia*, that the parties to the contract pursuant to which the *fideiussione* is issued may agree that the guarantor shall not be obliged to pay before the attachment is carried out against the guaranteed debtor; (d) article 1945, providing that the guarantor can raise against the creditor any objections (*eccezioni*) which the guaranteed debtor is entitled to

raise, except for the objection relating to the lack of legal capacity; (e) article 1955, providing that a *fideiussione* shall become ineffective (*estinta*) where, as a consequence of acts of the creditor, the guarantor is prevented from subrogating into any rights, pledges, mortgages, and liens (*privilegi*) of the creditor; (f) article 1956, providing that the guarantor of future receivables shall not be liable where the creditor – without the authorisation of the guarantor – has extended credit to a third party, while being aware that the economic conditions of the principal obligor were such that recovering the receivable would have become significantly more difficult; (g) article 1957, providing, *inter alia*, that the guarantor will be liable also after the guaranteed obligation has become due and payable, provided that the creditor has filed its claim against the guaranteed debtor within six months and has diligently pursued them.

The obligations of the covered bonds guarantor following a liquidation of the Issuer

The MEF Decree also sets out certain principles which are aimed at ensuring that the payment obligations of the special purpose vehicle are isolated from those of the issuer of covered bonds. To that effect it requires that the covered bonds guarantee contains provisions stating that the relevant obligations thereunder shall not accelerate upon the issuer's default, so that the payment profile of the covered bonds shall not automatically be affected thereby.

More specifically, article 4 of the MEF Decree provides that in the event of a breach by the issuer of its obligations *vis-à-vis* the covered bondholders, the special purpose vehicle shall assume the obligations of the issuer – within the limits of the portfolio – in accordance with the terms and conditions originally set out for the covered bonds. The same provision applies where the issuer is subject to mandatory liquidation procedures (*liquidazione coatta amministrativa*).

In addition, the acceleration (*decadenza dal beneficio del termine*) provided for by article 1186 of the Civil Code and affecting the issuer shall not affect the payment obligations of the special purpose vehicle under the covered bonds guarantee. Pursuant to article 4 of the MEF Decree, the limitation in the application of Article 1186 of the Civil Code shall apply not only to the events expressly mentioned therein, but also to any additional event of acceleration provided for in the relevant contractual arrangements.

In accordance with article 4, paragraph 3, of the MEF Decree, in case of a *liquidazione coatta amministrativa* of the issuer, the special purpose vehicle shall exercise the rights of the covered bondholders *vis-à-vis* the issuer in accordance with the legal regime applicable to the issuer. Any amount recovered by the special purpose vehicle as a result of the exercise of such rights shall be deemed to be included in the portfolio.

The Bank of Italy shall supervise on the compliance with the aforesaid provisions, within the limits of the powers vested with the Bank of Italy by the Banking Law.

Controls over the transaction

The BoI OBG Regulations lay down rules on controls over transactions involving the issuance of Covered Bonds.

Inter alia, in order to provide support to the resolutions passed on the assignment of portfolios to the special purpose vehicle, both in the initial phase of transactions and in later phases, the assigning bank shall request to an auditing firm a confirmation (*relazione di stima*) stating that, on the basis of the activities carried out by that auditing firm, there are no reasons to believe that the appraisal criteria utilised in order to determine the purchase price of the assigned assets are not in line with the criteria which the assigning bank must apply when preparing its financial statements. The above mentioned confirmation is not required if the assignment is made at the book value, as recorded in the latest approved financial statements of the assigning bank, on which the auditors have issued a clean opinion. The above mentioned confirmation is not required if any difference between the book value and the purchase price of the relevant assets is exclusively due to standard financial fluctuations of the relevant assets and is not in any way related to reductions in the qualitative aspects of those assets

and/or the credit risk related to the relevant debtors.

The management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction, *inter alia*:

(i) quality and integrity of the assets sold to the special purpose vehicle securing the obligations undertaken by the latter;

(ii) compliance with the maximum ratio between covered bonds issued and the portfolio sold to the special purpose vehicle for purposes of backing the issue, in accordance with the MEF Decree;

(iii) compliance with the limits to the assignment and the limits to Integration set out by the BoI OBG Regulations;

(iv) effectiveness and adequacy of the coverage of risks provided under derivative agreements entered into in connection with the transaction; and

(v) completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

The bodies with management responsibilities of issuing banks and banking groups ensure that an assessment is carried out on the legal aspects (*profili giuridici*) of the activity on the basis of specially issued legal opinions setting out an in-depth analysis of the contractual structures and schemes adopted, with a particular focus on, *inter alia*, the characteristics of the covered bonds guarantee.

The BoI OBG Regulations also contain certain provisions on the asset monitor, who is delegated to carry out controls over the regularity of the transaction (*regolarità dell'operazione*) and the integrity of the covered bonds guarantee (*integrità della garanzia*) (the "**Asset Monitor**"). Due to the latest amendments to the BoI OBG Regulations, introduced by way of inclusion of new Part III, Chapter 3 (Obbligazioni bancarie garantite) in Bank of Italy's Circular No. 285 of 17 December 2013, the Asset Monitor is also requested to carry out controls over the information to be provided to investors (*informativa agli investitori*). Pursuant to the BoI OBG Regulations the Asset Monitor shall be an auditing firm having adequate professional experience in relation to the tasks entrusted with the same and independent from (a) the bank entrusting the same and (b) the other entities which take part to the transaction. In order to meet this independence requirement the auditing firm entrusted with the monitoring must be different from the one entrusted with the auditing of the issuing bank and the selling bank (if different from the issuing bank) and the special purpose vehicle.

The Asset Monitor shall prepare annual reports on controls and assessments on the performance of transactions, to be addressed, *inter alia*, to the body entrusted with control functions of the bank which appointed the Asset Monitor. The BoI OBG Regulations refer to the provisions (article 52 and 61, paragraph 5, of the Banking Law), which impose on persons responsible for such control functions specific obligations to report to the Bank of Italy. Such reference appears to be aimed at ensuring that any irregularities found are reported to the Bank of Italy.

In order to ensure that the special purpose vehicle can perform, in an orderly and timely manner, the obligations arising under the covered bonds guarantee, the issuing banks shall use asset and liability management techniques for purposes of ensuring, including by way of specific controls at least every six months, that the payment dates of the cash-flows generated by the portfolio substantially match the payments dates with respect to payments due by the issuing bank under the covered bonds issued and other transaction costs.

Finally, in relation to the information flows, the parties to the covered bonds transactions shall assume contractual undertakings allowing the issuing bank (and the assigning bank, if different) also acting as servicer (and any third party servicer, if appointed) to hold the information on the portfolio which are necessary to carry out the controls described in the BoI OBG Regulations and for the compliance with the supervisory reporting obligations, including therein the obligations arising in connection with the participation to the central credit register (*Centrale dei Rischi*).

Insolvency proceedings (*procedure di insolvenza*)

Insolvency proceedings (*procedure di insolvenza*) conducted under Italian law may take the form of, inter alia, a bankruptcy proceeding (*fallimento*), a composition agreement with creditors under Article 160 and following of the Bankruptcy Law (*concordato preventivo*) or a debts restructuring agreement under Article 182-bis of the Bankruptcy Law (*accordo di ristrutturazione dei debiti*). Insolvency proceedings are only applicable to businesses (*imprese*) either run by companies, partnerships or by individuals. An individual who is not a sole entrepreneur or an unlimited partner in a partnership is not subject to insolvency.

A debtor can be declared bankrupt (*fallito*) and subject to fallimento (at its own initiative, or at the initiative of any of its creditors or, in certain cases, the public prosecutor) if it is not able to fulfil its obligations in a timely manner. If a bankruptcy proceeding is commenced, except for contrary provisions of the law, from the day of declaration of bankruptcy, no individual executory and precautionary action, even if relating to receivables fallen due during the bankruptcy proceeding, may be commenced or pursued against assets included in the bankruptcy proceeding. The debtor loses control over all of its assets and of the management of its business, which is taken over by a court appointed receiver (curatore fallimentare). Once judgment has been made by the court and the creditors' claims have been approved, the sale of the debtor's property is conducted in accordance with a liquidation plan (approved by the delegated judge and the creditors' committee) which may provide for the dismissal of the whole business or single business units, even through competitive procedures.

A qualifying insolvent debtor may avoid being subject to a bankruptcy proceeding (fallimento) by proposing to its creditors a composition agreement pursuant to Article 160 and following of the Bankruptcy Law (concordato preventivo) which is a restructuring proceeding involving an arrangement by a debtor in a state of crisis or state of insolvency with its creditors, subject to court supervision, the aim of which is to restructure the business and thus avoid a declaration of bankruptcy of such debtor. Such proposal shall based on a plan describing proposed actions and activities to be performed in order to accomplish the financial restructuring of debtor's business and to satisfy its creditors, which may provide for, among other things: (i) sales of assets, the assumption of debts or other extraordinary operations, such as the conversion of debt into equity, bonds, convertible bonds or other securities; (ii) the transfer of the business as a going concern to another entity (assuntore); (iii) the division of the creditors into separate classes consistent with their specific legal and economic characteristics; and (iv) different treatment for creditors belonging to different classes. In any case, the proposed composition agreement pursuant to Article 160 and following of the Bankruptcy Law must ensure the payment of at least twenty percent of the amount of unsecured credits.

Article 161 of the Bankruptcy Law, as amended from time to time, provides that a debtor in a state of crisis or state of insolvency may file a petition before the competent court containing a request in advance for a composition agreement (domanda di concordato anticipata). Such request may contain only the annual financial statements for the last three financial years and the list of creditors' name with indication of the relevant credits. The debtor shall subsequently file the above mentioned plan, within the date set by the competent court. Together with the motivated decree setting such date, the competent court may nominate a court-appointed officeholder, following the provision of Article 161 paragraph 6, of the Bankruptcy Law that, pursuant to Article 170, paragraph 2 of the Bankruptcy Law, may examine the financial statements of the debtor.

Law Decree No. 83 of 27 June 2015, as converted into Law No. 132 of 6 August 2015 ("**Decree 83**"), has amended the discipline of the Bankruptcy Law and, inter alios, some aspects regarding:

(i) the composition agreement (concordato preventivo); and

(ii) the debts restructuring agreement (accordo di ristrutturazione dei debiti).

In relation to the composition agreement, pursuant to the new Article 163-bis, when the plan of the composition provides for an offer to purchase, the court shall issue a decree in order to start a competitive procedure (procedimento competitivo) by searching for new prospective buyers. Such decree shall also indicate and describe the procedure for submitting irrevocable offers and ensure the

comparability between them. At the hearing set for the exam of the offers, these are published. In the presence of different offers better than the proposal of the debtor, the court provides for a competition between them. As a consequence, the debtor shall amend the proposal of composition agreement in compliance with the result of the competition.

In addition, the Decree 83 has amended Article 163 of the Bankruptcy Law in order to allow the creditors to offer alternative proposals of composition agreement from that offered by the insolvent debtor. For this purpose, the new proposal must be formulated by creditors representing at least the 10% of all the claims, provided that such request will not be taken into account when the offer of the debtor ensure the payment of at least 30% of the unsecured claims.

From the date on which the petition for a composition agreement with creditors or the petition containing a request in advance for a composition agreement (domanda di concordato anticipata) is filed with the competent companies' register, an "automatic stay" period is triggered, during which all creditors are prevented from recovering their debt or foreclosing on the debtor's assets. The temporary "automatic stay" is effective until the date of final ratification (decreto di omologazione) of the composition agreement with creditors. Following the filing of the petition before the competent court, the relevant court evaluates whether conditions for admission to such proceeding are met. Should the court decide that the petition does not satisfy the requirements set out by law, the debtor's petition is rejected and if the debtor is in a state of insolvency it may be declared bankrupt (fallito). If the conditions for admission are met, the relevant court will, inter alia, appoint the court-appointed officeholder (if it was not appointed by the competent court pursuant to Article 161, paragraph 6, of the Bankruptcy Law) who will notify each creditor of the date of the creditor's meeting to vote on the plan proposed by the debtor. The composition agreement with creditors is approved with the affirmative vote of creditors representing the majority of credits admitted to vote. If there are different classes of creditors, the composition agreement with creditors is approved if the majority is reached also in the major number of classes. If creditors approve the composition agreement, the designated judge, if all procedures have taken place regularly and in the absence of oppositions (or once possible oppositions have been dealt with and resolved), will ratify that approval.

Pursuant to Article 182-bis of the Bankruptcy Law, a debtor which is experiencing a state of crisis may require the ratification (omologazione) of a debts restructuring agreement (accordo di ristrutturazione dei debiti) entered into between it and its creditors representing at least 60 per cent. of the credits owed by it, by filing with the competent court the required corporate documentation and a certification of an expert - having certain characteristics - confirming (i) the feasibility of the debts restructuring agreement and (ii) its capability of procuring the integral payment of those creditors which are not a party to such debts restructuring agreement. The Debts Restructuring Agreement must be published in the debtor's companies' register and shall be effective as of the date of its publication. For a period of 60 days from the date of its publication, the debts restructuring agreement shall determine an "automatic stay" period pursuant to which any creditor having a title against such debtor arisen in advance to the date of publication of the debts restructuring agreement, will not be allowed to commence or continue any enforcement or precautionary action on the assets of the debtor. If the debts restructuring agreement complies with all the requirement set out by law and it is feasible to aim its purposes, the court shall issue a decree (decreto di omologazione) validating such debts restructuring agreement.

Law No. 3 of 27 January 2012 provides that consumers and other entities which cannot be subject to Insolvency Proceedings (Other Entities) may benefit from a special proceeding for the reconstructuring of their debts. Law No. 3 of 27 January 2012 provides that the Other Entities may file a recovery plan for the restructuring of their debts and the payment of the creditors with a special authority and with the competent court and that in the case of approval of the plan, it will become binding on all the creditors of the Other Entity.

Description of extraordinary administration of banks (Amministrazione Straordinaria delle Banche) – Suspension of payments

A bank may be submitted to the extraordinary administration of banks (amministrazione straordinaria delle banche) where: (a) the members of the administrative and supervisory bodies and the senior management of the bank are removed by the Bank of Italy as a consequence of serious administrative irregularities, or serious violations of the provisions governing the bank's activity provided for by laws, regulations or the bank's by-laws activity; (b) serious capital losses are expected to occur; (c) the dissolution has been the object of a request by the administrative bodies or an extraordinary company meeting providing the reasons for the request.

According to the Banking Law, the procedure is initiated with an act (provvedimento) of the Bank of Italy, to be published on the Official Gazette, which shall dissolve the bodies entrusted respectively with management and control functions of the bank. With the same act, the Bank of Italy shall appoint: (a) one or more special administrator (commissari straordinari); (b) a surveillance committee composed of between three and five members (comitato di sorveglianza). Unless otherwise provided in the act by means of which the extraordinary administration is initiated, the commissari straordinari are entrusted with the powers of the administrative bodies and with the duty to assess the situation of the bank, remove the irregularities which may have been found and promote solutions in the interest of the depositors of the bank and of the sound and prudent management. The comitato di sorveglianza exercises auditing functions and provides to the commissari straordinari the opinions requested by the provisions of the Banking Law or by the Bank of Italy. However, it should be noted that the Bank of Italy may revoke or replace the commissari straordinari and the comitato di sorveglianza, as well as change their powers and duties.

In exceptional circumstances, pursuant to article 74 of the Banking Law, the commissari straordinari, in order to protect the interests of the creditors, in consultation with the comitato di sorveglianza and subject to an authorisation by the Bank of Italy, may suspend payment of the bank's liabilities and the restitution to customers of financial instruments. Payments may be suspended for a period of up to one month, which may be extended for an additional period of two months. During the suspension period forced executions or actions to perfect security interests involving the bank's properties or customers' securities may not be initiated or prosecuted. During the same period mortgages may not be registered on the bank's immovable property nor may any other rights of preference on the bank's movable property be acquired, except in the case of enforceable court orders issued prior to the beginning of the suspension period. The suspension shall not trigger the insolvency of the bank.

The amministrazione straordinaria delle banche shall last for one year, unless the act of the Bank of Italy which initiates it provides for a shorter period or the Bank of Italy authorises the early termination. The procedure may be extended for additional periods of one year, in case the conditions for submission to the extraordinary administration of banks are met, with an act of the Bank of Italy to be published on the Official Gazette.

At the end of the procedure, the commissari straordinari shall undertake the necessary steps for the appointment of the bodies governing the bank in the ordinary course of business. After the appointment, the management and audit functions shall be transferred to the newly appointed bodies. It should however be noted that, should at the end of the procedure or at any earlier time the conditions for the declaration of the liquidazione coatta amministrativa (described in the following section) be met, then the bank may be subject to such procedure.

Description of administrative liquidation (Liquidazione Coatta Amministrativa delle Banche)

According to the Banking Law, the Ministry of Economy and Finance, acting on a proposal of the Bank of Italy, by way of a decree, may submit the bank to the compulsory winding up (liquidazione coatta amministrativa), even when the extraordinary administration or the liquidation of the bank is in course, in case (a) the institution is in financial instability (dissesto) or financial instability risk is envisaged, (b) there is no reasonable prospect that any alternative measure would prevent the failure of the institution within a reasonable timeframe, and (c) the conditions for the application of a resolution action are not being met.

From the date of issue of the decree the functions of the administrative and control bodies, of the

shareholders meetings and of any other governing body of the bank shall cease. The Bank of Italy shall appoint: (a) one or more liquidators (commissari liquidatori); (b) a surveillance committee composed of between three and five members (comitato di sorveglianza).

From the date the commissari liquidatori and the comitato di sorveglianza have assumed their functions and in any case from the sixth business day following the date of issue of the aforesaid decree of the Ministry of Economy and Finance, the payment of any liabilities and the restitution of assets owned by third parties shall be suspended.

The commissari liquidatori shall act as legal representatives of the bank, exercise all actions that pertain to the bank and carry out all transactions concerning the liquidation of the bank's assets. The comitato di sorveglianza shall: (i) assist the commissari liquidatori in exercising their functions, (ii) control the activities carried out by commissari liquidatori; and (iii) provide to the commissari liquidatori the opinions requested by the provisions of the Banking Law or by the Bank of Italy. The Bank of Italy may issue directives concerning the implementation of the procedure and establish that some categories of operations and actions shall be subject to its authorisation and to preliminary consultation with the comitato di sorveglianza.

The Banking Law regulates the procedure for the assessment of the bank's liabilities (accertamento del passivo), and the procedures which allow creditors whose claims have been excluded from the list of liabilities (stato passivo) to challenge the list of liabilities.

The liquidators, with the favourable opinion of the comitato di sorveglianza and subject to authorisation by the Bank of Italy, may assign assets and liabilities, going concerns, assets and legal relationships identifiable as a pool (in blocco). In case the conditions for the intervention of the depositor guarantee schemes are not met or its intervention is insufficient, in order to facilitate the liquidation, the liabilities may be sold in part only. The procedures shall in any case be subject to compliance with equal treatment of creditors and their order of priority. Assets may be assigned at any stage of the procedure, even before the stato passivo has been deposited. The assignor shall however be liable exclusively for the liabilities included in the stato passivo. Subject to prior authorisation of the Bank of Italy and for the purpose of maximizing profits deriving from the liquidation of the assets, the commissari liquidatori may continue the banks' activity or of specific going concerns of the bank, in compliance with any indications provided for by the comitato di sorveglianza. In such case the provision of the Bankruptcy Law concerning the termination of legal relationships shall not apply.

Once the assets, or a material part thereof, have been realised and before the final allotment to the creditors or to the last restitution to customers, the commissari liquidatori shall present to the Bank of Italy the closing statement of accounts of the liquidation, the financial statement and the allotment plan, accompanied by their own report and a report by the surveillance committee.

Insolvency of Italian local entities

Local entities may not be declared bankrupt.

Legislative Decree no. 267 of 18 August 2000 sets out a special procedure in the case of the serious financial distress of provinces and municipalities (*dissesto*). Dissesto occurs if the relevant local entity cannot ensure the performance of the functions or the essential services it must perform or is unable to pay third party creditors for due and payable credits. The main consequences of the *dissesto* can be summarised as follows: (i) a special entity charged with the settlement of the debts must be appointed by the President of the Republic of Italy; (ii) the special entity must prepare a plan for the restructuring of the budget to account for the current financial situation; and (iii) foreclosure proceedings against the relevant local entity connected with debts arisen within 31 December immediately preceding the restructuring plan referred to under (ii) are prohibited; pending foreclosure proceedings are extinguished; and seizure proceedings are ineffective against the relevant local entity.

The aim of the *dissesto* procedure is to make sure that the local entities regain financial stability in order to ensure the performance of the essential services provided by law and to fulfill their liabilities to third party creditors. The *dissesto* procedure is to be completed in a limited period of time, once the

time limit is expired, creditors who have not been satisfied during the *dissesto* procedure, may commence foreclosure proceeding to recover their receivables.

TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions of the Covered Bonds (other than Registered Covered Bonds) (the "**Conditions**" and, each of them, a "**Condition**"). In these Conditions, references to the "holder" of Covered Bonds and to the "Covered Bondholders" are to the ultimate owners of the Covered Bonds, dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) the Financial Law and implementing regulations and (ii) the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette no. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.*

The Covered Bondholders are deemed to have notice of and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of Covered Bondholders attached to, and forming part of, these Conditions. In addition, the applicable Final Terms in relation to any Series of Covered Bonds will complete the Conditions for the purpose of such Series.

*In relation to Covered Bonds issued in registered form also as German law governed registered covered bonds (the "**Registered Covered Bonds**"), the terms and conditions of such Series of Registered Covered Bonds will be as set out in the Registered Covered Bond (and the terms and conditions of the Registered Covered Bonds (the "**Registered Covered Bond Conditions**") attached as a Schedule thereto). Any reference to an "Registered Covered Bond Condition" other than in this section shall be deemed to be, as applicable, a reference to the relevant provision of the Registered Covered Bond or the Registered Covered Bonds Conditions attached as a schedule.*

Any reference to the Conditions or a Condition shall be referred to the Conditions and/or the Registered Covered Bonds Conditions as the context may require. Any reference to the Covered Bondholders shall be referred to the holders of the Covered Bonds and/or the registered holder for the time being of a Registered Covered Bond as the context may require.

Any reference to the Covered Bonds will be construed as to including the Covered Bonds issued under the Conditions and/or the Registered Covered Bonds as the context may require.

1 Introduction

(a) *Programme*: Intesa Sanpaolo S.p.A. (the "**Issuer**") has established a Covered Bond Programme (the "**Programme**") for the issuance of up to Euro 20,000,000,000 in aggregate principal amount of covered bonds (the "**Covered Bonds**") guaranteed by ISP CB PUBBLICO S.r.l. (the "**Covered Bonds Guarantor**"). Covered Bonds are issued pursuant to Article 7-*bis* of Law no. 130 of 30 April 1999 (as amended, the "**Law 130**"), Decree of the Ministry for the Economy and Finance no. 310 of 14 December 2006 ("**MEF Decree**") and the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of the circular no. 285 of 17 December 2013, containing the "*Disposizioni di vigilanza per le banche"* as further implemented and amended, (the "**BoI OBG Regulations**" and jointly with Law 130 and MEF Decree, the "**OBG Regulations**")."

(b) *Final Terms*: Covered Bonds are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**"). Each Series is the subject of final terms (the "**Final Terms**") which completes these Conditions. The terms and conditions applicable to any particular Series of Covered Bonds are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) *Covered Bonds Guarantee*: Each Series of Covered Bonds is the subject of a guarantee dated on or about the Initial Issue Date (the "**Covered Bonds Guarantee**") entered into by the Covered Bonds Guarantor for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series issued under the Programme. The Covered Bonds Guarantee will be collateralised by a cover pool constituted by certain assets assigned from time to time to the Covered Bonds Guarantor pursuant to the Master Transfer Agreement (as

defined below) and in accordance with the provisions of the Law 130, the MEF Decree and the BoI OBG Regulations.

(d) *Dealer Agreement and Subscription Agreement*: in respect of each Series of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the Issue Price for the Covered Bonds on the Issue Date under the terms of a dealer agreement dated on or about the Initial Issue Date (as amended and supplemented from time to time, the "**Dealer Agreement**") between the Issuer, the Covered Bonds Guarantor and the dealer(s) named therein (the "**Dealers**"), as supplemented (if applicable) by a subscription agreement entered into between the Issuer, the Covered Bonds Guarantor and the Relevant Dealer(s) (as defined below) on or around the date of the relevant Final Terms (the "**Subscription Agreement**"). In the Dealer Agreement, the Dealer has appointed Finanziaria Internazionale Securitisation Group S.p.A. as representative of the Covered Bondholders (in such capacity, the "**Representative of the Covered Bondholders**"), as described in Condition 13 (*Representative of the Covered Bondholders*).

(e) *Monte Titoli Mandate Agreement:* In a mandate agreement with Monte Titoli dated on or about the Initial Issue Date (the "**Monte Titoli Mandate Agreement**"), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds.

(f) *Master Definition Agreement*: In a master definition agreement dated on or about the Initial Issue Date (as amended and supplemented from time to time, the "**Master Definition Agreement**") between all the parties to each of the Transaction Documents (as defined below), the definitions of certain terms used in the Transaction Documents have been agreed.

(g) *The Covered Bonds*: Except where stated otherwise, all subsequent references in these Conditions to "Covered Bonds" are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to "each Series of Covered Bonds" are to (i) the Covered Bonds which are the subject of the relevant Final Terms and (ii) each other Series of Covered Bonds issued under the Programme which remains outstanding from time to time.

(h) *Rules of the Organisation of Covered Bondholders*: The Rules of the Organisation of Covered Bondholders are attached to, and form an integral part of, these Conditions. References in these Conditions to the "**Rules of the Organisation of the Covered Bondholders**" include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

(i) *Summaries*: Certain provisions of these Conditions are summaries of the Transaction Documents and are subject to their detailed provisions. Covered Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents applicable to them. Copies of the Transaction Documents are available for inspection by Covered Bondholders during normal business hours at the registered office of the Representative of the Covered Bondholders from time to time and, where applicable, at the Specified Offices of each of the Paying Agents.

2 Interpretation

2.1 *Definitions*

In these Conditions the following expressions have the following meanings:

"**Administrative Services Agreement**" means an administrative services agreement entered into on 20 May 2009 between Intesa Sanpaolo as administrative services provider and the Covered Bonds Guarantor;

"**Amortisation Test**" has the meaning given to it in the Portfolio Administration Agreement;

"**Amortisation Test Adjusted Eligible Portfolio**" has the meaning given to it in the Portfolio Administration Agreement;

"**Article 74 Event**" has the meaning given to it in Condition 11(a) (Article 74 Event);

"**Article 74 Notice to Pay**" means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Article 74 Event;

"**Asset Monitor**" means the auditing company appointed as asset monitor in accordance with the Asset Monitor Agreement and any successor thereto;

"**Asset Monitor Agreement**" means the Asset Monitor Agreement entered into on or about the Initial Issue Date between, *inter alios*, the Asset Monitor and the Issuer;

"**Available Funds**" shall include (a) the Interest Available Funds, (b) the Principal Available Funds and (c) following an Issuer Event of Default, the amounts received by the Covered Bonds Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree (the "**Excess Proceeds**").

"**Banking Law**" means Legislative Decree no. 385 of 1 September 1993, as amended and supplemented from time to time;

"**Business Day**" means:

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

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

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

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

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

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

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

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

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

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

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

"**Calculation Agent**" means the company appointed as calculation agent in accordance with the Cash Management and Agency Agreement and the Portfolio Administration Agreement and any successor thereto;

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

"**Cash Management and Agency Agreement**" means the Cash Management and Agency Agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Cash Manager, the Receivables Collection Account Bank, the Account Bank, the Servicer, the Representative of the Covered Bondholders, the Calculation Agent, the Luxembourg Listing Agent and the Paying Agent;

"**Cash Manager**" means Intesa Sanpaolo S.p.A. acting as such pursuant to the Cash Management and Agency Agreement;

"**CB Hedging Counterparty**" means the party acting as hedging counterparty in accordance with the CB Swap and any successor thereof.

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

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

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

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

"**CB Swap**" means the swap agreement entered into on or about the Issued Date between the Covered Bonds Guarantor and the CB Hedging Counterparty for hedging the currency / interest rate risk on the Covered Bonds;

"**Clearstream**" means Clearstream Banking, société anonyme, Luxembourg;

"**CONSOB**" means *Commissione Nazionale per le Società e la Borsa*;

"**Covered Bondholders**" means the holders of Covered Bonds, from time to time;

"**Covered Bonds Guarantor**" means ISP CB Pubblico S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated in the Republic of Italy pursuant to article 7 *bis* of Law 130, whose registered office is at Via Monte di Pietà 8, Milan, Italy, share capital Euro 120,000.00, enrolled with the Companies Register of Milan, under no. 05936150969.

"**Covered Bonds Guarantor Acceleration Notice**" means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of any of the Covered Bonds Guarantor Events of Default;

"**Covered Bonds Guarantor Event of Default**" has the meaning given to it in Condition 11(e) (*Covered Bonds Guarantor Events of Default*);

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

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

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

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

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

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

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

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

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

(v) if "**30/360 (Fixed rate)**" (in respect of Condition 5 (*Fixed Rate Provisions*)) is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

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

(vii) if **"30/360 (Floating Rate)**" (in respect of Condition 6 (*Floating Rate*)) is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows

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

where:

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

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

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

"M_2" is the calendar month, expressed as number, in which the day immediately following

the last day included in the Calculation Period falls;

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

"**Due for Payment Date**" has the meaning given to such expression under the Covered Bonds Guarantee.

"**Early Redemption Amount**" means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Redemption Date**" means, as applicable, the Optional Redemption Date (Call), the Optional Redemption Date (Put) or the date on which any Series of Covered Bonds is to be redeemed pursuant to Condition 8(c) (*Redemption for tax reasons*);

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

"**Euroclear**" means Euroclear Bank S.A./N.V.;

"**Extension Determination Date**" means the date falling four Business Days prior to the Maturity Date;

"**Extended Maturity Date**" means, in relation to any Series of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 8(b) (*Extension of maturity*).

"**Extendable Maturity**" has the meaning given to such expression under Condition 8(b) (*Extension of maturity*).

"**Extraordinary Meeting**" has the meaning given in the Rules of the Organisation of the Covered Bondholders attached to these Conditions;

"**Final Redemption Amount**" means, with respect to a Series of Covered Bonds, the amount, as specified in the applicable Final Terms, representing the amount due (subject to the applicable grace period) in respect of the relevant Series of Covered Bond;

"**First CB Payment Date**" means the date specified in the relevant Final Terms;

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

"**Guaranteed Amounts**" means (i) prior to the service of a Covered Bonds Guarantor Acceleration Notice, with respect to any Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Due for Payment Date, or (ii) after the service of a Covered Bonds Guarantor Acceleration Notice, an amount equal to the relevant Early Redemption Amount (as defined and specified in the Conditions) *plus* all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Covered Bonds Guarantor under the Transaction Documents, provided that any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was timely paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the "**Clawed Back Amounts**"). In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 10(a) (*Gross up by Issuer*);

"**Guarantor Payment Date**" means 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Covered Bonds

Guarantor Event of Default, the earlier of (i) each Business Day falling 10 Business Days after the Business Day on which an amount at least equal to 10 per cent. of the aggregate Outstanding Principal Balance of all Series of Covered Bonds is standing to the credit of the Transaction Account and the Investment Account, and (ii) 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day, provided that the first Guarantor Payment Date shall be 31 March 2010.

"**Hard Bullet Covered Bonds**" means the Series of Covered Bonds in relation to which no Extended Maturity Date is specified in the relevant Final Terms, and the Final Redemption Amount in respect to such Series will be due for payment on the Maturity Date and the Pre-Maturity Liquidity Test shall apply;

"**Hedging Senior Payment**" means, on any relevant date, any interest and/or principal payment due under any CB Swap or TBG Swap, as the case may be, including any termination payment arising out of a termination event, other than termination payments where the relevant Hedging Counterparty is the defaulting party or the sole affected party, but including, in any event, the amount of any termination payment due and payable to the relevant Hedging Counterparty in relation to the termination of the relevant swap transactions to the extent of any premium received (net of any costs reasonably incurred by the Covered Bonds Guarantor to find a replacement swap counterparty), if any, by the Covered Bonds Guarantor from a replacement swap counterparty in consideration for entering into swap transactions with the Covered Bonds Guarantor on the same terms as the relevant CB Swaps or TBG Swaps. With respect to the *Additional Provisions* "Mark to Market Payment" in the TBG Swaps, any payment under this clause will be part of the Hedging Senior Payments for an amount up to the difference on each Guarantor Payment Date between the purchase price paid by any purchaser/s of the Selected Asset and the Outstanding Principal Balance of the Public Assets and Integration Assets sold to such purchaser/s.

"**Initial Issue Date**" means the date on which the Issuer will issue the first Series of Covered Bonds.

"**Insolvency Event**" means, in respect of any company or corporation, that:

(i) such company or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, *fallimento*, *liquidazione coatta amministrativa*, *concordato preventivo* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than, in the case of the Covered Bonds Guarantor, any portfolio of assets purchased by the Covered Bonds Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Covered Bonds Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments; or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation or any of the events under Article 2448 of the Italian Civil Code occurs with respect to such company or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders); or

(v) such company or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business;

"**Intercreditor Agreement**" means the agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Servicer, the Issuer, the Calculation Agent, the Representative of the Covered Bondholders and the other Secured Creditors, as amended and supplemented from time to time.

"**Interest Amount**" means, in relation to any Series of Covered Bonds and a CB Interest Period, the amount of interest payable in respect of that Series for that CB Interest Period;

"**Interest Available Funds**" has the meaning ascribed to such expression under the Master Definition Agreement.

"**Interest Commencement Date**" means, in relation to any Series of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

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

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

"**ISDA Master Agreement**" means the 1992 ISDA Master Agreement together with the relevant Schedule and Credit Support Annex, as amended and supplemented from time to time;

"**ISGS Mandate Agreement**" has the meaning given in the Master Definition Agreement;

"**ISP Mandate Agreement**" has the meaning given in the Master Definition Agreement;

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

"**Issuer Event of Default**" has the meaning given to it in Condition 11(c) (*Issuer Event of Default*);

"**Long Dated Covered Bonds**" means any Covered Bond issued by the Issuer in respect of which the Extended Maturity Date is set at the Long Date Due for Payment Date and identified as such in the relevant Final Terms;

"**Long Date Due For Payment Date**" means the CB Payment Date immediately following the tenth anniversary of the last Maturity Date of the Public Asset or Integration Asset contained in the Portfolio;

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

"**Master Transfer Agreement**" means the master transfer agreement entered into on May 20, 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time;

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

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

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

"**Minimum Required Account Bank Rating**" means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as Account Bank and which is at least

equal to "P-3" from the Rating Agency.

"**Minimum Required Pre-Maturity Liquidity Guarantor Rating"** means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as guarantor in order to cure a breach of the Pre-Maturity Liquidity Test and which is at least equal to "P-1" from the Rating Agency.

"**Monte Titoli**" means Monte Titoli S.p.A. a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazza Affari 6, Milan, Italy, incorporated with Fiscal Code and VAT number 03638780159, registered with the Milan Register of Enterprises under number 03638780159.

"**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quater* of Italian Legislative Decree no. 58 of 24 February 1998 and includes any depository banks appointed by the Relevant Clearing System;

"**Notice to Pay**" means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Issuer Event of Default;

"**Official Gazette**" means *La Gazzetta Ufficiale della Repubblica Italiana*;

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

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

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

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

"**Organisation of the Covered Bondholders**" means the association of the Covered Bondholders, organised pursuant to the Rules of the Organisation of the Covered Bondholders;

"**Outstanding Principal Balance**" means, at any date, in relation to a loan, a bond, a Series of Covered Bonds or any other asset the aggregate nominal principal amount outstanding of such loan, bond, Series of Covered Bonds or asset at such date.

"**Outstanding Principal Balance of the Covered Bonds**" means the Outstanding Principal Balance of the outstanding Series of Covered Bonds.

"**Payment Business Day**" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

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

"**Place of Payment**" means, in respect of any Covered Bondholders, the place at which such Covered Bondholder receives payment of interest or principal on the Covered Bonds;

"**Portfolio Administration Agreement**" means the portfolio administration agreement entered into on or about the Initial Issue Date between, *inter alios*, the Issuer, the Seller, the Covered Bonds

Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, as amended and supplemented from time to time;

"**Post-Guarantor Default Priority of Payments**" has the meaning ascribed to such expression in the Intercreditor Agreement.

"**Post-Issuer Default Priority of Payments**" has the meaning ascribed to such expression in the Intercreditor Agreement.

"**Pre-Issuer Default Interest Priority of Payments**"has the meaning ascribed to such expression in the Intercreditor Agreement.

"**Pre-Issuer Default Principal Priority of Payments**" has the meaning ascribed to such expression in the Intercreditor Agreement.

"**Pre-Maturity Liquidity Required Ratings**" means, with reference to the Issuer a short-term credit rating from the Rating Agency of at least P-1.

"**Pre-Maturity Rating Period**" means the period of 12 months preceding the Maturity Date of any Series of Hard Bullet Covered Bonds.

"**Pre-Maturity Test Account**" means the account or the accounts to be opened by the Issuer for making deposits in any form in order to remedy a breach of the Pre-Maturity Liquidity Test.

"**Principal Available Funds**" has the meaning ascribed to such expression under the Master Definition Agreement.

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

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

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Paying Agent;

"**Priorities of Payments**" means, collectively, the Pre-Issuer Default Principal Priority of Payment, the Pre-Issuer Default Interest Priority of Payment, the Post-Issuer Default Priority of Payments and the Post-Guarantor Default Priority of Payments.

"**Public Assets**" means any Public Asset (as defined in the Master Definition Agreement) which is sold and assigned by the Seller to the Covered Bonds Guarantor from time to time under the terms of the Master Transfer Agreement;

"**Put Option Notice**" means a notice which must be delivered to the Paying Agent, the Calculation Agent and the Asset Monitor by the Representative of the Covered Bondholders on behalf of any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

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

"**Quotaholders' Agreement**" means the quotaholder agreement executed on or about the Initial Issue Date by, *inter alia*, the Issuer and Stichting Viridis 2, as amended and supplemented from time to time;

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

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption

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

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Paying Agent in the market that is most closely connected with the Reference Rate;

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

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

"**Regular Period**" means:

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

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

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

"**Relevant Clearing System**" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made;

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

"**Relevant Dealer(s)**" means, in relation to a Series, the Dealer(s) which is/are party to any agreement (whether oral or in writing) entered into with the Issuer and the Covered Bonds Guarantor for the issue by the Issuer and the subscription by such Dealer(s) of such Series pursuant to the Dealer Agreement;

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

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

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

"**Scheduled Due for Payment Date**" means:

(a) (A) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (B) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Article 74 Event or an Issuer Event of Default, the day which is two Business Days following service, respectively, of the Article 74 Notice to Pay (which has not been withdrawn) or the Notice to Pay on the Covered Bonds Guarantor in respect of such Guaranteed Amounts, if such Article 74 Notice to Pay or Notice to Pay has not been served more than two

Business Days prior to the relevant Scheduled Payment Date; or

(b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

"**Scheduled Interest**" means an amount equal to the amount in respect of interest which would have been due and payable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the "**Excluded Scheduled Interest Amounts**"), but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, *less* any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

"**Scheduled Principal**" means an amount equal to the amount in respect of principal which would have been due and repayable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, or premiums: the "**Excluded Scheduled Principal Amounts**"), but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or, if in accordance with the Final Terms an Extended Maturity Date is applied to such Series, the Extended Maturity Date of such Series.

"**Secured Creditors**" has the meaning given in the Master Definition Agreement;

"**Selected Assets**" has the meaning given in the Master Definition Agreement;

"**Seller**" means Intesa Sanpaolo in its capacity as such pursuant to the Master Transfer Agreement;

"**Servicer**" means Intesa Sanpaolo in its capacity as such pursuant to the Servicing Agreement;

"**Servicing Agreement**" means the agreement entered into on 20 May 2009 between the Covered Bonds Guarantor and the Servicer.

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

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

"**Specified Office**" means with reference to the Paying Agent, Piazza del Calendario no. 3, 20126, Milan, Italy, or such other office in the same city or town as the Paying Agent may specify by notice to the Issuer and the other parties to the Cash Management and Agency Agreement in the manner provided therein;

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

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 20 May 2009 between the Subordinated Loan Provider and the Covered Bonds Guarantor, as amended and supplemented from time to time;

"**Subordinated Loan Provider**" means Intesa Sanpaolo, and any successor thereof, appointed as subordinated loan provider in accordance with the Subordinated Loan Agreement;

"**Subsidiary**" has the meaning given to it in Article 2359 of the Italian Civil Code;

"**Swap Agreements**" means collectively the CB Swaps and the TBG Swaps, including the ISDA

Master Agreement, as amended and supplemented from time to time.

"**TARGET Settlement Day**" means any day on which TARGET2 (the Trans-European Automated Real-Time Gross Settlement Express Transfer system) is open.

"**TBG 1 Hedging Counterparty**" means the bank appointed as hedging counterparty in accordance with the TBG 1 Swap and any successor thereof;

"**TBG 2 Hedging Counterparty**" means the bank appointed as hedging counterparty in accordance with the TBG 2 Swap and any successor thereof;

"**TBG Hedging Counterparties**" means jointly the TBG 1 Hedging Counterparty and the TBG 2 Hedging Counterparty;

"**TBG 1 Swap**" means any swap agreement entered into between the Covered Bonds Guarantor and the TBG 1 Hedging Counterparty with respect to any Portfolio of fixed rate Receivables and Securities;

"**TBG 2 Swap**" means any swap agreement entered into between the Covered Bonds Guarantor and the TBG 2 Hedging Counterparty with respect to any Portfolio of floating rate Receivables and Securities;

"**TBG Swaps**" means jointly the TBG 1 Swap and the TBG 2 Swap;

"**Tests**" means jointly the Asset Coverage Test, the Amortisation Test, the NPV Test and the Interest Coverage Test as respectively defined under the Portfolio Administration Agreement;

"**Transaction Documents**" means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Intercreditor Agreement, the Portfolio Administration Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bonds Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Dealer Agreement, the Subscription Agreements, the Quotaholders' Agreement, the Deed of Pledge, the Deed of Charge, the Swap Agreements, the Master Definition Agreement, the Conditions, the Final Terms, the ISGS Mandate Agreement, the ISP Mandate Agreement and any document or agreement which supplement, amend or restate the content of any of the above mentioned documents and any other documents designated as such by the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered into on 20 May 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time; and

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

2.2 *Interpretation*:

In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 10 (*Taxation*), any premium payable in respect of a Series of Covered Bonds and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Covered Bonds;

(iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended, supplemented and/or restated up to and including the

Issue Date of the relevant Covered Bonds;

(v) any reference to a party to a Transaction Document (other than the Issuer and the Covered Bonds Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Transaction Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Series only; and

(vi) any reference in any Italian legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

3 Form, Denomination and Title

The Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination and higher integral multiples of a smaller amount, in each case as specified in the relevant Final Terms. The Covered Bonds will be issued in bearer form and in dematerialised form (*emesse in forma dematerializzata*) and will be wholly and exclusively deposited with Monte Titoli in accordance with article 83-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, through the authorised institutions listed in Article 83-*quarter* of such legislative decree. The Covered Bonds will at all times be evidenced by, and title thereto will be transferable by means of, book-entries in accordance with the provisions of article 83-*bis* of Italian Legislative Decree no. 58 of 24 February 1998 and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette no. 54 of 4 March 2008, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Covered Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical documents of title will be issued in respect of the Covered Bonds. The rights and powers of the Covered Bondholders may only be exercised in accordance with the Rules of the Organisation of the Covered Bondholders. For the purposes of Commission Regulation no. 809/2004/EC, dematerialised Covered Bonds shall be deemed as having been issued in bearer form.

4 Status and Guarantee

(a) *Status of the Covered Bonds*: The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Covered Bonds Guarantor on their behalf.

(b) *Status of the Covered Bonds Guarantee*: The payment of Guaranteed Amounts in respect of each Series of Covered Bonds when due for payment will be unconditionally and irrevocably guaranteed by the Covered Bonds Guarantor in the Covered Bonds Guarantee. However, the Covered Bonds Guarantor shall have no obligation under the Covered Bonds Guarantee to pay any Guaranteed Amount on the Due for Payment Date until the occurrence of an Article 74 Event or an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Covered Bonds Guarantor of an Article 74 Notice to Pay or a Notice to Pay.

(c) *Priority of Payments*. Amounts due by the Covered Bonds Guarantor pursuant to the Covered Bonds Guarantee shall be paid in accordance with the Priority of Payments, as set out in the Intercreditor Agreement.

Any payment made by the Covered Bonds Guarantor shall discharge the corresponding obligations of the Issuer under the Covered Bonds *vis-à-vis* the Covered Bondholders.

5 Fixed Rate Provisions

(a) *Application:* This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Covered Bonds bear interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate of Interest. Interest will be payable in arrear on each CB Payment Date, subject as provided in Condition 9 (*Payments*), up to (and excluding) the Maturity Date, or as the case may be, the Extended Maturity Date. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Covered Bond for any CB Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6 Floating Rate

(a) *Application:* This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* Each Covered Bond bears interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each CB Payment Date, subject as provided in Condition 9 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be determined by the Paying Agent on the following basis:

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

(ii) in any other case, the Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time

on the relevant Interest Determination Date;

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

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

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

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

and the Rate of Interest for such CB Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any CB Interest Period, the Rate of Interest applicable to the Covered Bonds during such CB Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding CB Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any CB Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Paying Agent under an interest rate swap transaction if the Paying Agent were acting as Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

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

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

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

(f) *Calculation of Interest Amount:* The Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each CB Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such CB Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such CB Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit

being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

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

(h) *Publication:* The Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant CB Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and CB Payment Date) in any event not later than the first day of the relevant CB Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant CB Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

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

7 Zero Coupon Provisions

(a) *Application:* This Condition 7 is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

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

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

8 Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed or purchased and cancelled as specified below, the Covered Bonds of each Series will be redeemed at their Final Redemption Amount on the relevant Maturity Date, subject as provided in Condition 8(b) (*Extension of maturity*) and Condition 9 (*Payments*). If an Extended Maturity Date is not specified as applicable in the

relevant Final Terms for a Series of Covered Bonds, Condition 8(m) *(Pre-Maturity Liquidity Test)* shall apply.

The Issuer shall confirm to the Paying Agent as soon as reasonably practicable and in any event at least as of the Extension Determination Date as to whether payment will or will not be made in full of the Final Redemption Amount in respect of the Covered Bonds on that Maturity Date. Any failure by the Issuer to notify the Paying Agent shall not affect the validity or effectiveness of the extension.

(b) *Extension of maturity*: If an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and an Article 74 Event or an Issuer Event of Default has occurred, following the service respectively of an Article 74 Notice to Pay or a Notice to Pay on the Covered Bonds Guarantor, the Covered Bonds Guarantor or the Calculation Agent on its behalf determines that the Covered Bonds Guarantor has insufficient Available Funds under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Covered Bonds Guarantor under the Covered Bonds Guarantee shall be deferred until the Extended Maturity Date *provided that* any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Covered Bonds Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Maturity Date (the "**Extendable Maturity**"). Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and withdrawal of the Article 74 Notice to Pay, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an Extendable Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month in which the Article 74 Notice to Pay has been withdrawn.

The Covered Bonds Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 18 (*Notices*), any relevant Hedging Counterparties, the Rating Agency, the Representative of the Covered Bondholders and the Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Maturity Date of any inability of the Covered Bonds Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bonds Guarantee. Any failure by the Covered Bonds Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Covered Bonds Guarantor shall on the relevant Due for Payment Date, pursuant to the Covered Bonds Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priorities of Payments) *pro rata* in payment of an amount equal to the Final Redemption Amount in respect of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Covered Bonds Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid on such Due for Payment Date shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Guarantor Payment Date following the Maturity Date up to the Extended Maturity Date (inclusive).

Where an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and applied, failure to pay on the Maturity Date by the Covered Bonds Guarantor shall not constitute a Covered Bonds Guarantor Event of Default.

(c) *Redemption for tax reasons:* The Covered Bonds may be redeemed at the option of the Issuer

in whole, but not in part:

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

(ii) on any CB Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

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

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation)* as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Series of Covered Bonds; and

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

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

(2) where the Covered Bonds may be redeemed only on an CB Payment Date, 60 days prior to the CB Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Paying Agent with copy to the Luxembourg Listing Agent and the Representative of the Covered Bondholders a certificate signed by duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and such evidence shall be sufficient to the Paying Agent and the Representative of the Covered Bondholders and conclusive and binding on the Covered Bondholders. Upon the expiry of any such notice as is referred to in this Condition 8(c), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 8(c).

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

(e) *Partial redemption:* If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 8(d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been

admitted to listing, trading and/or quotation. The notice to Covered Bondholders referred to in Condition 8(d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Redemption at the option of Covered Bondholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Covered Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8(f), the Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the Paying Agent a duly completed Put Option Notice in the form obtainable from the Paying Agent. The Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the depositing Covered Bond holder. Once deposited in accordance with this Condition 8(f), no duly completed Put Option Notice, may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by a Paying Agent in accordance with this Condition 8(f), the Covered Bondholder and not such Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(g) *No other redemption:* The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 8(a) (*Scheduled redemption*) to (f) (*Redemption at the option of Covered Bondholders*) above.

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

(i) the Reference Price; and

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

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase:* The Issuer or any of its Subsidiaries (other than the Covered Bonds Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price. The Covered Bonds Guarantor shall not purchase any Covered Bonds at any time.

(j) *Legislative Exchange*: Following the coming into force in Italy, at any time after the Issue Date, of (i) any legislation similar to the OBG Regulation in force in any other European Union country or (ii) any rules, regulations or guidelines published by any governmental authority that provides for bonds issued by Italian issuers to qualify for the same benefits available to covered bonds issued under covered bond legislation in force in any other European Union country, the Issuer may, at its option and without the consent of the Representative of the Covered Bondholders, exchange all (but not some only) of the Covered

Bonds of all Series then outstanding (the "**Existing Covered Bonds**") for new Covered Bonds which qualify as covered bonds under such new legislation, rules, regulations or guidelines (the "**New Covered Bonds**") on the same economic terms and conditions as the Existing Covered Bonds (the "**Legislative Exchange**") if not more than 60 nor less than 30 days' notice to the Covered Bondholders (in accordance with Condition 18 (*Notices*)) and the Representative of the Covered Bondholders is given and provided that:

(i) on the date on which such notice expires the Issuer delivers to the Representative of the Covered Bondholders a certificate signed by two authorised signatories of each of the Issuer and the Covered Bonds Guarantor confirming that, in the case of the Issuer, no Issuer Event of Default and, in the case of the Covered Bonds Guarantor, no Covered Bonds Guarantor Event of Default, has occurred which is continuing;

(ii) the Rating Agency then rating the Existing Covered Bonds has confirmed in writing that the New Covered Bonds will be assigned the same ratings as are then applicable to the Existing Covered Bonds; and

(iii) if the Existing Covered Bonds are listed, quoted and/or traded on or by a competent and/or relevant listing authority, stock exchange and/or quotation system on or before the date on which such notice expires the Issuer delivers to the Representative of the Covered Bondholders a certificate signed by two authorised signatories of the Issuer confirming that all applicable rules of such competent and/or relevant listing authority, stock exchange and/or quotation system have been or will be complied with.

The Existing Covered Bonds will be cancelled concurrently with the issue of the New Covered Bonds and with effect on and from the date of issue thereof all references herein to Covered Bonds shall be deemed to be references to the New Covered Bonds.

(k) *Redemption due to illegality*: The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Covered Bondholders and the Paying Agent and, in accordance with Condition 18 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next CB Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such CB Payment Date.

Covered Bonds redeemed pursuant to this Condition 8(k) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(l) *Pre-Maturity Liquidity Test.* If an Extended Maturity Date is not specified as applicable in the relevant Final Terms for a Series of Covered Bonds, on any Business Day (each the "**Pre-Maturity Liquidity Test Date"**) falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default, the Calculation Agent will determine if the Pre-Maturity Liquidity Test (as defined below) has been breached, and if so, it shall immediately notify the Issuer, the Seller, the Hedging Counterparty and the Representative of Covered Bondholders.

For the purpose of this paragraph the "**Pre-Maturity Liquidity Test"** is complied with on any Pre-Maturity Liquidity Test Date if, during the Pre-Maturity Rating Period, all of the Issuer's credit ratings are equal to or greater than the Pre-Maturity Liquidity Required Ratings.

Following a breach of a Pre-Maturity Liquidity Test in respect of a Series of Covered Bonds:

(i) the Issuer shall:

(a) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or

(b) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-Maturity Liquidity Guarantor Ratings; and/or

(c) take action in the form of a combination of the foregoing which in aggregate adding up to an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;

and/or

(ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

9 Payments

(a) *Payments through clearing systems*: Payment of interest and repayment of principal in respect of the Covered Bonds will be credited, in accordance with the instructions of Monte Titoli, by the Paying Agent on behalf of the Issuer or the Covered Bonds Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

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

(c) *Payments on business days:* If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Covered Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

10 Taxation

(a) *Gross up by Issuer*: All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders after such

withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

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

(ii) with respect to any Covered Bond presented for payments:

(a) in the Republic of Italy; or

(b) by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond by reason of his having some connection with the Republic of Italy other than the mere holding of such Covered Bond; or

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

(d) more than 30 days after the Maturity Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such Covered Bond for payment on such thirtieth day assuming that day to have been a Business Day; or

(e) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a tax haven country (as defined and listed in the Ministry of Finance Decree of 23 January 2002 as amended from time to time) or which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or

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

(b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction. For the avoidance of doubt, the Issuer will have no obligation to pay additional amounts in respect of the Covered Bonds for any amounts required to be withheld or deducted pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986.

11 Article 74 Event and Events of Default

(a) *Article 74 Event*

If a resolution pursuant to Article 74 of the Banking Law is issued in respect of the Issuer ("**Article 74 Event**"), the Representative of the Covered Bondholders will serve a notice (the "**Article 74 Notice to Pay**") on the Covered Bonds Guarantor that an Article 74 Event has occurred.

(b) *Effect of an Article 74 Notice to Pay*

Upon service of an Article 74 Notice to Pay upon the Covered Bonds Guarantor:

(i) *Acceleration against the Issuer*: each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) pursuant to the Covered Bonds Guarantee, the Covered Bonds Guarantor shall pay an amount equal to the Guaranteed Amounts, subject to and in accordance with the Post-Issuer Default Priority of Payments and within the suspension period, on the relevant Scheduled Due for Payment Date, (iii) in accordance with terms and conditions provided for by the Covered Bonds Guarantee and with Article 4, Para. 4, of the MEF Decree, the Covered Bonds Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the suspension period and (iv) upon the termination of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer);

(ii) *Delegation:* the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the provisions of the Covered Bonds Guarantee, in the context of which the Covered Bondholders have irrevocably delegated – also in the interest and for the benefit of the Covered Bonds Guarantor – to the Covered Bonds Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

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

(iii) *Covered Bonds Guarantee*: without prejudice to paragraph (i) above, interest and principal falling due on the Covered Bonds will be payable by the Covered Bonds Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bonds Guarantee and the priority of payments to creditors set out in the Intercreditor Agreement;

(iv) *Tests*: the Tests shall continue to be applied; and

(v) *Pre-Maturity Liquidity Test*: the Pre-Maturity Liquidity Test shall be deemed to be failed with respect to any Hard Bullet Covered Bonds for which the Maturity Date falls within 12 months.

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

(c) *Issuer Events of Default*:

If any of the following events (each, an "**Issuer Event of Default**") occurs and is continuing:

(i) default is made by the Issuer for a period of 7 Business Days or more in the payment of any principal or redemption amount, or for a period of 14 Business Days or more in

the payment of any interest on the Covered Bonds of any Series when due; or

(ii) the Issuer is in breach of material obligations under or in respect of the Covered Bonds (of any Series outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds) and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(iii) an Insolvency Event (as defined in the Conditions) occurs in respect of the Issuer;

(iv) in relation to Hard Bullet Covered Bonds, breach of the Pre-Maturity Liquidity Test which is not remedied by the earlier of:

(a) 20 Business Days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test; and

(b) the Maturity Date of that Series of Covered Bonds;

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

If an Issuer Event of Default occurs:

(a) the Representative of the Covered Bondholders will serve a notice (the "**Notice to Pay**") on the Issuer and Covered Bonds Guarantor that an Issuer Event of Default has occurred;

(b) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer;

(c) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (b) above (See Section "*Covered Bonds Guarantee*");

(d) the Tests, shall continue to be applied.

(d) *Effect of a Notice to Pay*:

Upon service of a Notice to Pay to the Issuer and the Covered Bonds Guarantor:

(i) *Acceleration against the Issuer*: each series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) pursuant to the Covered Bonds Guarantee, the Covered Bonds Guarantor shall pay an amount equal to the Guaranteed Amounts, subject to and in accordance with the Post-Issuer Default Priority of Payments, on the relevant Scheduled Due for Payment Date, (iii) in accordance with terms and conditions provided for by the Covered Bonds Guarantee and with Article 4, Para. 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds;

(ii) *Delegation:* the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the

Covered Bondholders *vis-à-vis* the Issuer in accordance with the provisions of the Covered Bonds Guarantee, in the context of which the Covered Bondholders have irrevocably delegated – also in the interest and for the benefit of the Covered Bonds Guarantor – to the Covered Bonds Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

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

(iii) *Covered Bonds Guarantee*: without prejudice to paragraph (i) above, interest and principal falling due on the Covered Bonds will be payable by the Covered Bonds Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bonds Guarantee and the priority of payments to creditors set out in the Intercreditor Agreement.

(iv) *Tests*: the Tests shall continue to be applied.

(e) *Covered Bonds Guarantor Events of Default*:

Following an Issuer Event of Default, if any of the following events (each, a "**Covered Bonds Guarantor Event of Default**") occurs and is continuing:

(i) *Non-payment*: the Covered Bonds Guarantor fails to pay any of interest and/or principal due and payable in respect of the relevant Series of Covered Bonds in accordance with the Covered Bonds Guarantee, subject to a period of 7 Business Days cure period in respect of principal or redemption amount and a 14 Business Days cure period in respect of interest payment the Covered Bonds Guarantor, or fails to pay or to set aside for payment of costs or amount due to any Hedging Counterparty; or subject to

(ii) *Insolvency*: an Insolvency Event occurs with respect to the Covered Bonds Guarantor; or

(iii) *Breach of other obligation*: a breach of other binding obligations under the Dealer Agreement, the Intercreditor Agreement, the Covered Bonds Guarantee or any other Transaction Document to which the Covered Bonds Guarantor is a party, which is not remedied within 30 days from the date on which the Covered Bonds Guarantor is notified of such breach; or

(iv) *Breach of Amortisation Test*: the Amortisation Test is breached;

then the Representative of the Covered Bondholders shall serve a Covered Bonds Guarantor Acceleration Notice on the Covered Bonds Guarantor.

(f) *Effect of a Covered Bonds Guarantor Acceleration Notice*:

From and including the date on which the Representative of the Covered Bondholders delivers a Covered Bonds Guarantor Acceleration Notice upon the Covered Bonds Guarantor:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Redemption Amount together, if appropriate, with any accrued interest; *Cross Acceleration*: if a Covered Bonds Guarantor Event of Default is triggered

(ii) with respect to a Series, each series of Covered Bonds will cross accelerate at the same time against the Covered Bonds Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves; and

(iii) *Covered Bonds Guarantee*: subject to and in accordance with the terms of the Covered Bonds Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Covered Bonds Guarantor for an amount equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 10(a) (*Gross up by Issuer*) in accordance with the priority of payments to creditors set out in the Intercreditor Agreement; and

(iv) *Enforcement*: subject to the failure of the Covered Bonds Guarantor in taking the necessary actions pursuant to Condition 11(b)(ii) and Condition 11(d)(ii) above, the Representative of the Covered Bondholders on behalf of the Covered Bondholders shall be entitled to take any steps and proceedings against the Issuer to enforce the provisions of the Covered Bonds. The Representative of the Covered Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Covered Bonds Guarantor as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by an Extraordinary Resolution of the Covered Bondholders.

(g) *Determinations, etc*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11 (Article 74 Event and Event of Default) by the Representative of the Covered Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Covered Bonds Guarantor and all Covered Bondholders and (in such absence as aforesaid) no liability to the Covered Bondholders, the Issuer or the Covered Bonds Guarantor shall attach to the Representative of the Covered Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

12 Prescription

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

13 Representative of the Covered Bondholders

(a) *Organisation of the Covered Bondholders*: The Organisation of the Covered Bondholders shall be established upon, and by virtue of, the issuance of the Covered Bonds and shall remain in force and in effect until repayment in full or cancellation of the Covered Bonds. Pursuant to the Rules of the Organisation of the Covered Bondholders, for as long as the Covered Bonds are outstanding, there shall at all times be a Representative of the Covered Bondholders. The appointment of the Representative of the Covered Bondholders as legal representative of the Organisation of the Covered Bondholders is made by the Covered Bondholders subject to and in accordance with the Rules of the Organisation of the Covered Bondholders.

(b) *Initial appointment*: In the Dealer Agreement, the Dealer has appointed the Representative of the Covered Bondholders to perform the activities described in the Dealer Agreement, in these Conditions (including the Rules of the Organisation of Covered Bondholders), in the Intercreditor Agreement and in the other Transaction Documents, and the Representative of the Covered Bondholders has accepted such appointment for the period commencing on the Initial Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds have been cancelled or redeemed in accordance with these Conditions.

(c) *Acknowledgment by Covered Bondholders*: Each Covered Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Covered Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Representative of the Covered Bondholders in such capacity as if such Covered Bondholder were a signatory thereto; and

(ii) acknowledges and accepts that the Relevant Dealer(s) shall not be liable, without prejudice for the provisions set forth under article 1229 of the Italian Civil Code, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Covered Bondholders as a result of the performance by the Representative of the Covered Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

14 Agents

In acting under the Cash Management and Agency Agreement and in connection with the Covered Bonds, the Paying Agent acts solely as agents of the Issuer and, following service of a Notice to Pay or a Covered Bonds Guarantor Acceleration Notice, as agent of the Covered Bonds Guarantor and do not assume in the framework of the Programme any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders.

The Paying Agent and its initial Specified Offices are set out in these Conditions. Any additional Paying Agent and its Specified Offices (if any) are specified in the relevant Final Terms. The Issuer, and (where applicable) the Covered Bonds Guarantor, reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint an additional or successor paying agent; *provided, however, that:*

(a) the Issuer, and (where applicable) the Covered Bonds Guarantor, shall at all times maintain a paying agent; and

(b) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer, and (where applicable) the Covered Bonds Guarantor, shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agent or in its Specified Offices shall promptly be given to the Covered Bondholders.

15 Further Issues

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

16 Substitution of the Issuer

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

(d) to the substitution in place of Intesa Sanpaolo (or of any previous substitute) as principal debtor under the Covered Bonds by any bank Subsidiary of Intesa Sanpaolo (the "**Substitute Obligor**") by way of an Issuer obligation transfer agreement without recourse to the Issuer (*accollo liberatorio*); or

(e) to an Approved Reorganisation; or

(f) that Intesa Sanpaolo (or any previous substitute) may, other than by means of an Approved Reorganisation, consolidate with, merge into or amalgamate with any successor company,

provided that:

(i) the obligations of the Substitute Obligor or the Resulting Entity under the Covered Bonds shall be irrevocably and unconditionally guaranteed by Intesa Sanpaolo (on like terms as to subordination, if applicable, to those of the Covered Bonds Guarantee); and

(ii) (other than in the case of an Approved Reorganisation) the Representative of the Covered Bondholders is satisfied that the interests of the Covered Bondholders will not be materially prejudiced thereby; and

(iii) the Substitute Obligor or the Resulting Entity agrees, in form and manner satisfactory to the Representative of the Covered Bondholders, to be bound by the terms and conditions of the Covered Bonds and all the Transaction Documents in respect to any Series of Covered Bonds still outstanding, by means of executing agreements and documents substantially in the same form and substance of the Transaction Documents;

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

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

Any such substitution, Approved Reorganisation or consolidation, merger or amalgamation shall be notified to the Covered Bondholders in accordance with Condition 18 (*Notices*). In the case of a substitution, the relevant Issuer shall notify the Luxembourg Stock Exchange thereof and prepare, or procure the preparation of, a supplement to the Base Prospectus in respect of the Programme.

In connection with the exercise of its powers, authorities or discretions above mentioned: (a) the Representative of the Covered Bondholders shall have regard to the interests of the Covered Bondholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Covered Bondholders esulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory; and (b) the Representative of the Covered Bondholders shall not be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Covered Bondholders except to the extent already provided for by Condition 10 (*Taxation*).

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

17 Limited Recourse and Non Petition

(a) *Limited Recourse*

The obligations of the Covered Bonds Guarantor under the Covered Bonds Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Covered Bonds Guarantor, collateralised by the Portfolio as provided under Law 130, MEF Decree and the BoI OBG Regulation. The recourse of the Covered Bondholders to the Covered Bonds Guarantor under the Covered Bonds Guarantee will be limited to the assets comprised in the Portfolio subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Covered Bondholders.

(b) *Non Petition*

Only the Representative of the Covered Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Amounts or enforce the Covered Bonds Guarantee and/or the relevant securities and no Covered Bondholder shall be entitled to proceed directly against the Covered Bonds Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Covered Bonds Guarantee and/or the relevant securities. In particular:

(i) no Covered Bondholder (nor any person on its behalf) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Covered Bondholders to enforce the Covered Bonds Guarantee and/or the relevant securities or take any proceedings against the Covered Bonds Guarantor to enforce the Covered Bonds Guarantee and/or the relevant securities;

(ii) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Covered Bonds Guarantor for the purpose of obtaining payment of any amount due from the Covered Bonds Guarantor;

(iii) at least until the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or pari passu thereto, no Covered Bondholder (nor any person on its behalf, other than the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Covered Bonds Guarantor; and

(iv) no Covered Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

18 Notices

(a) *Notices given through Monte Titoli*: Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

(b) *Notices through Luxembourg Stock Exchange*. Any notice regarding the Covered Bonds, as long as the Covered Bonds are admitted to trading on the regulated market of the Luxembourg Stock Exchange, shall be deemed to have been duly given if published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, if required, of the CSSF and, in any event, if published in accordance with the rules and regulation of the Luxembourg Stock Exchange.

(c) *Other publication*: The Representative of the Covered Bondholders shall be at liberty to sanction any other method of giving notice to Covered Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to trading (including any means provided for under Article 16 of Luxembourg law implementing the Prospectus Directive, dated 19 July 2005) and provided that notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Covered Bondholders shall require.

19 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded

downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20 Governing Law and Jurisdiction

(a) *Governing law*: These Covered Bonds are governed by Italian law. All other Transaction Documents are governed by Italian law, save for the Swap Agreements and the deed of charge relating to such Swap Agreements, which are governed by English law.

(b) *Jurisdiction*: The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.

(c) *Relevant legislation*: Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130, BoI OBG Regulations and MEF Decree.

RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS

TITLE I

GENERAL PROVISIONS

1. GENERAL

1.1 The Organisation of the Covered Bondholders in respect of each Series of Covered Bonds issued under the Programme by Intesa Sanpaolo S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of each such Series and is governed by these Rules of the Organisation of the Covered Bondholders ("**Rules**").

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds of each Series issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Rules, the terms below shall have the following meanings:

"**Block Voting Instruction**" means, in relation to a Meeting, a document issued by the Paying Agent or by a Registrar, as the case may be:

(a) in case of Covered Bond issued in a dematerialized form, certifying that specified Covered Bonds are held to the order of the Paying Agent or under its control and have been blocked in an account with a clearing system and will not be released until a the earlier of:

  (i) a specified date which falls after the conclusion of the Meeting; and

  (ii) the surrender to the Paying Agent not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Paying Agent to the Issuer and Representative of the Covered Bondholders;

(b) in case of Covered Bonds issued in registered form, certifying that specified Covered Bonds have been blocked with the Registrar and will not be released until the conclusion of the Meeting;

(c) certifying that the Holder, or the registered Holder in case of Covered Bonds issued in registered form, of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Paying Agent or the Registrar that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

(d) listing the total number of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and

(e) authorising a named individual to vote in accordance with such instructions;

"**Blocked Covered Bonds**" means (i) Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of the Paying Agent, or (ii) in case of Covered Bonds issued in registered form, such Covered Bonds which have been blocked with the Registrar, for the purpose of obtaining from the Principal Paying Agent and/or the Registrar a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in

respect of which the Block Voting Instruction or Voting Certificate is required;

"**Chairman**" means, in relation to any Meeting, the person who takes the chair in accordance with Article 6 (*Chairman of the Meeting*).

"**Currency Swap Rate**" means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the respective currency hedging agreement relating to such Covered Bond or Series of Covered Bonds or, if the respective currency hedging agreement has terminated or is not in place, the applicable exchange rate provided by the Servicer;

"**Event of Default**" means an Issuer Event of Default or a Covered Bonds Guarantor Event of Default;

"**Extraordinary Resolution**" means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast;

"**Holder**" means in respect of Covered Bonds, the ultimate owner of such Covered Bonds and, in respect of the Covered Bonds issued in registered form, the ultimate registered owner of such Covered Bonds issued in registered form, as set out in the Register;

"**Liabilities**" means losses, liabilities, inconvenience, costs, expenses, damages, claims, actions or demands

"**Meeting**" means a meeting of Covered Bondholders (whether originally convened or resumed following an adjournment);

"**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quater* of the Financial Law and includes any depository banks appointed by the Relevant Cleaning System;

"**N Paying Agent**" means any institution appointed from time to time by the Issuer to act as paying agent in respect of the Covered Bonds issued in a registered form under the Programme;

"**Ordinary Resolution**" means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50% of the votes cast;

"**Portfolio**" has the meaning given to it in the Master Definition Agreement;

"**Programme Resolution**" means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Covered Bonds Guarantor pursuant to Condition 11(f)(iv) (*Effect of a Covered Bonds Guarantor Acceleration Notice – Enforcement*) or other similar Condition with reference to Covered Bonds issued in registered form;

"**Proxy**" means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

(a) any person whose appointment has been revoked and in relation to whom the Paying Agent or the Registrar has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and

(b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

"**Rating Agency**" Moody's Investors Service Ltd., to the extent that at the relevant time it provides ratings in respect of the then outstanding Covered Bonds;

"**Register**" means any register held by the Registrar for the purpose of recording payments and assignments of Covered Bonds issued in registered form;

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

"**Resolutions**" means the Ordinary Resolutions and the Extraordinary Resolutions, collectively;

"**Transaction Party**" means any person who is a party to a Transaction Document;

"**Voter**" means, in relation to a Meeting, the Holder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by the Paying Agent or by a Registrar or a Proxy named in a Block Voting Instruction;

"**Voting Certificate**" means, in relation to any Meeting:

(a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time; or

(b) a certificate issued by the Paying Agent or by a Registrar stating:

(i) that Blocked Covered Bonds will not be released until the earlier of:

(A) a specified date which falls after the conclusion of the Meeting; and

(B) the surrender of such certificate to the Paying Agent or to the Registrar; and

(ii) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

"**Written Resolution**" means a resolution in writing signed by or on behalf of one or more persons holding or representing at least 75 per cent of the Outstanding Principal Balance of the Covered Bonds, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Covered Bondholders;

"**24 hours**" means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in the place where the Paying Agent has its specified office or in case of Covered Bonds issued in registered form, the Registrar has its specified office; and

"**48 hours**" means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the relevant Conditions.

2.2 Interpretation

In these Rules:

2.2.1 any reference herein to an "Article" shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Covered Bondholders;

2.2.2 a "successor" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 Separate Series

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Covered Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Covered Bonds Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Article 2.3:

2.3.1 Articles 26 (*Appointment, Removal and Remuneration*) and 27 (*Resignation*); and

2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Covered Bonds Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "Covered Bonds" and "Covered Bondholders" shall be construed accordingly.

3. PURPOSE OF THE ORGANISATION OF THE COVERED BONDHOLDERS

3.1 Each Covered Bondholder is a member of the Organisation of the Covered Bondholders.

3.2 The purpose of the Organisation of the Covered Bondholders is to co-ordinate the exercise of the rights of the Covered Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Covered Bondholders.

TITLE II

MEETINGS OF THE COVERED BONDHOLDERS

4 CONVENING A MEETING

4.1 Convening a Meeting

The Representative of the Covered Bondholders, the Covered Bonds Guarantor or the Issuer may convene separate or combined Meetings of the Covered Bondholders at any time and the Representative of the Covered Bondholders shall be obliged to do so upon the request in writing by Covered Bondholders representing at least one-tenth of the aggregate Outstanding Principal Balance of the Covered Bonds.

The Representative of the Covered Bondholders, the Covered Bonds Guarantor or the Issuer or (in relation to a meeting for the passing of a Programme Resolution) the Covered Bondholders of any Series may at any time and the Issuer shall upon a request in writing signed by the holders of not less than one-tenth of the aggregate Outstanding Principal Balance of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Representative of the Covered Bondholders or the subject making the request. The Representative of the Covered Bondholders may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Representative of the Covered Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

4.2 Meetings convened by Issuer

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Covered Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

4.3 Time and place of Meetings

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Covered Bondholders.

5. NOTICE

5.1 **Notice of Meeting**

At least 21 days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Covered Bondholders, the Registrar and the Paying Agent, with a copy to the Issuer and the Covered Bonds Guarantor, where the Meeting is convened by the Representative of the Covered Bondholders, or with a copy to the Representative of the Covered Bondholders, where the Meeting is convened by the Issuer.

5.2 Content of notice

5.2.1 The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that the Voting Certificate for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time and that for the purpose of obtaining Voting Certificates from the Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bondholders must (to the satisfaction of the Paying Agent) be held to the order of or placed under the control of the Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

5.2.2 With reference to the Covered Bonds issued in registered form, the notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Covered Bond issued in registered form, may be blocked with the Registrar, or with other entity authorised to do so by the Registrar, for the purposes of appointing Proxies under Block voting Instructions until 48 hours before the time fixed for the Meeting and that holders of Covered Bonds issued in registered form, may also appoint Proxies either under a Block Voting Instruction by delivering written instructions to the Registrar or the N Paying Agent or by executing and delivering a form of Proxy to the Specified Office of the Registrar or the N Paying Agent, in either case until 48 hours before the time fixed for the Meeting.

5.3 Validity notwithstanding lack of notice

A Meeting is valid notwithstanding that the formalities required by this Article 5 are not complied with if the Holders of the Covered Bonds constituting the Outstanding Principal Balance of the Covered Bonds, the Holders of which are entitled to attend and vote are represented at such Meeting and the Issuer and the Representative of the Covered Bondholders are present.

6. CHAIRMAN OF THE MEETING

6.1 Appointment of Chairman

An individual (who may, but need not be, a Covered Bondholder), nominated by the Representative of the Covered Bondholders may take the chair at any Meeting, but if:

6.1.1 the Representative of the Covered Bondholders fails to make a nomination; or

6.1.2 the individual nominated declines to act or is not present within 15 minutes after

the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

6.2 Duties of Chairman

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

6.3 Assistance to Chairman

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Covered Bondholders.

7. QUORUM

The quorum at any Meeting will be:

7.1.1 in the case of an Ordinary Resolution, one or more persons holding or representing at least 25 per cent of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or

7.1.2 in the case of an Extraordinary Resolution or a Programme Resolution (subject as provided below), one or more persons holding or representing at least 50 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders of the relevant Series for the time being outstanding, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or

7.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32 (*Waiver*), only be capable of being effected after having been approved by Extraordinary Resolution, namely:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Covered Bonds Guarantee, the Deed of Pledge or the Deed of Charge (except in a manner determined by the Representative of the Covered Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series);

(e) except in accordance with Articles 31 (*Amendments and Modifications*) and 32 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Covered Bonds Guarantor or any other person or body corporate, formed or to be formed; and

(f) alteration of this Article 7.1.3;

(each a "**Series Reserved Matter**"), the quorum shall be one or more persons being or representing holders of not less two-thirds of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, one or more persons being or representing not less than one-third of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding.

8. ADJOURNMENT FOR WANT OF QUORUM

8.1 If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

8.1.1 if such Meeting was convened upon the request of Covered Bondholders, the Meeting shall be dissolved; and

8.1.2 in any other case, the Meeting shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period, being not less than 13 clear days nor more than 42 clear days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Representative of the Covered Bondholders).

8.2 If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Representative of the Covered Bondholders) dissolve such meeting or adjourn the same for such period, being not less than 13 clear days (but without any maximum number of clear days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Representative of the Covered Bondholders.

9. ADJOURNED MEETING

Except as provided in Article 8 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

10. NOTICE FOLLOWING ADJOURNMENT

10.1 Notice required

Article 5 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

10.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

10.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

10.2 Notice not required

Except in the case of a Meeting to consider an Extraordinary Resolution, it shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 8 (*Adjournment for Want of Quorum*).

11. PARTICIPATION

The following categories of persons may attend and speak at a Meeting:

11.1 Voters;

11.2 the directors and the auditors of the Issuer and the Covered Bonds Guarantor;

11.3 representatives of the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;

11.4 financial advisers to the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;

11.5 legal advisers to the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders; and

11.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Covered Bondholders.

12. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

12.1 A Covered Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time.

12.2 A Covered Bondholder may also obtain from the Paying Agent or require the Paying Agent to issue a Block Voting Instruction by arranging for such Covered Bonds to be (to the satisfaction of the Paying Agent) held to its order or under its control or blocked in an account in the Relevant Clearing System (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.

12.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.

12.4 So long as a Voting Certificate or Block Voting Instruction is valid, the named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by the Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by the Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

12.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.

12.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

12.7 Any registered Holder may require the Registrar to issue a Block Voting Instruction by arranging (to the satisfaction of the Registrar) for the related Covered Bonds issued in registered form to be blocked with the Registrar not later than 48 hours before the time fixed for the relevant Meeting. The registered Holder may require the Registrar to issue a Block Voting Instruction by delivering to the Registrar written instructions not later than 48 hours before the time fixed for the relevant Meeting. Any registered Holder may obtain an uncompleted and unexecuted Form of Proxy from the Registrar. A Block Voting Instruction shall be valid until the release of the Blocked Bonds to which it relates. A Form of Proxy and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Bond.

13. VALIDITY OF BLOCK VOTING INSTRUCTIONS

13.1 A Block Voting Instruction or a Voting Certificate shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Paying Agent or the Registrar, as the case may be, or at any other place approved by the Representative of the Covered Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a

Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to business. If the Representative of the Covered Bondholders so requires, a notarised copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate shall be produced at the Meeting but the Representative of the Covered Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction or the identity of any Holder named in a Voting Certificate.

14. VOTING BY SHOW OF HANDS

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. VOTING BY POLL

15.1 Demand for a poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or any one or more Voters, whatever the Outstanding Principal Balance of the Covered Bonds held or represented by such Voter. A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded as at the date of the taking of the poll.

15.2 The Chairman and a poll

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. VOTES

16.1 Voting

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every person who is so present shall have one vote in respect of each Euro 1.00 or such other amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Covered Bondholders in its absolute discretion may stipulate).

16.2 Block Voting Instruction

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 Voting tie

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. VOTING BY PROXY

17.1 **Validity**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked provided that none of the Issuer, the Representative of the Covered Bondholders, the Registrar or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 Adjournment

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. RESOLUTIONS

18.1 Ordinary Resolutions

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and

18.1.2 to authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 Extraordinary Resolutions

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or any of them;

18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Covered Bondholders, the Issuer, the Covered Bonds Guarantor, the Covered Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or of any Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Covered Bondholders and/or any other party thereto;

18.2.3 assent to any modification of the provisions of these Rules or the Transaction Documents which shall be proposed by the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or of any Covered Bondholder;

18.2.4 in accordance with Article 26 (*Appointment*), appoint and remove the

Representative of the Covered Bondholders;

18.2.5 subject to the provisions set forth under the Conditions and the Transaction Documents or upon request of the Representative of the Covered Bondholders, authorise the Representative of the Covered Bondholders to issue an Article 74 Notice to Pay as a result of an Article 74 Event pursuant to Condition 11(a) (*Article 74 Event*), a Notice to Pay as a result of an Issuer Event of Default pursuant to Condition 11(c) (*Issuer Event of Default*) or a Covered Bonds Guarantor Acceleration Notice as a result of a Covered Bonds Guarantor Event of Default pursuant to Condition 11(e) (*Covered Bonds Guarantor Event of Default*);

18.2.6 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Covered Bondholders from any liability in relation to any act or omission for which the Representative of the Covered Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

18.2.8 authorise and ratify the actions of the Representative of the Covered Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document, if required therein;

18.2.9 to appoint any person (whether Covered Bondholders or not) as a committee to represent the interests of the Covered Bondholders and to confer on any such committee any powers which the Covered Bondholders could themselves exercise by Extraordinary Resolution; and

18.2.10 authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 Programme Resolutions

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Covered Bonds Guarantor pursuant to Condition 11(f)(iv) (*Effect of a Covered Bonds Guarantor Acceleration Notice- Enforcement*).

18.4 Other Series of Covered Bonds

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

19. EFFECT OF RESOLUTIONS

19.1 Binding nature

Subject to Article 18.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Covered Bondholders duly convened and held in accordance with these Rules shall be binding upon all Covered Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 Notice of voting results

Notice of the results of every vote on a resolution duly considered by Covered Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to

the Paying Agents (with a copy to the Issuer, the Covered Bonds Guarantor, the Registrar and the Representative of the Covered Bondholders within 14 days of the conclusion of each Meeting).

20. CHALLENGE TO RESOLUTIONS

Any absent or dissenting Covered Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. MINUTES

Minutes shall be made of all resolutions and proceedings of each Meeting and entered in books provided by the Issuer for that purpose. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. INDIVIDUAL ACTIONS AND REMEDIES

Each Covered Bondholder has accepted and is bound by the provisions of Clauses 4 (*Exercise of Rights and Subrogation*) and 11 (*Limited Recourse*) of the Covered Bonds Guarantee and Clause 18 (*Limited Recourse and Non Petition*) of the Intercreditor Agreement and, accordingly, if any Covered Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Covered Bonds and the Covered Bonds Guarantee, any such action or remedy shall be subject to a Meeting not passing an Extraordinary Resolution objecting to such individual action or other remedy on the grounds that it is not consistent with such Condition. In this respect, the following provisions shall apply:

23.1 the Covered Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her intention;

23.2 the Representative of the Covered Bondholders will, without delay, call a Meeting in accordance with these Rules (including, for the avoidance of doubt, Article 24 (*Choice of Meeting*):

23.3 if the Meeting passes an Extraordinary Resolution objecting to the enforcement of the individual action or remedy, the Covered Bondholder will be prevented from taking such action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted for review of another Meeting); and

23.4 if the Meeting of Covered Bondholders does not object to an individual action or remedy, the Covered Bondholder will not be prohibited from taking such individual action or remedy.

24. MEETINGS AND SEPARATE SERIES

24.1 Choice of Meeting

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

24.1.1 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

24.1.2 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series but does not give rise to a

conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

24.1.3 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;

24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Covered Bondholders of all Series; and

24.1.5 to all such meetings all the preceding provisions of these Rules shall *mutatis mutandis* apply as though references therein to Covered Bonds and Covered Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

24.2 Denominations other than euro

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any Meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of the meeting or any adjourned such Meeting or any poll resulting therefrom or any such request or written resolution) the Outstanding Principal Balance of such Covered Bonds shall be the Euro Equivalent of the Currency Swap Rate. In such circumstances, on any poll each person present shall have one vote for each Euro 1.00 (or such other euro amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate) of the Outstanding Principal Balance of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Covered Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Covered Bondholders in its sole discretion may decide.

TITLE III

THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 Appointment

The appointment of the Representative of the Covered Bondholders takes place by Extraordinary Resolution of the Covered Bondholders in accordance with the provisions of this Article 26, except for the appointment of Finanziaria Internazionale Securitisation Group S.p.A. as first Representative of the Covered Bondholders which will be appointed under the Dealer Agreement.

26.2 Identity of Representative of the Covered Bondholders

The Representative of the Covered Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 107 of the Banking Law; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Covered Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Covered Bondholders and, if appointed as such, they shall be automatically removed.

26.3 Duration of appointment

Unless the Representative of the Covered Bondholders is removed by Extraordinary Resolution of the Covered Bondholders pursuant to Article 18.2 (*Extraordinary Resolution*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Covered Bondholders*), it shall remain in office until full repayment or cancellation of all the Series of Covered Bonds.

26.4 After termination

In the event of a termination of the appointment of the Representative of the Covered Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Covered Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Covered Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Covered Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 Remuneration

The Issuer shall pay to the Representative of the Covered Bondholders an annual fee for its services as Representative of the Covered Bondholders from the Issue Date, as agreed in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when the Covered Bonds shall have been repaid in full or cancelled in accordance with the Conditions. In case of failure by the Issuer to pay the Representative of the Covered Bondholders the fee for its services, the same will be paid by the Covered Bonds Guarantor.

27. RESIGNATION OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

The Representative of the Covered Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Covered Bonds Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Covered Bondholders shall not become effective until a new Representative of the Covered Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Covered Bondholders has accepted its appointment, provided that if Covered Bondholders fail to select a new Representative of the Covered Bondholders within three months of written notice of resignation delivered by the Representative of the Covered Bondholders, the Representative of the Covered Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Covered Bondholders*).

28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

28.1 Representative of the Covered Bondholders as legal representative

The Representative of the Covered Bondholders is the legal representative of the Organisation of the Covered Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Covered Bondholders.

28.2 Meetings and resolutions

Unless any Resolution provides to the contrary, the Representative of the Covered Bondholders is responsible for implementing all resolutions of the Covered Bondholders. The Representative of the Covered Bondholders has the right to convene and attend Meetings to propose any course of action which it considers from time to time necessary or desirable.

28.3 Delegation

The Representative of the Covered Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Covered Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Covered Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Covered Bondholders may think fit in the interest of the Covered Bondholders. The Representative of the Covered Bondholders shall not, other than in the normal course of its business, be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Covered Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Covered Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Covered Bonds Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Covered Bonds Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 Judicial proceedings

The Representative of the Covered Bondholders is authorised to represent the Organisation of the Covered Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Covered Bonds Guarantor.

28.5 Consents given by Representative of Covered Bondholders

Any consent or approval given by the Representative of the Covered Bondholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

28.6 Discretions

Save as expressly otherwise provided herein, the Representative of the Covered Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Covered Bondholders by these Rules or by operation of law.

28.7 Obtaining instructions

In connection with matters in respect of which the Representative of the Covered Bondholders is entitled to exercise its discretion hereunder, the Representative of the Covered Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Covered Bondholders' instructions as to how it should act. Without prejudice to the provisions set forth under Article 33 (*Indemnity*), prior to

undertaking any action, the Representative of the Covered Bondholders shall be entitled to request that the Covered Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 Remedy

The Representative of the Covered Bondholders may determine whether or not a default in the performance by the Issuer or the Covered Bonds Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and if the Representative of the Covered Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Covered Bondholders, the other creditors of the Covered Bonds Guarantor and any other party to the Transaction Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

29.1 **Limited obligations**

The Representative of the Covered Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

29.2 **Specific limitations**

Without limiting the generality of the Article 29.1, the Representative of the Covered Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Article 74 Event, an Issuer Event of Default or a Covered Bonds Guarantor Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Covered Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Covered Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Article 74 Event, Issuer Event of Default or a Covered Bonds Guarantor Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Covered Bonds Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Covered Bondholders shall be entitled to assume that the Issuer or the Covered Bonds Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

29.2.3 except as expressly required in these Rules or any Transaction Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Transaction Document;

29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(i) the nature, status, creditworthiness or solvency of the Issuer or the Covered Bonds Guarantor;

(ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection herewith;

(iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;

(iv) the failure by the Covered Bonds Guarantor to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Portfolio; and

(v) any accounts, books, records or files maintained by the Issuer, the Covered Bonds Guarantor, the Servicer and the Paying Agent or any other person in respect of the Portfolio or the Covered Bonds;

29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Covered Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;

29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Covered Bonds Guarantor in relation to the assets contained in the Portfolio or any part thereof, whether such defect or failure was known to the Representative of the Covered Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Public Assets and Integration Assets contained in the Portfolio or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Portfolio or any part thereof provided by any person;

29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Portfolio or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Portfolio or any Transaction Document;

29.2.14 shall not be under any obligation to insure the Portfolio or any part thereof;

29.2.15 shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Covered Bondholders, have regard to the overall interests of the Covered Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Covered Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual

Covered Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than 25 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series then outstanding;

29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Transaction Documents, except where expressly provided therein, have regard to the interests of both the Covered Bondholders and the other creditors of the Issuer or the Covered Bonds Guarantor but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between their interests the Representative of the Covered Bondholders will have regard solely to the interest of the Covered Bondholders;

29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Covered Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and

29.2.19 shall not be liable or responsible for any Liabilities which may result from anything done or omitted to be done by it in accordance with the provisions of these Rules or the Transaction Documents.

29.3 Covered Bonds held by Issuer

The Representative of the Covered Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer or the Covered Bonds Guarantor.

29.4 Illegality

No provision of these Rules shall require the Representative of the Covered Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Covered Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or Liabilities which it may incur as a consequence of such action. The Representative of the Covered Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. RELIANCE ON INFORMATION

30.1 Advice

The Representative of the Covered Bondholders may act on the advice of a certificate or

opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or otherwise, and shall not be liable for any loss incurred by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Covered Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

30.2 Certificates of Issuer and/or Covered Bonds Guarantor

The Representative of the Covered Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter *prima facie* within the Issuer's or the Covered Bonds Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Covered Bonds Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Covered Bonds Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Covered Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 **Resolution or direction of Covered Bondholders**

The Representative of the Covered Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Covered Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Covered Bondholders.

30.4 **Certificates of Monte Titoli Account Holders**

The Representative of the Covered Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 **Clearing Systems or Registrar**

The Representative of the Covered Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system or Registrar, as the case may be, as the Representative of the Covered Bondholders considers appropriate, or any form of record made by any clearing system or Registrar, as the case may be, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 **Certificates of parties to Transaction Documents**

The Representative of the Covered Bondholders shall have the right:

30.6.1 to require the Issuer to obtain, written certificates issued by one of the parties

to the Intercreditor Agreement, or by any other creditor of the Covered Bonds Guarantor, as to any matter or fact which is *prima facie* within the knowledge of such party or as to such party's opinion with respect to any matter; and

30.6.2 to rely on such written certificates.

The Representative of the Covered Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or issue and shall not be held responsible for any Liabilities incurred as a result of having failed to do so.

30.7 **Rating Agency**

The Representative of the Covered Bondholder shall be entitled to assume, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the holders of Covered Bonds of any Series or of all Series for the time being outstanding if the Rating Agency has confirmed that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Covered Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agency as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Covered Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Covered Bondholders or the Representative of the Covered Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.8 **Certificates of Parties to Transaction Document**

The Representative of the Covered Bondholders shall have the right to call for or require the Issuer or the Covered Bonds Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Covered Bonds Guarantor) to the Intercreditor Agreement or any other Transaction Document,

30.8.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

30.8.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.8.3 as to such party's opinion with respect to any issue

and the Representative of the Covered Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any Liabilities incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.9 **Auditors**

The Representative of the Covered Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. AMENDMENTS AND MODIFICATIONS

31.1 The Representative of the Covered Bondholders may from time to time and without the consent or sanction of the Covered Bondholders concur with the Issuer and/or the Covered Bonds Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Covered Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Transaction Documents which in the opinion of the Representative of the Covered Bondholders may be expedient to make provided that the Representative of the Covered Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of

any of the Covered Bondholders of any Series; and

31.1.2 to these Rules, the Conditions or the other Transaction Documents which is of a formal, minor or technical nature or, which in the opinion of the Representative of the Covered Bondholders is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or to comply with mandatory provisions of law.

31.2 Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders may determine, shall be binding upon the Covered Bondholders and, unless the Representative of the Covered Bondholders otherwise agrees, shall be notified by the Issuer or the Covered Bonds Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

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

31.3.1 a certificate from a Relevant Dealer, stating the intention of the parties to the relevant Transaction Document, confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention and stating the modification to the relevant Transaction Document that is required to reflect such intention;

31.3.2 confirmation from the relevant credit rating agencies that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.4 The Representative of the Covered Bondholders shall be bound to concur with the Issuer and the Covered Bonds Guarantor and any other party in making any of the above-mentioned modifications if it is so directed by an Extraordinary Resolution or and if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. WAIVER

32.1 Waiver of Breach

The Representative of the Covered Bondholders may at any time and from time to time in its sole direction, without prejudice to its rights in respect of any subsequent breach, condition, event or act, but only if and in so far as in its opinion the interests of the holders of the Covered Bonds then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive, on such terms and subject to such conditions (if any) as it may decide, any proposed breach or breach of any of the covenants or provisions contained in the Covered Bonds Guarantee or any of the obligations of or rights against the Covered Bonds Guarantor under any other Transaction Documents; or

32.1.2 determine that any Event of Default or Article 74 Event shall not be treated as such for the purposes of the Transaction Documents,

without any consent or sanction of the Covered Bondholders.

32.2 Binding Nature

Any authorisation, waiver or determination referred in Article 32.1 (*Waiver of Breach*) shall be binding on the Covered Bondholders.

32.3 Restriction on powers

The Representative of the Covered Bondholders shall not exercise any powers conferred

upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Covered Bonds then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent in aggregate Outstanding Principal Balance of the Covered Bonds (in the case of any such determination, with the Covered Bonds of all Series taken together as a single Series as aforesaid), and at all times then only if it shall be indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing but so that no such direction or request:

32.3.1 shall affect any authorisation, waiver or determination previously given or made or

32.3.2 all authorise or waive any such proposed breach or breach relating to a Series Reserved Matter unless holders of Covered Bonds of each Series has, by Extraordinary Resolution, so authorised its exercise.

32.4 **Notice of waiver**

Unless the Representative of the Covered Bondholders agrees otherwise, the Issuer shall cause any such authorisation, waiver or determination to be notified to the Covered Bondholders and the Secured Creditors, as soon as practicable after it has been given or made in accordance with Condition 18 (*Notices*).

33. INDEMNITY

Pursuant to the Dealer Agreement, the Issuer has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Covered Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands duly documented and properly incurred by or made against the Representative of the Covered Bondholders, including but not limited to legal expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Covered Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Covered Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction Documents.

34. LIABILITY

Notwithstanding any other provision of these Rules, the Representative of the Covered Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

TITLE IV

THE ORGANISATION OF THE COVERED BONDHOLDERS AFTER SERVICE OF A COVERED BONDS GUARANTOR ACCELERATION NOTICE

35. POWERS TO ACT ON BEHALF OF THE COVERED BONDS GUARANTOR

It is hereby acknowledged that, upon service of a Covered Bonds Guarantor Acceleration Notice or, prior to service of a Covered Bonds Guarantor Acceleration Notice, following the failure of the Covered Bonds Guarantor to exercise any right to which it is entitled, pursuant to the Intercreditor Agreement the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, shall be entitled (also in the interests of the Secured Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Portfolio. Therefore, the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, will be authorised, pursuant to the terms of the Intercreditor Agreement, to exercise, in the name and on behalf of the Covered Bonds Guarantor and as *mandatario in rem propriam* of the Covered Bonds Guarantor, any and all of the Covered Bonds Guarantor's Rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

TITLE V

GOVERNING LAW AND JURISDICTION

36. GOVERNING LAW

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

37. JURISDICTION

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds (other than Registered Covered Bonds) issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS -** The Covered Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

MIFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of each of the manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in[Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Final Terms dated [●]

Intesa Sanpaolo S.p.A.
Issue of [*Aggregate Nominal Amount of Tranche*] [*Description*] **Covered Bonds due** [*Maturity*]

Guaranteed by
ISP CB Pubblico S.r.l.

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

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the prospectus dated 22 December 2017 [and the supplement[s] to the prospectus dated [●] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") which includes the amendments made by Directive 2010/73/EU and any relevant implementing measure in the relevant Member State. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms, published on [●], contain the final terms of the Covered Bonds and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Covered Bonds Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [, including the supplement[s]] [is/are] available for viewing [at [*website*]] [and] during normal

business hours at [*address*] [and copies may be obtained from [*address*]]. [This Final Terms will be published on website of the Luxembourg Stock Exchange at www.bourse.lu]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

1.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Covered Bonds will become fungible:	[Not Applicable] / [The Covered Bonds will be consolidated, form a single Series and be interchangeable for trading purposes with [(*insert Number of the Series and ISIN* Code)] on [the Issue Date/ (*insert date*)]
2.	Specified Currency or Currencies:		[Euro/UK Sterling/Swiss Franc/Japanese Yen/ US Dollar/*Other*]
3.	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
4.	Issue Price:		[●] %. of the aggregate nominal amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
5.	(i)	Specified Denominations:	[●] [plus integral multiples of [●] in addition to the said sum of [●]] (as referred to under Condition 3) (*Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount*.)
	(ii)	Calculation Amount:	[●]
6.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
7.	Maturity Date:		[*Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year*.]
8.	Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bonds Guarantee:		[*Not applicable / Specify date or* (*for Floating Rate Covered Bonds*) *CB Payment Date falling in or nearest to the relevant month and year*] (as referred to in Condition 8(b)

9.	Interest Basis:	[[●] % Fixed Rate] [[●]+/– [●] % Floating Rate] [Zero Coupon (as referred to in Condition 7)] (further particulars specified in [14]/[15]/[16] below)
10.	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at 100 % of their nominal amount (as referred to in Condition 8(a))]
11.	Change of Interest or Redemption/Payment Basis:	([Change of interest rate may be applicable in case an Extended Maturity Date is specified as applicable, as provided for in Condition 8(b)] / [*Not Applicable*])
12.	Put/Call Options:	[Not Applicable] [Investor Put (as referred in Condition 8(f))] [Issuer Call (as referred in Condition 8(d))][(further particulars specified in paragraph [17]/[18]below)]
13.	[Date [Board] approval for issuance of Covered Bonds [and Covered Bonds Guarantee] [respectively]] obtained:	[●] [and [●], respectively *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Covered Bonds Guarantee)*]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Provisions**	[Applicable/Not Applicable (as referred in Condition 5)] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate(s) of Interest:	[●]% per annum payable in arrear [annually/semi-annually/quarterly/monthly /other (*specify*)] on each CB Payment Date.
	(ii) CB Payment Date(s):	[●] [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[[●] per Calculation Amount, payable on the CB Payment Date falling [in/on] [●]]/[Not Applicable]

	(v) Day Count Fraction:	[Actual/Actual (ICMA) Actual/365 Actual/365 (Fixed) Actual/360 30/360 (Fixed rate) Actual/365 (Sterling) 30/360 (Floating Rate) Eurobond Basis 30E/360 (ISDA)]
	(vi) [Determination Date(s):	[[•] in each year/Not Applicable]] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA).)*
15.	**Floating Rate Provisions**	[Applicable/Not Applicable (as referred to in Condition 6)] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) CB Interest Period(s):	[●]
	(ii) Specified Period:	[●] *(Specified Period and CB Payment Dates are alternatives. A Specified Period, rather than CB Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(iii) CB Payment Dates:	[●] *(Specified Period and Specified CB Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
	(iv) First CB Payment Date:	[●]
	(v) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent):	[[*Name*] shall be the Calculation Agent *(no need to specify if the Fiscal Agent is to perform this function)*]
	(ix) Screen Rate Determination:	
	• Reference Rate:	[•] month [LIBOR/EURIBOR]
	• Reference Banks:	[[●]/not applicable]

		• Interest Determination Date(s):	[●]
		• Relevant Screen Page:	[*For example, Reuters LIBOR 01/ EURIBOR 01*]
		• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
		• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]
	(x)	ISDA Determination:	
		• Floating Rate Option:	[●]
		• Designated Maturity:	[●]
		• Reset Date:	[●]
	(xi)	Margin(s):	[+/-][●]% per annum
	(xii)	Minimum Rate of Interest:	[●]% per annum
	(xiii)	Maximum Rate of Interest:	[●]% per annum
	(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)/Actual/Actual (ISDA) Actual/365 Actual/365 (Fixed) Actual/360 30/360 (Fixed rate) Actual/365 (Sterling) 30/360 (Floating Rate) Eurobond Basis 30E/360 (ISDA)]
16.	**Zero Coupon Provisions**		[Applicable/Not Applicable](as referred in Condition 7) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	[Amortisation/Accrual] Yield:	[●]% per annum
	(ii)	Reference Price:	[●]
	(iii)	Day Count Fraction for the purposes of Condition 9(h) (Early redemption of Zero Coupon Covered Bonds):	[30/360]/[Actual/360]/[Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**		[Applicable/Not Applicable](as referred in Condition 8(d)) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]

	(ii)	Optional Redemption Amount(s) of Covered Bonds:	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		Minimum Redemption Amount:	[●] per Calculation Amount
		Maximum Redemption Amount	[●] per Calculation Amount
	(iv)	Notice period:	[●]
18.	**Put Option**		[Applicable/Not Applicable](as referred in Condition 8(f)) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Covered Bonds:	[●] per Calculation Amount
	(iii)	Notice period:	[●]
19.	**Final Redemption Amount of Covered Bonds**		[●] per Calculation Amount (as referred in Condition 8(a)) [*Note that the Final Redemption Amount shall be equal to the principal amount of the Series*]
20.	**Early Redemption Amount** Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Covered Bonds Guarantor Event of Default:		[Not Applicable/[•] per Calculation Amount](as referred in Condition 8) *(If both the Early Redemption Amount and the Early Termination Amount are the principal amount of the Covered Bonds/specify the Early Redemption Amount and/or the Early Termination Amount if different from the principal amount of the Covered Bonds)*

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Additional Financial Centre(s):	[Not Applicable/*give details*] [*Note that this paragraph relates to the date and place of payment, and not interest period end dates*]

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Covered Bonds Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Intesa Sanpaolo S.p.A.

By: _____
Duly authorised

Signed on behalf of ISP CB Pubblico S.r.l.

By: _____
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing	[Official List of the Luxembourg Stock Exchange/*Other*]/[Not applicable]
(ii)	Admission to trading	Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the regulated market of [the Luxembourg Stock Exchange /*Other* with effect from [•]/Not applicable]. *(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*
(iii)	Estimate of total expenses related to admission to trading:	[•]

2. **RATINGS**

Ratings:	[The Covered Bonds to be issued [[have been]/[are expected]] to be rated]/[The following ratings assigned to the Covered Bonds of this type issued under the Programme generally:] [Moody's: [•]] [[Other]: [•]] (*The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*) [Each of [•] and] Moody's Investors Service Ltd. is established in the European Union and is registered under Regulation (EC) No 1060/2009, as amended by Regulation (EU) no. 513 of 2011 and Regulation (EU) no. 462 of 2013 (the "**CRA Regulation**"). As such [each of [•] and] Moody's Investors Service Ltd. is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with such Regulation.

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The Issuer and Banca IMI S.p.A., acting as [Manager] under this issue, have a conflict of interest with respect to the Covered Bondholders, as they both belong to the Intesa Sanpaolo Group and Banca IMI S.p.A. is the subsidiary of the Issuer.]

The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its] affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)]

4. ***Fixed Rate Covered Bonds only* – YIELD**

Indication of yield:	[●]/[Not Applicable]

5. ***Floating Rate Covered Bonds only* - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/*specify other Reference Rate*] rates can be obtained from [Reuters]./[Not Applicable]

6. **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s), address(es) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional Paying Agent(s) (if any):	[●]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable] [Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be held in a form which would allow Eurosystem eligibility (i.e. issued in dematerialised form (*emesse in forma* dematerializzata) and wholly and exclusively deposited with Monte Titoli in accordance with articles 83*bis* and 83*ter* of Italian Legislative Decree No. 58 of 24 February 1998, through the authorised institutions listed in article 84 *quater* of such legislative decree) and does not necessarily mean that

the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

DISTRIBUTION

22.		Method of distribution	[Syndicated/Non-syndicated]
	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
23.		If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
24.		U.S. Selling Restrictions:	[Not Applicable/Compliant with Regulation S under the U.S. Securities Act of 1933.]
25.		Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Covered Bonds is concluded prior to 1 January 2018, or, on and after that date, the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Covered Bonds will be concluded on or after 1 January 2018 and the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.*)

MAIN FEATURES OF REGISTERED COVERED BONDS (*GEDECKTE NAMENSSCHULDVERSCHREIBUNGEN*)

Under the Programme the Issuer may issue Registered Covered Bonds (*Gedeckte Namensschuldverschreibungen*), each issued with a minimum denomination indicated in the applicable Registered Covered Bond Conditions. The Registered Covered Bonds will not be listed and/or admitted to trading on any market and will not be settled through a clearing system.

The Registered Covered Bonds will be governed by the laws of the Federal Republic of Germany or by whatever law chosen by the Issuer (to be supplemented with the specific provisions required under German law in order for the Registered Covered Bonds to be a German law registered note (*Gedeckte Namensschuldverschreibung*)) provided that, in any case, certain provisions, including those applicable to the Issuer and the Portfolio and those applicable to the status, limited recourse and the guarantee of the Registered Covered Bonds, shall be confirmed to be governed by Italian law.

The Registered Covered Bonds will be direct, unconditional, unsubordinated and unsecured obligations of the Issuer, guaranteed by the Guarantor pursuant to the terms of the Covered Bond Guarantee. The Registered Covered Bonds will rank *pari passu* and without any preference among themselves and, save for any applicable statutory provisions, at least equally with all other present and future unsecured and un-subordinated obligations of the Issuer from time to time outstanding.

In accordance with the Law 130, MEF Decree and the BoI OBG Regulations, the terms and conditions of each Series of Registered Covered Bonds together with the Transaction Documents, the Registered Covered Bondholders will have (i) recourse to the Issuer and (ii) limited recourse to the Guarantor limited to the Available Funds.

The Registered Covered Bonds shall be governed by a set of legal documentation in the form from time to time agreed with the relevant Dealer and will not be governed by the Conditions of the Covered Bonds set out in this Base Prospectus. Such legal documentation will include the relevant Registered Covered Bond certificate, the Registered Covered Bond Conditions, the Registered Covered Bond assignment agreement, any other ancillary documents and/or agreements. Notwithstanding the foregoing, the Issuer will be entitled to enter into a different or additional set of documentation as agreed with the relevant Dealer in relation to a specific issue of Registered Covered Bonds.

The full terms and conditions applicable to each Series of Registered Covered Bonds will be the relevant Registered Covered Bond Certificate, the Registered Covered Bond Conditions attached thereto and any other related agreements.

In connection with each Registered Covered Bond, each reference in the Base Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the Registered Covered Bond Certificate, the Registered Covered Bond Conditions attached thereto or any other document expressed to govern such Registered Covered Bond and, as applicable, each other reference to Final Terms in the Base Prospectus shall be construed and read as a reference to such Registered Covered Bond, the Registered Covered Bond Conditions attached thereto or any other document expressed to govern such of Registered Covered Bond.

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

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

TAXATION IN THE REPUBLIC OF ITALY

The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Covered Bonds.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Italian Tax Treatment of the Covered Bonds – General

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, (**Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, *inter alia*, by Italian banks, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*). For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Taxation of Interest

Italian Resident Covered Bondholders

Where an Italian resident Covered Bondholder is (a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, (b) a non-commercial partnership, (c) a non-commercial private or public institution, a trust not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (unless the Covered Bondholder described under (a), (b) and (c) have entrusted the management of their financial assets, including the Covered Bonds, to an authorized intermediary and they have opted for the application of the *"risparmio gestito"* regime - see "*Capital Gains Tax*" below).

Subject to certain conditions, interest in respect of Covered Bonds issued by Intesa Sanpaolo that qualify as *obbligazioni or titoli similari alle obbligazioni* received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No.232 of 11 December 2016 ("**Law 232**").

In the event that the Covered Bondholders described under (a) or (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Covered Bondholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected and the Covered Bonds are deposited with an authorised intermediary, interest, premium and other income from the Covered Bonds will not be subject to *imposta sostitutiva*, but must be included in the relevant Covered Bondholder's annual income tax return and are therefore subject to

general Italian corporate taxation (**IRES**) (and, in certain circumstances, depending on the "*status*" of the Covered Bondholder, also to regional tax productive activities (**IRAP**)).

If an investor is resident in Italy and is an open-ended or a closed-ended investment fund, a SICAF (an investment company with fixed capital) or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the relevant Covered Bonds are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Covered Bonds will not be subject to imposta sostitutiva, but must be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, interest, premiums or incomes in respect of the Covered Bonds made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate SICAFs (**Real Estate SICAFs**) are subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF.

Where an Italian resident Covered Bondholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, interest, premium and other income relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent substitute tax on the increase in value of the managed assets accrued at the end of each year. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Covered Bonds may be excluded from the taxable base of the 20 per cent. substitute tax if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law 232.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* (SIMs), fiduciary companies, *Società di gestione del risparmio* (SGRs), stockbrokers and other entities identified by a Decree of the Ministry of Economy and Finance (each an **Intermediary**) as subsequently amended and integrated.An Intermediary must: (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Covered Bondholder.

Non-Italian resident Covered Bondholders

Where the Covered Bondholder is a non-Italian resident, without a permanent establishment in Italy to which the Covered Bonds are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended by future decrees issued pursuant to Article 11(4)(c) of Decree 239 (the **White List**); or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central bank or an entity which manages, *inter alia*, the official reserves of

a foreign State; or (d) an institutional investor which is resident in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

In order to ensure gross payment, non-resident investors must be the beneficial owners of payments of interest, premium or other income and (a) deposit, directly or indirectly, the Covered Bonds, the Receipts or the coupons with a bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non-resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) file with the relevant depositary, prior to or concurrently with the deposit of the Covered Bonds, a statement of the relevant Covered Bondholder, to be provided only once, until revoked or withdrawn, in which the Covered Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent., or at the reduced rate provided for by any applicable double tax treaty, if any, to interest, premium and other income paid to Covered Bondholders other than those listed above or, even if listed, which failed to comply with the aforementioned requirements and procedures.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to be bonds (*obbligazioni*), debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the rate of 26 per cent.. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Subject to certain conditions, interest in respect of Covered Bonds issued by Intesa Sanpaolo that do not qualify as *obbligazioni or titoli similari alle obbligazioni* and are treated as atypical securities received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law 232.

Where the Covered Bondholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Covered Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Covered Bondholders, the withholding tax rate may be reduced by any applicable tax treaty.

Payments made by the Guarantor

With respect to payments on the Covered Bonds made to certain Italian resident Covered Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be subject to a provisional withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29

September 1973, as subsequently amended. In case of payments to non-Italian resident Covered Bondholders, the withholding tax may be applied at 26 per cent. as a final tax.

Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Capital Gains Tax

Italian resident Covered Bondholders

Any gain obtained from the sale, early redemption or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where an Italian resident Covered Bondholder is (i) an individual holding the Covered Bonds not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Covered Bondholder from the sale early redemption or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent.In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Covered Bondholder holding the Covered Bonds not in connection with an entrepreneurial activity pursuant to all sales, early redemption or redemptions of the Covered Bonds carried out during any given tax year. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 (**Decree 66**), capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years Capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Covered Bondholders holding the Covered Bonds not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale, early redemption or redemption of the Covered Bonds (the *risparmio amministrato* regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as a subsequently amended, the **Decree 461**). Such separate taxation of capital gains is allowed subject to (a) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express and valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant Covered Bondholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale, early redemption or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Covered Bondholder or using funds provided by the Covered Bondholder for this purpose. Under the *risparmio amministrato* regime,

where a sale, early redemption or redemption of the Covered Bonds results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Covered Bondholder is not required to declare the capital gains in the annual income tax return. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised or accrued by Italian resident individuals holding the Covered Bonds not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Covered Bonds, to an authorised intermediary and have validly opted for the so-called *risparmio gestito* regime (regime provided by Article 7 of Decree 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Covered Bondholder is not required to declare the capital gains realised in the annual income tax return. Pursuant to Decree 66, decreases in value of the management assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92 per cent. of the decreases in value registered from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Covered Bondholder who is a Fund will be included in the result of the relevant portfolio accrued at the end of the tax period. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may subject to the Collective Investment Fund Tax.

Any capital gains realised by a Covered Bondholder who is an Italian real estate fund to which the provisions of Decree 351–, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Any capital gains realised by a Covered Bondholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains in respect of Covered Bonds realized upon sale, transfer or redemption by Italian Pension Fund may be excluded from the taxable base of the 20 per cent. substitute tax if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law 232.

Non-Italian resident Covered Bondholders

Capital gains realised by non-Italian-resident Covered Bondholders from the sale, early redemption or redemption of Covered Bonds issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Covered Bonds are traded on regulated markets and, in certain cases, subject to the timely filing of a self-declaration form with the Italian Intermediary with which the Covered Bonds are deposited attesting the status of the relevant Covered Bondholder.

Capital gains realised by non-Italian resident Covered Bondholders from the sale, early redemption or redemption of Covered Bonds not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country

included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

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

If none of the conditions above are met, capital gains realised by non-Italian resident Covered Bondholders from the sale or redemption of Covered Bonds issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

Subject to certain conditions, capital gains in respect of Covered Bonds issued by Intesa Sanpaolo that qualify as *obbligazioni or titoli similari alle obbligazioni* realized upon sale, transfer or redemption by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term savings account (*piano di risparmio individuale a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law 232.

Inheritance and gift tax

Pursuant to Law Decree No. 262 of 3 October 2006 (**Decree No. 262**), converted into Law No. 286 of 24 November 2006 as subsequently amended, the transfers of any valuable asset (including the Covered Bonds) as a result of death or donation are taxed as follows:

(a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent on the value of the inheritance or the gift exceeding € 1,000,000, for each beneficiary;

(b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent inheritance and gift tax on the value of the inheritance or the gift exceeding € 100,000, for each beneficiary; and

(c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

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

Stamp Duty

Pursuant to Article 13 par. 2-ter of Part I of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (**Decree 642**), a proportional stamp duty applies, based on the period accounted, to any periodic reporting communications which may be sent by a financial intermediary to a Covered Bondholder in respect of any Covered Bond which may be deposited with such financial intermediary in Italy.

The stamp duty applies at the rate of 0.2 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Covered Bond is held. The stamp duty cannot exceed € 14,000 if the Covered Bondholder is not an individual.

The stamp duty applies both to Italian resident and non-Italian resident investors, to the extent that Covered Bonds are held with an Italian-based financial intermediary.

Wealth Tax on securities deposited abroad

According to the provisions set forth by Law No. 214 of 22 December 2011, as amended and supplemented, Italian resident individuals holding the Covered Bonds outside the Italian territory are required to pay in their own annual tax return a wealth tax at the rate of 0.2 per cent.

This tax is calculated on the market value of the Covered Bonds at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. The amount of tax due, based on the value indicated by the Covered Bondholder in its own annual tax return, must be paid within the same date in which payment of the balance of the annual individual income tax (**IRPEF**) is due.

Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets held abroad are excluded from the scope of the Wealth Tax if such assets are administered by Italian financial intermediaries pursuant to an administration agreement. In this case the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree 642 does apply.

Tax Monitoring

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as amended from time to time, for tax monitoring purposes, the amount of Covered Bonds held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

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

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments

on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to 1 January 2019 and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Covered Bonds (as described under "Terms and Conditions of the Covered Bonds—Further Issues") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under

FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Dealer Agreement

Covered Bonds may be sold from time to time by the Issuer to the Dealer. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealer are set out in the Dealer Agreement. The Dealer Agreement provides for, *inter alia*, an indemnity to the Dealer against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealer Agreement also provides for the resignation or termination of appointment of existing Dealer and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series. The Dealer Agreement contains stabilising provisions.

Subscription Agreements

Any Subscription Agreement between the Issuer and the Dealer and/or any additional or other dealers, from time to time for the sale and purchase of Covered Bonds (each a "**Relevant Dealer**") will, *inter alia*, provide for the price at which the relevant Covered Bonds will be purchased by the Relevant Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

Each Subscription Agreement will also provide for the confirmation of the appointment of the Representative of the Covered Bondholders by the Relevant Dealer as initial holder of the Covered Bonds then being issued.

Selling restrictions

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

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

(b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Series of Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds, as the case may be, which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(1) a retail client as defined in point (11) of Article 4(1) of the MiFID II; or

(2) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(3) not a qualified investor as defined in the Prospectus Directive; and

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 Covered Bonds, as the case may be, to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the case may be

United States of America

The Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act"**) and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Covered Bonds, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in case of an issue of the Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part within the United States of America or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds an offer or sale of such Covered Bonds within the United States of America by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise that in accordance with an available exemption from registration under the Securities Act.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or

to, or for the benefit of, resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act no. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Covered Bonds Guarantor, as the case may be; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and that such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1, L.533-16 and L.533-20 of the French Code *monétaire et financier*.

The Republic of Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell any Covered Bonds except in conformity with the provisions of the Prospectus Directive and, where applicable, implementing measures in Ireland and the provisions of the Irish Companies Act 2014 and every other enactment that is to be read together with any of those Acts;

(b) in respect of Covered Bonds issued by Intesa Sanpaolo which are not listed on a stock exchange and which do not mature within two years its action in any jurisdiction will comply with the then applicable laws and regulations of that jurisdiction, it will not knowingly offer to sell such Covered Bonds to an Irish resident, or to persons whose usual place of abode is Ireland, and that it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Covered Bonds. In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg, or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners) and have a minimum denomination of £300,000 or its equivalent at the date of issuance;

(c) in respect of Covered Bonds issued by Intesa Sanpaolo which are not listed on a stock exchange and which mature within two years, such Covered Bonds must have a minimum denomination of €500,000 or US$500,000 or, in the case of Covered Bond which are denominated in a currency other than euro or US dollars, the equivalent in that other currency of €500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of first publication of this Programme). In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg or Depository Trust Company (or any other clearing

system recognised for this purpose by the Revenue Commissioners);

(d) it has only issued or passed on, and will only issue or pass on, any document received by it in connection with the issue of Covered Bonds to persons who are persons to whom the document may otherwise lawfully be issued or passed on;

(e) it has complied and will comply with all applicable provisions of S.I. No. 60 of 2007, the European Communities (Markets in Financial Instruments) Regulations 2007 and the provisions of the Investor Compensation Act 1998, with respect to anything done by it in relation to the Covered Bonds or operating in, or otherwise involving, Ireland is acting under and within the terms of an authorisation to do so for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 and it has complied with any applicable codes of conduct or practice made pursuant to implementing measures in respect of the foregoing Directive in any relevant jurisdiction;

(f) it has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Central Bank Acts 1942-2013 (as amended) and any codes of conduct rules made thereunder; and

(g) It has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under the Irish Companies Act 2014 by the Central Bank of Ireland.

Germany

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall only offer Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other laws applicable in the Federal Republic of Germany.

Republic of Italy

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

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

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

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Law, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1st September, 1993, as amended (the **Banking Law**);

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

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

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealer that would permit a public offering of Covered Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or have in their possession or distribute such offering material, in all cases at their own expenses.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes the Base Prospectus, any offering material or any Final Terms, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Covered Bonds Guarantor (if applicable) and any other Dealer shall have any responsibility therefore.

None of the Issuer, the Covered Bond Guarantor and the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Listing, Admission to Trading and Minimum Denomination

Application has been made for the Covered Bonds (other than the Registered Covered Bonds) to be admitted to the official list and be traded on the regulated market of the Luxembourg Stock Exchange.

Covered Bonds (other than the Registered Covered Bonds) may be listed on such other stock exchange as the Issuer and the Relevant Dealer(s) may agree, as specified in the relevant Final Terms, or may be issued on an unlisted basis.

Where Covered Bonds (other than the Registered Covered Bonds) issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than Euro 100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

The Registered Covered Bonds Conditions will specify the minimum denomination for Registered Covered Bonds, which will not be listed.

Authorisations

The establishment of the Programme and the relative following integrations were authorised by a resolution of the management board (*consiglio di gestione*) of the Issuer on 14 May 2009 as further detailed by a resolution of the management board of the Issuer on 19 March 2010 and on 13 May 2011.

The granting of the Covered Bonds Guarantee was authorised by a resolution of the Board of Directors of the Covered Bonds Guarantor on 24 July 2008 and 20 May 2009as further detailed and integrated by subsequent resolutions of the Board of Directors of the Covered Bonds Guarantor issued from time to time.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

Clearing of the Covered Bonds

The Covered Bonds (other than Registered Covered Bonds) will be issued in dematerialised form and held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream). The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds (other than Registered Covered Bonds) for clearance together with any further appropriate information or with respect to the Covered Bonds issued in any of the other forms which may be indicated in the relevant terms and conditions, the indication of the agent or registrar through which payments to the holders of the Covered Bonds will be made.

The registered office of Monte Titoli S.p.A. is at Piazza Affari 6, Milan, Italy.

The Registered Covered Bonds will not be settled through a clearing system. The Registered Covered Bond Conditions will specify the agent or registrar through which payments to the Registered Covered Bonds will be performed.

Common codes and ISIN numbers

The appropriate common code and the International Securities Identification Number (ISIN) in relation to the Covered Bonds of each Series will be specified in the Final Terms relating thereto.

The Representative of the Covered Bondholders

Pursuant to the provisions of the Conditions and the Rules of the Organisation of the Covered Bondholders, there shall be at all times a Representative of the Covered Bondholders appointed to act

in the interest and behalf of the Covered Bondholders. The initial Representative of the Covered Bondholders shall be Finanziaria Internazionale Securitisation Group S.p.A. Finanziaria Internazionale Securitisation Group S.p.A. shall be appointed by the Dealer in accordance with the Dealer Agreement and the relevant Subscription Agreements.

No material litigation

Save as disclosed on pages from 114 to 123, during the twelve months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor are the Issuer or the Covered Bonds Guarantor aware of any pending or threatened proceedings of such kind, which have had or may have significant effects on the Issuer's or the Covered Bonds Guarantor's financial position or profitability.

No significant change and no material adverse change

Since 31 December 2016, there has been no material adverse change in the prospects of the Issuer and the Covered Bond Guarantor. Since 30 September 2017, there has been no significant change in the financial or trading position of the Issuer. Since 30 June 2017, there has been no significant change in the financial or trading position of the Covered Bonds Guarantor.

Luxembourg Listing Agent

The Issuer has undertaken to maintain a listing agent in Luxembourg so long as Covered Bonds (other than Registered Covered Bonds) are admitted to trading on the regulated market of the Luxembourg Stock Exchange.

Independent auditors

The auditors of the Issuer are KPMG S.p.A.. KPMG S.p.A. has audited the financial statements of the Issuer, in accordance with auditing standards and procedures recommended by the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") as at and for the years ended on 31 December 2015 and 31 December 2016. The audit report on 2015 Audited Financial Statements has been issued by KPMG S.p.A. on 3 March 2016 and the audit report on 2016 Audited Financial Statements has been issued by KPMG S.p.A. on 13 March 2017. The unaudited consolidated interim condensed financial statements of the Issuer in respect of the half-year 2017 have been reviewed by KPMG S.p.A. (the limited review report states that limited procedures have been applied in accordance with professional standards and that KPMG S.p.A. did not audit nor express an opinion on such interim financial information), in their capacity as independent auditors of the Issuer, as indicated in their report thereon.

KPMG S.p.A. is a member of Assirevi, the Italian professional association of auditors and as required by article 17 "Setting up the Register" of Ministerial decree no. 145 of 20 June 2012 "Regulation implementing article 2.2/3/4/7 and article 7.7 of Legislative decree no. 39 of 27 January 2010, implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (12G0167)", KPMG S.p.A. is included in the Register of Certified Auditors held by the Ministery for Economy and Finance – Stage general accounting office, at no. 70623.

KPMG S.p.A. was appointed to act as Intesa Sanpaolo's external auditor for the period 2012-2020. KPMG S.p.A. address is: Via Vittor Pisani, 25, 20124 Milan.

The auditors of the Covered Bond Guarantor are KPMG S.p.A.. KPMG S.p.A. has audited the financial statements of the Covered Bond Guarantor, in accordance with auditing standards and procedures recommended by the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") as at and for the years ended on 31 December 2015 and 31 December 2016. The audit report on 2015 Audited Financial Statements of the Covered Bond Guarantor has been issued by KPMG S.p.A. on 1 March 2016 and the audit report on 2016 Audited Financial Statements of the Covered Bond Guarantor has been issued by KPMG S.p.A. on 3 March 2017. The unaudited interim condensed financial statements of the Covered Bond Guarantor in respect of the half-year 2017 have been

reviewed by KPMG S.p.A., in their capacity as independent auditors of the Covered Bond Guarantor, as indicated in their reports thereon.

KPMG S.p.A. is a member of Assirevi, the Italian professional association of auditors and as required by article 17 "Setting up the Register" of Ministerial decree no. 145 of 20 June 2012 "Regulation implementing article 2.2/3/4/7 and article 7.7 of Legislative decree no. 39 of 27 January 2010, implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (12G0167)", KPMG S.p.A. is included in the Register of Certified Auditors held by the Ministery for Economy and Finance – Stage general accounting office, at no. 70623.

KPMG S.p.A. was appointed to act as Covered Bond Guarantor's auditor for the period 2012-2020. KPMG S.p.A. address is: Via Vittor Pisani, 25, 20124 Milan.

Documents available for inspection

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and admitted to trading on the regulated market of the Luxembourg Stock Exchange, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Luxembourg Listing Agent, namely:

(i) the Transaction Documents (but excluding, for avoidance of doubt, any document in respect of any Registered Covered Bonds);

(ii) the Issuer's memorandum of association (Atto Costitutivo) and by-laws (Statuto) as of the date hereof;

(iii) the Covered Bonds Guarantor's memorandum of association and by-laws as of the date hereof;

(iv) the Issuer's unaudited condensed consolidated financial statements as at 30 September 2017;

(v) the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2017, with auditors' limited review report;

(vi) the Issuer's audited consolidated annual financial statements including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016;

(vii) the Issuer's audited consolidated annual financial statements including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;

(viii) the Covered Bond Guarantor's unaudited interim condensed financial statements, including the auditors' limited review report, in respect of the half-year 2017;

(ix) the Covered Bonds Guarantor's audited annual financial statements in respect of the year ended on 31 December 2016 and the relevant auditor's report;

(x) the Covered Bonds Guarantor's audited annual financial statements, including the auditors' report thereon, in respect of the year ended on 31 December 2015;

(xi) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;

(xii) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Covered Bonds Guarantor's request any part of which

is included or referred to in the Base Prospectus;

(xiii) the historical financial information of the Covered Bonds Guarantor or, in the case of a group, the historical financial information of the Covered Bonds Guarantor and its subsidiary undertakings for each of the two financial years preceding the publication of the Base Prospectus.

(xiv) any Final Terms relating to Covered Bonds which are admitted to the official list and traded on the regulated market of the Luxembourg Stock Exchange (such Final Terms will be also available on the internet site of the Luxembourg Stock Exchange, at www.bourse.lu.). In the case of any Covered Bonds (other than Registered Covered Bonds) which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Covered Bondholders.

Copies of all such documents shall also be available to Covered Bondholders at the Specified Office of the Representative of the Covered Bondholders.

Financial statements available

For so long as the Programme remains in effect or any Covered Bonds admitted to trading on the regulated market of the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent publicly available financial statements and consolidated financial statements of the Issuer may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

The external auditors have given, and have not withdrawn, their consent to the inclusion of their report on the accounts of the Issuer in this Base Prospectus in the form and context in which it is included.

Publication on the Internet

This Base Prospectus, any supplement thereto and the Final Terms relating to Covered Bonds which are admitted to the official list and traded on the regulated market of the Luxembourg Stock Exchange will be available on the internet site of the Luxembourg Stock Exchange, at www.bourse.lu.

Material Contracts

Neither the Issuer nor the Covered Bonds Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Covered Bondholders.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. Banca IMI S.p.A., Arranger and Dealer under the Programme is a subsidiary of the Issuer. Certain of the Dealers and their affiliates may have positions, deal or make markets in Covered Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge

their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For avoidance of doubts the term "affiliates" in this paragraph includes also parent companies.

GLOSSARY

The following terms are used throughout this Base Prospectus. These and other terms used in this Base Prospectus are subject to, and in some cases are summaries of, the definitions of such terms set out in the Transaction Documents, as they may be amended from time to time.

"**6-Month Euribor Equivalent Margin**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Account Bank**" Intesa Sanpaolo, appointed as Account Bank in accordance with the Cash Management and Agency Agreement and any successor thereof.

"Accounts" means the Principal Receivables Collection Account, the Interest Receivables Collection Account, the Principal Securities Collection Account, the Interest Securities Collection Account, the Investment Account, the Eligible Investments Account, the Transaction Account, the Securities Account, the Corporate Account, the Expenses Account and the Quota Capital Account.

"**Accrued Interest**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Additional Sellers**" means any bank, other than the Seller, which is a member of the Intesa Sanpaolo Group that may sell Public Assets or Integration Assets to the Covered Bonds Guarantor, subject to satisfaction of certain conditions.

"**Adjusted Required Redemption Amount**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Administrative Services Agreement**" means an administrative services agreement entered into on 20 May 2009 between Intesa Sanpaolo as administrative services provider and the Covered Bonds Guarantor;

"**Administrative Services Provider**" means Intesa Sanpaolo S.p.A, and any successor thereof, appointed as administrative services provider in accordance with the Administrative Services Agreement.

"**Admitted States**" means States comprised in the European Economic Space and the Swiss Confederation

"**Amortisation Test**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Amortisation Test Adjusted Eligible Portfolio**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Annual Interest Payments**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Annual Net Interest Collections from the Eligible Portfolio**" has the meaning ascribed to such expression under Section "*Credit Structure*".

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

"**Arranger**" means Banca IMI.

"**Article 74 Event**" has the meaning given to it in Condition 12(a) (*Article 74 Event*);

"**Article 74 Notice to Pay**" means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Article 74 Event;

"**Asset Coverage Test**" has the meaning ascribed to such expression under Section "*Credit Structure*".

Asset Cover Report means the report to be sent by the Calculation Agent in accordance with the Portfolio Administration Agreement.

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

"**Asset Monitor Agreement**" means the Asset Monitor Agreement entered into on or about the Initial Issue Date by, *inter alia*, the Issuer, the Covered Bonds Guarantor, the Asset Monitor, and the Representative of the Covered Bondholders, as amended and supplemented from time to time;

"**Asset Monitor Report**" means the report to be delivered by the Asset Monitor to the Covered Bonds Guarantor, the Calculation Agent, the Representative of the Covered Bondholders, the Servicer and the Issuer on each Asset Monitor Report Date.

"Asset Percentage" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**ATI**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**ATI Agent Bank**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**ATI Agent Remedy Actions**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**ATI Agent Trigger Event**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**ATI Commingling Affected Portfolio**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**ATI Commingling Reserve Amount**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Authorised Investments**" means

(A) Public Assets and/or Integration Assets consisting of euro denominated Public Securities other than Italian Public Securities, which are rated at least "P-1" by Moody's

(B) euro demand or time deposits, certificates of deposit and short term bank debt obligations (which qualifies as Integration Assets) held with a bank rated at least "P-3" by Moody's

provided that in all cases such investments mature (or may be liquidated at no loss) within 3 Business Days prior to each Guarantor Payment Date and CB Payment Date.

"**Available Funds**" shall include (a) the Interest Available Funds, (b) the Principal Available Funds and (c) following an Issuer Event of Default, the amounts received by the Covered Bonds Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree (the "**Excess Proceeds**").

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

"**Banking Law**" means the Legislative Decree no. 385 of 1 September 1993, as amended and supplemented from time to time.

"**Bankruptcy Law**" means Royal Decree no. 267 of 16 March 1942 (*Legge Fallimentare*) as amended

and supplemented from time to time.

"**Base Prospectus**" means this base prospectus published in relation to the Programme, as supplemented and amended from time to time..

"**Basel II**" means the New Basel Capital Accord.

"**Beneficiary**" means each of the beneficiaries of the loan granted by Intesa Sanpaolo in accordance with the Loan Agreements.

"**BoI OBG Regulations**" (*Istruzioni di Vigilanza sulle OBG*) means the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of the circular no. 285 of 17 December 2013, containing the "*Disposizioni di vigilanza per le banche*" as further implemented and amended from time to time.

"**Business Day**" means:

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

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

"**Business Day Convention**", has the meaning ascribed to such expression in the Conditions.

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

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

"**Calculation Date**" means 5 September and 5 March of each year or, in case that day is not a Business Day, the following Business Day, provided that the first Calculation Date will be 7 December 2009.

"**Cash Management and Agency Agreement**" means the Cash Management and Agency Agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Cash Manager, the Receivables Collection Account Bank, the Account Bank, the Servicer, the Representative of the Covered Bondholders, the Calculation Agent, the Luxembourg Listing Agent and the Paying Agent;

"**Cash Manager**" means Intesa Sanpaolo S.p.A. acting as such pursuant to the Cash Management and Agency Agreement and any successor thereto;

"**CB Hedging Counterparty**" means Intesa Sanpaolo and any other parties that, from time to time, will enter into the CB Swaps with the Covered Bonds Guarantor for the hedging of currency risk and/or interest rate risk on the Covered Bonds.

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

"**CB Master Agreement**" means a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) entered into between a CB Hedging Counterparty and the Covered Bonds Guarantor.

"**CB Payment Date**" means the First CB Payment Date and any date or dates specified as such in, or

determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

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

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

"**CB Swap**" means any swap agreement entered into on or about an Issued Date between the Covered Bonds Guarantor and the CB Hedging Counterparty for hedging the currency / interest rate risk on the Covered Bonds.

"**CB Swap Confirmation**" means the written confirmation of any CB Swap evidencing the terms of any such transaction.

"CB Swap Floating Rate Amount" means the amount to be accumulated by the Covered Bonds Guarantor on each relevant Guarantor Payment Date and shall be equal to (A) the product of (i) the Euribor paid to the Covered Bonds Guarantor under the TBG Swaps in relation to the relevant Guarantor Payment Date, *plus/minus* a spread (if any) as set in the relevant CB Swap confirmation, (ii) the notional amount of the relevant CB Swap and (iii) the Day Count Fraction, calculated for the relevant CB Swap calculation period as set in the relevant CB Swap confirmation or (B) zero, as specified in the relevant CB Swap Confirmation.

"**CB Swaps Accumulation Amount**" means the CB Swaps Interest Accumulation Amount and/or CB Swaps Principal Accumulation Amount.

"**CB Swaps Interest Accumulation Amount**" means, in relation to any Guarantor Payment Date, (a) for a Series of Covered Bonds with CB Payments Dates falling during the immediately following Guarantor Interest Period, an amount equal to the Due for Payment CB Swap Floating Rate Amount as provided under the relevant CB Swap confirmation (for the avoidance of doubts, taking into account the CB Swap Floating Rate Amount accumulated on the immediately previous Guarantor Payment Date), or (b) in case no CB Payment Dates are falling during the immediately following Guarantor Interest Period, an amount equal to the CB Swap Floating Rate Amount as provided under the relevant CB Swap confirmation.

"**CB Swaps Principal Accumulation Amount**" means, in relation to any Guarantor Payment Date, (a) for a Series of Covered Bonds with a Maturity Date falling during the immediately following Guarantor Interest Period, an amount equal to the principal amount due under the relevant CB Swap confirmation, or (b) for a Series of Covered Bonds with a Maturity Date not falling during the immediately following Guarantor Interest Period, an amount equal to zero.

"**Clawed Back Amounts**" means any Guaranteed Amount that was timely paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source.

"**Clearstream**" means Clearstream Banking, société anonyme, Luxembourg;

"**Collection Date**" means 31 January and 31 July of each year, starting from 31 January 2010.

"**Collection Period**" means each period comprised between a Collection Date (excluded) and the following Collection Date (included) or, in respect of the first Collection Period, the period from (and including) the Effective Date of the transfer of the Initial Portfolio and the next following Collection Date (included).

"**Collection Policies**" means the collection policies provided for under Schedule 2 (*Procedure di Riscossione*) to the Servicing Agreement.

"**Collections**" means all the amounts collected from time to time by the Covered Bonds Guarantor in respect of the Portfolio as principal, interest and/or expenses and any payment of damages and all the Excess Proceeds.

"**Conditions**" means, in relation to the Covered Bonds of any Series, the terms and conditions of the Covered Bonds of such Series, as amended and supplemented from time to time and "**Condition**" shall be construed accordingly.

"**Conditions to the Issue**" means the requirements of issuing/assigning banks (*Requisiti delle banche emittenti e/o cedenti*) see Section II, Para. 1 of the BoI OBG Regulations.

"**CONSOB**" means *Commissione Nazionale per le Società e la Borsa*;

"***Convenzioni in Pool***" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Corporate Account**" means the corporate account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Covered Bondholders**" means the holders of the Covered Bonds from time to time.

"**Covered Bonds**" means any covered bond (including any Registered Covered Bond) issued under the Programme and denominated in such currency as may be agreed between the Issuer and the relevant Dealer which has such maturity and denomination as may be agreed between the Issuer and the relevant Dealer and issued or to be issued by the Issuer pursuant to the Dealer Agreement or any other agreement between the Issuer and the relevant Dealer.

"**Covered Bonds Guarantee**" means the guarantee issued by the Covered Bonds Guarantor in order to secure the payment obligations of the Issuer under the Covered Bonds in accordance with the provisions of Article 7-*bis* of Law 130 and Article 4 of the MEF Decree.

"**Covered Bonds Guarantor**" means ISP CB Pubblico S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated in the Republic of Italy pursuant to article 7 *bis* of Law 130, whose registered office is at Via Monte di Pietà 8, Milan, Italy, share capital Euro 120,000.00, enrolled with the Companies Register of Milan, under no. 05936150969.

"**Covered Bonds Guarantor Acceleration Notice**" means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of any of the Covered Bonds Guarantor Events of Default;

"**Covered Bonds Guarantor Disbursement Amount**" means on the Guarantor Payment Date falling on 31 March of each year the difference between: (i) Euro 100,000.00 and (ii) any amount standing to the credit of the Expenses Account on the Calculation Date immediately preceding such Guarantor Payment Date.

"**Covered Bonds Guarantor Event of Default**" has the meaning given to it in Condition 12(e) (*Covered Bonds Guarantor Events of Default*);

"**Covered Bonds Guarantor Retention Amount**" means on the Guarantor Payment Date falling on 31 March of each year the difference between: (i) Euro 150,000.00 and (ii) any amount standing to the credit of the Corporate Account on the Calculation Date immediately preceding such Guarantor Payment Date.

"**Credit Support Annex**" means a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) entered into by the Covered Bonds Guarantor and an Hedging Counterparty.

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

"**CSSF**" means the *Commission de Surveillance du Secteur Financier* .

"**Current Balance**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Cut-off Date**" means: (i) in respect of the Initial Portfolio 1 May 2009 and (ii) in respect of assignment of any New Portfolio, the date indicated in the relevant offer of transfer on which the Receivables and Securities, to be included in the relevant New Portfolio, are identified."

"**Day Count Fraction**" has the meaning ascribed to such expression in the Conditions.

"**Dealer**" means Banca IMI and any other dealer appointed as such under the Dealer Agreement.

"**Dealer Agreement**" means a dealer agreement entered into on or about the Initial Issue Date between, *inter alia*, the Issuer and Banca IMI as amended and supplemented from time to time.

"**Debtors**" means any person, entity or subject, also different from the Beneficiary, who is liable for the payment of amounts due, as principal and interest, in respect of a Receivable or a Security.

"**Decree 84/2005**" means Legislative Decree no. 84 of 18 April 2005, as amended and supplemented.

''**Decree No. 252**" means Legislative Decree no. 252 of 5 December 2005, as amended and supplemented.

''**Decree No. 461**" means Italian Legislative Decree no. 461 of 21 November 1997, as amended and supplemented.

"**Decree No. 600**" means Presidential Decree no. 600 of 29 September 1973, as amended and supplemented.

"**Deed of Charge**" means the deed of charge dated on or about the Initial Issue Date as amended and supplemented from time to time, between the Covered Bonds Guarantor and the Representative of the Covered Bondholders for itself and on behalf of the Covered Bondholders and the other Secured Creditors, pursuant to which the Covered Bonds Guarantor has charged all of its rights, title and interest from time to time in and to the Swap Agreements.

"**Deed of Pledge**" means the deed of pledge dated on or about the Initial Issue Date as amended and supplemented from time to time, between the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Secured Creditors pursuant to which the Covered Bonds Guarantor has agreed to pledge in favour of the Covered Bondholders and the other Secured Creditors, all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant or in relation to the Transaction Documents (other than the Deed of Charge, the Deed of Pledge and the Swap Agreements), including the monetary rights and claims relating to the amounts standing to the credit of the Accounts and any other account established by the Issuer in accordance with the provisions of the Transaction Documents but excluding, for avoidance of doubt, the Receivables.

"**Defaulted Assets**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Defaulted Securities**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Definitive Purchase Price of the New Portfolio**" has the meaning ascribed to such expression under the Master Transfer Agreement.

"**Discount Factor**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Due for Payment CB Swap Floating Rate Amount**" means the amount to be paid by the Covered Bonds Guarantor to the CB Hedging Counterparty on a CB Payment Date under the relevant CB Swap and shall be equal to**:**

- in relation to a Series of Covered Bonds with annual CB Payment Dates, the aggregate of the CB Swap Floating Rate Amounts relating to two immediately preceding CB Swap calculation periods, and
- in relation to a Series of Covered Bonds with semi-annual CB Payment Dates, the CB Swap Floating Rate Amount relating to the preceding CB Swap calculation period.

"**Due for Payment Date**" means (i) a Scheduled Due for Payment Date or (ii) following the

occurrence of a Covered Bonds Guarantor Event of Default, the date on which the Covered Bonds Guarantor Acceleration Notice is served on the Covered Bonds Guarantor. If the Due for Payment Date is not a Business Day, the Due for Payment Date will be the next following Business Day. For the avoidance of doubt, Due for Payment Date does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the Guaranteed Obligations, by reason of prepayment, mandatory or optional redemption or otherwise.

"**Earliest Maturing Covered Bonds**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Early Redemption Amount**" has the meaning ascribed to such expression in the Conditions.

"**Early Redemption Date**" has the meaning ascribed to such expression in the Conditions.

"**Early Termination Amount**" has the meaning ascribed to such expression in the Conditions.

"**Effective Date**" means the date starting from which the assignment of each Portfolio becomes effective, in accordance with the provisions set forth under the Master Transfer Agreement.

"**Eligible Investments**" means:

(i) any Euro denominated Security which qualifies as Public Assets; and /or

(ii) the Integration Assets having the following characteristics:

  (a) Euro denominated Security rated at least "P-1" by Moody's, which has a residual maturity of up to 30 calendar days or, if longer, which may be liquidated without loss within 30 days from a downgrade below "P-1" by Moody's, and/or

  (b) reserve accounts, deposit accounts, and other similar accounts which qualifies as Integration Assets held with a bank rated at least "P-3" by Moody's,

provided that any such investments under (i) and (ii) above, (A) mature (or may be liquidated at no loss) at least 3 Business Days before the next following Guarantor Payment Date, and (B) prior to the delivery of a Notice to Pay or of an Article 74 Notice to Pay, mature (or may be liquidated at no loss), for a minimum amount equal to the aggregate of the CB Swap Accumulation Amount and the Interest Accumulation Amount, at least 3 Business Days before the following CB Payment Date, and (C) following the delivery of a Notice to Pay or of an Article 74 Notice to Pay, mature (or may be liquidated at no loss) at least 3 business days before the next following CB Payment Date.

"**Eligible Investments Account**" means the eligible investments account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Eligible Portfolio**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Eligible States**" means, in accordance with the MEF Decree, any States belonging to the Economic European Area and the Swiss Confederation and any other State attracting a 0 per cent. risk weight factor under the "Standardised Approach" provided for by the Basel II.

"**EMIR Regulation**" means the Regulation (EU) 648/2012 of the European Parliament and Council dated 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as supplemented by the relevant delegated regulations, as amended from time to time.

"**Euro Equivalent**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Euroclear**" means Euroclear Bank S.A./N.V.;

"**European Savings Directive**" means EU Directive No. 2003/48/EC regarding the taxation of savings income.

"**Evaluation Date**" means: (i) in respect of the Initial Portfolio May 1, 2009 and (ii) in respect of any New Portfolio, the date indicated in the relevant offer of transfer in accordance with the provisions set forth under the Master Transfer Agreement.

"**Excess Proceeds**" amounts received by the Covered Bonds Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Para. 3 of the MEF Decree.

"**Excluded Assets**" means (a) the Integration Assets in excess of the Integration Assets Limit to be excluded from the Eligible Portfolio, (b) the aggregate of Integration Assets which do not meet the Integration Assets Rating Requirements.

"**Excluded Swaps**" means the portion of the hedging arrangements, if any, corresponding to the Public Assets and Integration Assets excluded from the Eligible Portfolio.

"**Expected Floating Payments**" has the meaning ascribed to such expression under the Section "Credit Structure".

"**Expenses**" means any Covered Bonds Guarantor's documented fees, costs, expenses and taxes to maintain it in good standing, to comply with applicable legislation and any obligation and to preserve its corporate existence.

"**Expenses Account**" means the expenses account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Extendable Maturity**" has the meaning given to such expression under Condition 8(b) (*Extension of maturity*).

"**Extended Maturity Date**" means, in relation to any Series of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 8(b) (*Extension of maturity*).

"**Extension Determination Date**" means the date falling four Business Days prior to the Maturity Date;

"**Extraordinary Meeting**" has the meaning given in the Rules of the Organisation of the Covered Bondholders attached to these Conditions;

"**Final Redemption Amount**" means, with respect to a Series of Covered Bonds, the amount, as specified in the applicable Final Terms, representing the amount due (subject to the applicable grace period) in respect of the relevant Series of Covered Bond;

"**Final Terms**" means the specific final terms issued and published in accordance with the Conditions prior to the issue of each Series detailing certain relevant terms thereof which, for the purposes of that Series only, completes the Conditions and the Base Prospectus and must be read in conjunction with the Base Prospectus.

"**Financial Law**" (*Testo Unico della Finanza*) means the Legislative Decree of February 24, 1998, no. 58, as amended and supplemented from time to time.

"**First CB Payment Date**" means the date specified in the relevant Final Terms;

"Fixed Component of the Eligible Portfolio" has the meaning ascribed to such expression under the Section "Credit Structure".

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

"**Floating Component of the Eligible Portfolio**" has the meaning ascribed to such expression under the Section "Credit Structure".

"**General Criteria**" means the general criteria contained in Schedule 1 to the Master Transfer Agreement, as amended and supplemented from time to time in accordance with the provisions of the Master Transfer Agreement and described under Section "*Description of the Portfolio*".

"**Guarantee"** (*Garanzia*) means any guarantee valid in order to mitigate the credit risk (*garanzie valide ai fini della mitigazione del rischio di credito*), pursuant to article 4 of the MEF Decree and any other guarantee of any type, including personal guarantee and security over asset, irrevocable payment

delegation (*delegazione di pagamento*) given pursuant to Article 206, of Legislative Decree no. 267 of 18 August 2000 (or any other provision existing before the Legislative Decree no. 267 of 18 August 2000 was in force) and orders of payment (*mandati di pagamento*) or irrevocable payment delegations given in accordance with regional laws, guaranteed in favour of Intesa Sanpaolo, as well as irrevocable payment delegations or debit delegations given in favour of the Seller in accordance with articles 1268 and following of Italian Civil Code and collection delegations (*deleghe all'incasso*) in favour of the Seller or any other existing event in order to ensure or guarantee (i) payments of Receivables and Securities and (ii) the fulfilment of the obligations arising from Loan Agreements and Securities.

"**Guaranteed Amounts**" means (i) prior to the service of a Covered Bonds Guarantor Acceleration Notice, with respect to any Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Due for Payment Date, or (ii) after the service of a Covered Bonds Guarantor Acceleration Notice, an amount equal to the relevant Early Redemption Amount (as defined and specified in the Conditions) *plus* all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Covered Bonds Guarantor under the Transaction Documents, provided that any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was timely paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the "**Clawed Back Amounts**"). In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 10(a) (*Gross up*);

"**Guarantor**" means any person, entity or subject, different from the Debtor, who has granted a Guarantee in relation to a Receivable or Security, and successor thereof.

"**Guarantor Interest Period**" means the period starting from (and including) the date of transfer of the Initial Portfolio and ending on the immediately following the Guarantor Payment Date (excluded) and, thereafter, each period starting from a Guarantor Payment Date (included) and ending on the following Guarantor Payment Date (excluded).

"**Guarantor Payment Date**" means 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Covered Bonds Guarantor Event of Default, the earlier of (i) each Business Day falling 10 Business Days after the Business Day on which an amount at least equal to 10 per cent. of the aggregate Outstanding Principal Balance of all Series of Covered Bonds is standing to the credit of the Transaction Account and the Investment Account, and (ii) 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day, provided that the first Guarantor Payment Date shall be 31 March 2010.

"**Hard Bullet Covered Bonds**" means the Series of Covered Bonds in relation to which no Extended Maturity Date is specified in the relevant Final Terms, and the Final Redemption Amount in respect to such Series will be due for payment on the Maturity Date and the Pre-Maturity Liquidity Test shall apply;

"**Hedging Counterparties**" (*Controparti dei Derivati*) means collectively the CB Hedging Counterparty and TBG Hedging Counterparty.

"**Hedging Senior Payment**" means, on any relevant date, any interest and/or principal payment due under any CB Swap or TBG Swap, as the case may be, including any termination payment arising out of a termination event, other than termination payments where the relevant Hedging Counterparty is the defaulting party or the sole affected party, but including, in any event, the amount of any termination payment due and payable to the relevant Hedging Counterparty in relation to the termination of the relevant swap transactions to the extent of any premium received (net of any costs reasonably incurred by the Covered Bonds Guarantor to find a replacement swap counterparty), if any,

by the Covered Bonds Guarantor from a replacement swap counterparty in consideration for entering into swap transactions with the Covered Bonds Guarantor on the same terms as the relevant CB Swaps or TBG Swaps. With respect to the *Additional Provisions* "Mark to Market Payment" in the TBG Swaps, any payment under this clause will be part of the Hedging Senior Payments for an amount up to the difference on each Guarantor Payment Date between the purchase price paid by any purchaser/s of the Selected Asset and the Outstanding Principal Balance of the Public Assets and Integration Assets sold to such purchaser/s.

"**Initial Issue Date**" means the date on which the Issuer will issue the first Series of Covered Bonds.

"**Initial Portfolio**" means the first portfolio of Public Assets transferred to the Covered Bonds Guarantor under the Master Transfer Agreement.

"**Insolvency Event**" means, in respect of any company or corporation, that:

(i) such company or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, *fallimento*, *liquidazione coatta amministrativa*, *concordato preventivo* and *amministrazione straordinaria*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than, in the case of the Covered Bonds Guarantor, any portfolio of assets purchased by the Covered Bonds Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Covered Bondholders (who may rely on the advice of legal advisers selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Covered Bonds Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments; or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation or any of the events under Article 2448 of the Italian Civil Code occurs with respect to such company or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders); or

(v) such company or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business;

"**Integration Assets**" means the assets having the characteristics set forth under article 2 para. 3, point 2 and 3 of the MEF Decree.

"**Integration Assets Limit**" means the limit of 15 per cent. of the aggregate Outstanding Principal Balance of the assets comprised in the Portfolio, set forth under article 2, para. 4, of the MEF Decree, as amended and supplemented from time to time, to the integration through Integrations Assets.

"**Integration Assets Rating Requirements**" means (a) in respect of Integration Assets consisting of

bank securities having a remaining maturity date of 364 days or less, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity equal to or higher than "P-3" by Moody's and (b) in respect of Integration Assets consisting of deposits with bank, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the entity with which the demand or time deposits are made equal to or higher than "P-3" by Moody's.

"**Integration Assignment**" means the assignments of Public Assets or Integration Assets made in order to restore the respect of the Tests for which a breach has been verified or in order to prevent such breach maintaining the relation between the OBG issued and the assigned assets.

"**Intercreditor Agreement**" means the agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Seller, the Issuer, the Calculation Agent, the Representative of the Covered Bondholders and the other Secured Creditors, as amended and supplemented from time to time;

"**Interest Accumulation Amount**" means an amount equal to the interest amounts due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into.

"**Interest Amount**" means, in relation to any Series of Covered Bonds and a CB Interest Period, the amount of interest payable in respect of that Series for that CB Interest Period;

"**Interest Arrears**" means in relation to any loan, bond or other asset at any date, the amount of (or the Euro Equivalent amount of) interest and expenses which are due and payable and are unpaid as of such date.

"**Interest Available Funds**" means, with reference to each Guarantor Payment Date, the sum of (a) any interest or other amounts (other than principal amounts) received from the Portfolio (net of any Interest Component of the Purchase Price) during the Collection Period immediately preceding such Guarantor Payment Date, (b) any amount received by the Covered Bonds Guarantor as remuneration of the Accounts (other than the Quota Capital Account), Eligible Investments and the Authorised Investments (without any double counting) during the Collection Period immediately preceding such Guarantor Payment Date, (c) any interest amount received by the Covered Bonds Guarantor as payments under the Swaps Agreements with the exception of any Delivery Amounts (as defined therein) on or prior to the relevant Guarantor Payment Date (d) any amount (other than amounts already allocated under items (a), (b), (c) and (d) of the Principal Available Funds, as defined below) received by the Covered Bonds Guarantor from any party to the Transaction Documents during the Collection Period immediately preceding such Guarantor Payment Date, (e) the Reserve Fund Required Amount, (f) the ATI Commingling Reserve Amount, (g) the Interest Accumulation Amount, (h) any amount credited (and not used) in the Investment Account on the previous Guarantor Payment Date under items (viii) and (ix) of the Pre-Issuer Default Interest Priority of Payments or item (v) of the Post-Issuer Default Priority of Payments, and (**i**) any amount of Interest Available Funds retained in the Transaction Account on the immediately preceding Guarantor Payment Date (if not already calculated under the items above).

"**Interest Commencement Date**" means, in relation to any Series of Covered Bonds, the Issue Date of such Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Component of the Purchase Price**" means, in respect of each Public Assets or Integration Assets, the amount of interests which were considered, from time to time, in order to calculate the relevant purchase price in accordance with the Master Transfer Agreement.

"**Interest Coverage Test**" has the meaning ascribed to such expression under the Section "*Credit Structure*".

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

"**Interest Payments**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Interest Receivables Collection Account**" (*Conto Incassi Interessi sui Crediti*) means the interest collection account opened in the name of the Covered Bonds Guarantor with the Receivables Collection Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Interest Securities Collection Account**" (*Conto Incassi Interessi sui Titoli*) means the interest securities collection account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Intesa Sanpaolo**" means Intesa Sanpaolo S.p.A., a bank organized as a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazza San Carlo 156, Turin, Italy and secondary office at Via Monte di Pietà 8, Milan, Italy, incorporated with Fiscal Code number and registration number with the Turin Register of Enterprises 00799960158, VAT number 10810700152, registered with the Bank of Italy pursuant to article 13 of the Banking Law under number 5361, head of Gruppo Bancario Intesa Sanpaolo, agreed into the Fondo Interbancario di Tutela dei Depositi and into the Fondo Nazionale di Garanzia.

Intesa Sanpaolo Group means Intesa Sanpaolo and each of its consolidated subsidiaries.

"**Investment Account**" means the investment account opened in the name of the Covered Bonds Guarantor with the Account Bank and operating in accordance with the Cash Management and Agency Agreement.

"**Investors Report**" has the meaning ascribed to such expression in the Cash Management and Agency Agreement.

"**Investors Report Date**" means 10 Business Days following each Guarantor Payment Date.

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

"**ISDA Master Agreement**" means the 1992 ISDA Master Agreement together with the relevant Schedule and Credit Support Annex, as amended and supplemented from time to time.

"**ISGS**" means Intesa Sanpaolo Group Services S.c.p.A., a società cooperativa per azioni incorporated under the laws of the Republic of Italy, with registered office at Piazza San Carlo 156, Turin, with registration number with the Register of Enterprises of Torino No. 07975420154, VAT number 04932231006, part of the Gruppo Bancario Intesa Sanpaolo and under the management and coordination of Intesa Sanpaolo.

"**ISGS Mandate Agreement**" means the mandate agreement entered into on 28 February 2014 between ISGS, as Swap Service Provider, and the Covered Bonds Guarantor, as amended and supplemented from time to time, for the performance of certain service to be provided under the Swap Agreements further to the approval of the EMIR Regulation.

"**ISP Mandate Agreement**" means the mandate agreement entered into on 28 February 2014 between Intesa Sanpaolo, as Swap Service Provider, and the Covered Bonds Guarantor, as amended and supplemented from time to time, for the performance of certain service to be provided under the Swap Agreements further to the approval of the EMIR Regulation.

"**Issuance Collateralisation Assignment**" means any assignment of Public Assets to the Covered Bonds Guarantor made in order to collateralise and allow the issue of further series of Covered Bonds by the Issuer, subject to the Limits to the Assignment.

"**Issue Date**" the date of issue of a Series pursuant to and in accordance with the Dealer Agreement as specified in the relevant Final Terms.

"**Issue Price**" means the price specified in the relevant Final Terms to which Covered Bonds of each Series may be issued.

"**Issuer**" means Intesa Sanpaolo in its capacity as issuer of the Covered Bonds.

"**Issuer Downgrading Event**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Issuer Event of Default**" has the meaning given to it in Condition 11(c) (*Issuer Event of Default*);

"**Law 130**" means Law no. 130 of 30 April 1999, as amended and supplemented from time to time.

"**Limits to the Assignment**" means the limits to the assignment of further Assets set forth by the BoI OBG Regulations (*Limiti alla cessione*; see Section II, Para. 2 of the BoI OBG Regulations.

"**Loan Agreement**" means any loan agreement and other arrangements having the characteristics set forth under article 2, para. 1, lett. c) of the MEF Decree.

"**Loans**" means the loans extended to, or guaranteed by the public entities set forth under article 2, paragraph 1, letter (c) of the MEF Decree or guaranteed (on the basis of "guarantees valid for the purpose of credit risk mitigation" (*garanzie valide ai fini della mitigazione del rischio di credito*), as defined by article 1, para. 1, lett. h) of the MEF Decree), by such public entities.

"**Long Date Due For Payment Date**" means the CB Payment Date immediately following the tenth anniversary of the last Maturity Date of the Public Asset or Integration Asset contained in the Portfolio;

"**Long Dated Covered Bonds**" means any Covered Bond issued by the Issuer in respect of which the Extended Maturity Date is set at the Long Date Due for Payment Date and identified as such in the relevant Final Terms;

"**Luxembourg Listing Agent**" means Deutsche Bank Luxembourg S.A. a bank incorporated under the laws of Luxembourg, whose registered office is at 2 Boulevard Konrad Adenauer, Luxembourg L-1115, in its capacity as Luxembourg listing agent under the Cash Management and Agency Agreement appointed as luxembourg listing agent in accordance with Cash Management and Agency Agreement and any successor thereof.

"**Mandatory Tests**" means the tests to be carried out pursuant to article 3 of the MEF Decree

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

"**Master Agreements**" means the CB Master Agreement and the TBG Master Agreement.

"**Master Definition Agreement**" means the master definition agreement executed on or about the Initial Issue Date by, *inter alios*, the Issuer, the Seller, the Covered Bonds Guarantor, the Representative of the Covered Bondholders, as amended and supplemented from time to time.

"**Master Loan Agreement**" means the framework agreements, Multi-tranche Agreements or plafond agreements under which certain Loans have been disbursed.

"**Master Transfer Agreement**" means the master transfer agreement entered into on 20 May 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time;

"**Maturity Date**" means, with reference to each Series of Covered Bonds, the CB Payments Date, indicated in the relevant Final Terms, on which such Series of Covered Bonds will be redeemed at their Outstanding Principal Balance, unless otherwise extended in accordance with the Conditions.

"**Maximum Amount**" means, with reference to the Subordinated Loan, the maximum amount equal to Euro 20,000,000,000 or such other amount which will be notified by the Seller, as subordinated loan provider, to the Covered Bonds Guarantor in accordance with the terms of the Subordinated Loan Agreement.

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

"**MEF Decree**" (*Decreto del MEF*) means the Decree of the Ministry of economy and finance no. 310 of 14 December 2006, concerning the implementation of the provisions set forth in Article 7-*bis* of Law 130 about covered bonds.

"**Member State**" means a member State of the European Economic Area.

"**Minimum Interest Amount**" means 0.50 per cent. per annum.

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

"**Minimum Required Account Bank Rating**" means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as Account Bank and which is at least equal to "P-3" from the Rating Agency.

"**Minimum Required Paying Agent Rating**" means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as Paying Agent and which is at least equal to "P-3" from the Rating Agency.

"**Minimum Required Pre-Maturity Liquidity Guarantor Rating"** means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as guarantor in order to cure a breach of the Pre-Maturity Liquidity Test and which is at least equal to "P-1" from the Rating Agency.

"**Minimum Required Ratings**" means, in respect of the Receivables Collection Account Bank, the Cash Manager, the Account Bank and the Paying Agent, respectively Minimum Required Receivables Collection Account Bank Ratings, the Minimum Required Account Bank Ratings and the Minimum Required Paying Agent Ratings.

"**Minimum Required Receivables Collection Account Bank Rating**" means the short term rating required by the Rating Agency with reference to the entity which acts in its capacity as Receivables Collection Account Bank (or any institution guaranteeing its obligations on the basis of a guarantee satisfying the Rating Agency's criteria) and which is at least equal to "P-3" from the Rating Agency.

"**Modified Business Day Convention**", has the meaning ascribed to such expression in the Conditions.

"**Modified Following Business Day Convention**", has the meaning ascribed to such expression in the Conditions.

"**Monte Titoli**" means Monte Titoli S.p.A. a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazza Affari 6, Milan, Italy, incorporated with Fiscal Code and VAT number 03638780159, registered with the Milan Register of Enterprises under number 03638780159.

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by the Relevant Clearing System;

"**Monte Titoli Mandate Agreement**" means the mandate agreement dated on or about the Initial Issue Date under which Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds.

"**Moody's**" means Moody's Investors Service Ltd.

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

"**Negative Carry Factor**" has the meaning ascribed to such expression under the Section "*Credit Structure*".

"**Net Interest Collections from the Eligible Portfolio**" has the meaning ascribed to such expression under the Section "*Credit Structure*".

"**Net Present Value**" has the meaning ascribed to such expression under the Section "*Credit Structure*".

"**Net Present Value of the Eligible Portfolio**" has the meaning ascribed to such expression under the Section "*Credit Structure*".

"Net Present Value of the Outstanding Covered Bonds" has the meaning ascribed to such

expression under the Section "*Credit Structure*".

"**New Capital Accord**" means the New Basel Capital Accord.

"**New Portfolio**" means any portfolio of Public Assets and Integration Assets which, further to the sale of the Initial Portfolio, the Seller will assign to the Covered Bonds Guarantor in accordance with the Master Transfer Agreement.

"**No Adjustment**" has the meaning ascribed to such expression in the Conditions.

"**Notice to Pay**" means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Issuer Event of Default;

"**NPV Test**" has the meaning ascribed to such expression under the Section "*Credit Structure*".

"**OBG Regulations**" means, collectively, Law 130, the MEF Decree and the BoI OBG Regulations.

"**OC Adjusted Eligible Portfolio"** has the meaning ascribed to such expression under the Section "*Credit Structure*".

"**Official Gazette**" means *La Gazzetta Ufficiale della Repubblica Italiana*;

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

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

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

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

"**Organisation of the Covered Bondholders**" means the association of the Covered Bondholders, organised pursuant to the Rules of the Organisation of the Covered Bondholders;

"**Other Accounts**" means the Securities Collection Accounts, the Securities Account, the Investment Account, the Eligible Investments Account, the Transaction Account, the Expenses Account, the Corporate Account and the Quota Capital Account

"**Outstanding Principal Balance**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Outstanding Principal Balance of the Covered Bonds**" has the meaning ascribed to such expression under Section "*Credit Structure*".

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

"**Payment Business Day**" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Payments Report**" means the payments report which will set out the Available Funds and the payments to be made on the following Guarantor Payment Date to be delivered by the Calculation

Agent to, *inter alia*, the Covered Bonds Guarantor.

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

"**Place of Payment**" means, in respect of any Covered Bondholders, the place at which such Covered Bondholder receives payment of interest or principal on the Covered Bonds;

"**Portfolio**" means the whole portfolio of Receivables and Securities owned by the Covered Bonds Guarantor, which include the Initial Portfolio and any New Portfolio, and any other Integration Assets and Eligible Investments purchased by the Covered Bonds Guarantor.

"**Portfolio Administration Agreement**" means the portfolio administration agreement entered into on or about the Initial Issue Date between, *inter alios*, the Issuer, the Seller, the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, as amended and supplemented from time to time;

"**Portfolio Manager**" means the company appointed as portfolio manager in accordance with the Portfolio Administration Agreement and any successor thereof.

"**Post-Guarantor Default Priority of Payments**" means the priority of payments applicable to the Available Funds after the delivery of a Covered Bonds Guarantor Acceleration Notice as described under the Section "*Account and Cashflows*".

"**Post-Issuer Default Priority of Payments**" means the priority of payments applicable to the Available Funds after the delivery of a Notice to Pay or an Article 74 Notice to Pay and prior to the delivery of a Covered Bonds Guarantor Acceleration Notice as described under the Section "*Account and Cashflows*".

"**Potential Claw-Back Amount**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Potential Set-Off Amount**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Preceding Business Day Convention**" has the meaning ascribed to such expression in the Conditions.

"**Pre-Issuer Default Interest Priority of Payments**" means the priority of payments applicable to the Interest Available Funds prior to the delivery of a Notice to Pay or an Article 74 Notice to Pay as described under the Section "*Account and Cashflows*".

"**Pre-Issuer Default Principal Priority of Payments**" means the priority of payments applicable to the Principal Available Funds prior to the delivery of a Notice to Pay or an Article 74 Notice to Pay as described under the Section "*Account and Cashflows*".

"**Pre-Maturity Liquidity Required Ratings**" means, with reference to the Issuer a short-term credit rating from the Rating Agency of at least P-1.

"**Pre-Maturity Liquidity Test**" has the meaning ascribed to such expression under Condition 8 (*Redemption and Purchase*).

"**Pre-Maturity Liquidity Test Date"** each Business Day falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default

"**Pre-Maturity Rating Period**" means the period of 12 months preceding the Maturity Date of any Hard Bullet Series of the Covered Bonds.

"**Pre-Maturity Test Account**" means the account or the accounts to be opened by the Issuer for making deposits in any form in order to remedy a breach of the Pre-Maturity Liquidity Test.

"**Premium Interest Amount**" (*Compenso Aggiuntivo*) means:

(a) prior to the occurrence of an Issuer Event of Default, an amount equal to the algebraic sum of:

(i) (+) the amount of Interest Available Funds;

(ii) (-) the sum of any amount paid under items from (i) to (xii) of the Pre-Issuer Default Interest Priority of Payment

or

(b) following to the occurrence of an Issuer Event of Default, an amount equal to the algebraic sum of:

(i) (+) the amount of Available Funds;

(ii) (-) the sum of any amount paid under items from under items (i) to (ix) of the Post-Issuer Default Priority of Payments.

or

(c) following the occurrence of a Guarantor Event of Default an amount equal to the algebraic sum of:

(i) (+) the amount of Available Funds;

(ii) (-) the sum of any amount paid under items from under items (i) to (viii) of the Post-Guarantor Default Priority of Payments.

"**Principal Available Funds**" means, with reference to each Guarantor Payment Date, the sum of: (a) any principal payment and any Interest Component of the Purchase Price received during the Collection Period immediately preceding such Guarantor Payment Date and (b) any amounts deriving from sale of the Public Assets, Integration Assets, Eligible Investments and Authorised Investments (without any double counting) received during the Collection Period immediately preceding such Guarantor Payment Date, (c) any principal amount received by the Covered Bonds Guarantor as payments under the Swap Agreements with the exception of any Delivery Amounts (as defined therein) on or prior to the relevant Guarantor Payment Date, (d) any principal amount received by the Covered Bonds Guarantor from any party to the Transaction Documents during the Collection Period immediately preceding such Guarantor Payment Date, (e) the Purchase Price Accumulation Amount, (f) any amount credited (and not used) in the Investment Account on the previous Guarantor Payment Date under items (iv), (v) and (vi) of the Pre-Issuer Default Principal Priority of Payments or item (v) of the Post-Issuer Default Priority of Payments, and (g) any amount of Principal Available Funds retained in the Transaction Account on the immediately preceding Guarantor Payment Date.

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

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

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Paying Agent;

"**Principal Receivables Collection Account**" (*Conto Incassi Capitale sui Crediti*) means the principal collection account opened in the name of the Covered Bonds Guarantor with the Receivables Collection Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Principal Securities Collection Account**" (*Conto Incassi Capitale sui Titoli*) means the principal securities collection account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Priorities of Payments**" means, collectively, the Pre-Issuer Default Principal Priority of Payment, the Pre-Issuer Default Interest Priority of Payment, the Post-Issuer Default Priority of Payments and the Post-Guarantor Default Priority of Payments.

"**Privacy Law**" means the Legislative Decree no. 196 of 30 June 2003 entitled *Codice in materia di protezione dei dati personali*, as amended and supplemented from time to time.

"**Programme**" means the Euro 20,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme established by the Issuer.

"**Programme Limit**" means the amount equal to Euro 20,000,000,000 or the other amount indicated as *programme limit* in accordance with the Dealer Agreement.

"**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended from time to time.

"**Provisional Purchase Price of the New Portfolio**" has the meaning ascribe to such expression under the Master Transfer Agreement.

"**Public Assets**" means (i) Loansand (ii) Public Securities.

"**Public Securities**" means securities satisfying the requirements set forth under article 2, paragraph 1, letter c) of the MEF Decree.

"**Purchase Price Accumulation Amount**" means, on any Guarantor Payment Date, an amount equal to (A) the Provisional Purchase Price of the New Portfolio – as determined with reference to a New Portfolio under the relevant Offer of Transfer – to be used for any payment of the relevant Definitive Purchase Price of the New Portfolio or the Rectified Purchase Price of the New Portfolio during the following Guarantor Interest Period or (B) with reference to the mechanism provided for under Clause 7.1 (*Offerta di Cessione*) letter (b) of the Master Transfer Agreement, the Definitive Purchase Price of the New Portfolio – as determined with reference to a New Portfolio under the relevant Offer of Transfer – to be used for any payment of the relevant Definitive Purchase Price of the New Portfolio or the Rectified Purchase Price of the New Portfolio during the following Guarantor Interest Period.

"**Put Option Notice**" means a notice which must be delivered to the Paying Agent, the Calculation Agent and the Asset Monitor by the Representative of the Covered Bondholders on behalf of any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

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

"**Quota Capital Account**" means the quota capital account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Quotaholders' Agreement**" means the quotaholder agreement executed on or about the Initial Issue Date by, *inter alia*, the Issuer and Stichting Viridis 2, as amended and supplemented from time to time;

"**Random Basis**" has the meaning ascribe to such expression under Section "*Credit Structure*".

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

"**Rating Agency**" means Moody's.

"**Receivables"** means the monetary claims arising out of Public Assets and Integration Assets.

"**Receivables Collection Account Bank**" means the bank appointed as Receivables Collection Account Bank in accordance with the Cash Management and Agency Agreement and any successor thereof.

"**Receivables Collection Accounts**" means together the Interest Receivables Collection Account and the Principal Receivables Collection Account.

"**Rectified Purchase Price of the New Portfolio**" has the meaning ascribed to such expression under the Master Transfer Agreement.

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

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Paying Agent in the market that is most closely connected with the Reference Rate;

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

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

"**Registered Covered Bonds**" means Covered Bonds issued in registered form also as German governed registered covered bonds (*Gedeckte Namensschuldverschreibung*).

"**Registered Covered Bond Conditions**" means the terms and conditions of the Registered Covered Bonds.

"**Registered Covered Bondholder**"means the registered holder for the time being of a Registered Covered Bond.

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

"**Regulation 22 February 2008**" means the regulation issued by the Bank of Italy and CONSOB on 22 February 2008, as published on the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 54 of 4 March 2008, as amended and/or supplemented from time to time.

"**Regular Period**" means:

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

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

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

"**Relevant Clearing System**" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made;

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

"**Relevant Dealer(s)**" means, in relation to a Series, the Dealer(s) which is/are party to any agreement (whether oral or in writing) entered into with the Issuer and the Covered Bonds Guarantor for the issue by the Issuer and the subscription by such Dealer(s) of such Series pursuant to the Dealer Agreement;

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

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Securities Documents**" has the meaning ascribed to such expression under Section "*Credit Structure*".

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

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

"**Required Redemption Amount"** has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Reserve Fund Required Amount**" means an amount equal to (a) if a Servicer Downgrading Event has occurred and is continuing, the maximum amount of the Collections expected to be received during the following Collection Periods, or (b) if an Issuer Downgrading Event has occurred and is continuing, the aggregate of items (i), (ii), (iii) and (iv) of the Pre-Issuer Default Interest Priority of Payments expected to be paid on the second Guarantor Payment Date following the Calculation Date on which the set up of such reserve is triggered, or (c) if both a Servicer Downgrading Event and an Issuer Downgrading Event have occurred and are continuing, the higher of (a) and (b) above or (d) if a Servicer Downgrading Event or Issuer Downgrading Event has not occurred, but the Issuer has voluntarily resolved to accumulate the reserve, an amount equal to (a) or (b) above as resolved by the Issuer.

"**Revolving Assignment**" means any assignment of Public Assets to the Covered Bonds Guarantor made in order to invest the Principal Available Funds, subject to the Limits to the Assignment, provided that no Issuer Event of Default or Covered Bonds Guarantor Event of Default have occurred.

"**Rules of Organisation of the Covered Bondholders**" (*Regolamento dell'Organizzazione dei Portatori delle OBG*) means the rules governing the Organisation of the Covered Bondholders which are attached to the Conditions under Schedule 1.

"**Scheduled Due for Payment Date**" means:

(a) (A) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (B) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Article 74 Event or an Issuer Event of Default, the day which is two Business Days following service, respectively, of the Article 74 Notice to Pay (which has not been withdrawn) or the Notice to Pay on the Covered Bonds Guarantor in respect of such Guaranteed Amounts, if such Article 74 Notice to Pay or Notice to Pay has not been served more than two Business Days prior to the relevant Scheduled Payment Date; or

(b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

"**Scheduled Interest**" means an amount equal to the amount in respect of interest which would have

been due and payable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the "**Excluded Scheduled Interest Amounts**"), but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, *less* any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

"**Scheduled Payment Date**" means each CB Payment Date.

"**Scheduled Principal**" means an amount equal to the amount in respect of principal which would have been due and repayable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, or premiums: the "**Excluded Scheduled Principal Amounts**"), but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or, if in accordance with the Final Terms an Extended Maturity Date is applied to such Series, the Extended Maturity Date of such Series.

"**Secured Creditors**" means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Seller, the Subordinated Loan Provider, the Servicer, the Administrative Services Provider, the Receivables Collection Account Bank, the Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Hedging Counterparties, the Cash Manager, the Asset Monitor, the Calculation Agent, the Swap Service Providers together with any other entity acceding to the Intercreditor Agreement.

"**Securities**" (*Titoli*) means jointly the Public Securities and the securities mentioned under article, 2, para. 3, point 3, of the MEF Decree and any ancillary right thereto.

"**Securities Account**" means the securities account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Securities Collection Account**" means the Interest Securities Collection Account and the Principal Securities Collection Account.

"**Security Trustee"** means the Representative of the Covered Bondholders acting in its capacity as security trustee for itself and on trust for the Covered Bondholders and the Secured Creditors under the Deed of Charge.

"**Selected Assets**" means the Public Assets to be sold by the Covered Bonds Guarantor (through the Servicer), following the delivery of an Article 74 Notice to Pay (which has not been withdrawn), a Notice to Pay (and prior to the occurrence of any Covered Bonds Guarantor Events of Default), a Covered Bonds Guarantor Acceleration Notice or upon breach of the Pre-Maturity Liquidity Test, pursuant to the Portfolio Administration Agreement.

"**Seller**" means Intesa Sanpaolo in its capacity as such pursuant to the Master Transfer Agreement;

"**Series**" has the meaning ascribed to such expression in the Conditions. Notwithstanding the foregoing, the term "Series" shall mean, in case of Registered Covered Bonds, each Registered Covered Bonds made out in the name of a specific Registered Covered Bondholder.

"**Servicer**" means Intesa Sanpaolo in its capacity as such pursuant to the Servicing Agreement;

"**Servicer Downgrading Event**" means the Servicer being downgraded to "Ba1", or below, by Moody's.

"**Servicing Agreement**" means the agreement entered into on 20 May 2009 between the Covered Bonds Guarantor and the Servicer, as amended and supplemented from time to time.

"**Specific Criteria**" means the criteria for the selection of the Securities to be included in the portfolios to which such criteria are applied, set forth in Annex 2 to the Master Transfer Agreement, for the Initial Portfolio and in the relevant offer for the New Portfolios.

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

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

"**Specified Office**" means with reference to the Paying Agent, Piazza del Calendario no. 3, 20126, Milan, Italy, or such other office in the same city or town as the Paying Agent may specify by notice to the Issuer and the other parties to the Cash Management and Agency Agreement in the manner provided therein;

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

"Stabilising Manager" means, in connection with the issue of any Series under the Programme, the Dealer or the Dealers (if any) which is specified in the relevant Final Terms as the stabilising manager.

"**Subordinated Loan**" means the subordinated loan granted by the Subordinated Loan Provider to the Covered Bonds Guarantor according to the Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 20 May 2009 between the Subordinated Loan Provider and the Covered Bonds Guarantor, as amended and supplemented from time to time;

"**Subordinated Loan Interest Amount**" means, collectively, the Minimum Interest Amount, and the Premium Interest Amount.

"**Subordinated Loan Provider**" means Intesa Sanpaolo, and any successor thereof, appointed as subordinated loan provider in accordance with the Subordinated Loan Agreement;

"**Subscription Agreement**" means each subscription agreement to be entered into on or about the Issue Date among the Issuer and the Dealers, as amended and supplemented from time to time.

"**Subsidiary**" has the meaning given to it in Article 2359 of the Italian Civil Code;

"**Substitute Obligor**" has the meaning ascribed to such expression in the Conditions.

"**Successor Servicer**" means the party or parties which will be appointed in order to perform, *inter alia*, the servicing activities performed by the Servicer, and any successor or replacing entity thereto following the occurrence of a Servicer Termination Event.

"**Swap Agreements**" means collectively the CB Swaps and the TBG Swaps, including the ISDA Master Agreement, as amended and supplemented from time to time.

"**Swap Collateral"** means the collateral which may be transferred by any Hedging Counterparty to the Covered Bonds Guarantor in support of its obligations under the Swap Agreements.

"**Swap Confirmations**" means the TBG Swap Confirmation and the CB Swap Confirmations.

"**Swap Curve"** has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Swap Margin"** has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Swap Service Providers**" means Intesa Sanpaolo and ISGS, and any other entity appointed as such under the Programme.

"**TARGET Settlement Day**" means any day on which TARGET2 (the Trans-European Automated Real-Time Gross Settlement Express Transfer system) is open.

"**TBG 1 Hedging Counterparty**" means Intesa Sanpaolo and any other party appointed as hedging

counterparty in accordance with the TBG 1 Swap and any successor thereof;.

"**TBG 2 Hedging Counterparty**" means Intesa Sanpaolo and any other party appointed as hedging counterparty in accordance with the TBG 2 Swap and any successor thereof.

"**TBG Hedging Counterparties**" means jointly the TBG 1 Hedging Counterparty and the TBG 2 Hedging Counterparty.

"**TBG 1 Swap**" means any swap agreement entered into between the Covered Bonds Guarantor and the TBG 1 Hedging Counterparty with respect to any Portfolio of fixed rate Receivables and Securities.

"**TBG 2 Swap**" means any swap agreement entered into between the Covered Bonds Guarantor and the TBG 2 Hedging Counterparty with respect to any Portfolio of floating rate Receivables and Securities.

"**TBG Swaps**" means jointly the TBG 1 Swap and the TBG 2 Swap.

"**TBG Master Agreement**" means a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) entered into between a TBG Hedging Counterparty and the Covered Bonds Guarantor.

"**TBG Swaps**" means jointly the TBG 1 Swap and the TBG 2 Swap.

"**TBG Swap Confirmation**" means the written confirmation of any TBG Swap evidencing the terms of any such transaction.

"**Tests**" means jointly the Asset Coverage Test, the Amortisation Test, the NPV Test and the Interest Coverage Test as respectively defined under the Portfolio Administration Agreement;

"**Transaction Account**" means the transaction account opened in the name of the Covered Bonds Guarantor with the Account Bank and operated in accordance with the Cash Management and Agency Agreement.

"**Transaction Documents**" means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Intercreditor Agreement, the Portfolio Administration Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bonds Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Dealer Agreement, the Subscription Agreements, the Quotaholders' Agreement, the Deed of Pledge, the Deed of Charge, the Swap Agreements, the Master Definition Agreement, the Conditions, the Final Terms, the ISGS Mandate Agreement, the ISP Mandate Agreement and any document or agreement which supplement, amend or restate the content of any of the above mentioned documents and any other documents designated as such by the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders.

"**Usury Law**" means Law no. 108 of 7 March 1996, as amended and supplemented from time to time.

"**WA CB Margin** has the meaning ascribed to such expression under Section "*Credit Structure*".

"**WA Swap Margin**" has the meaning ascribed to such expression under Section "*Credit Structure*".

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered into on 20 May 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time; and

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

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