



# INTESA SANPAOLO S.p.A.

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

## €1,000,000,000 9.5 per cent. Fixed Rate Resetable Perpetual Subordinated Notes

The €1,000,000,000 Fixed Rate Resetable Perpetual Subordinated Notes (the “Notes”) are issued by Intesa Sanpaolo S.p.A. (the “Issuer”) in a single denomination of €50,000. The Issue Price of the Notes is 100.00 per cent.

The Notes will bear interest on a non-cumulative basis from (and including) the Issue Date at the relevant interest rate from time to time. Subject as provided in the terms and conditions of the Notes (the “Conditions” and, each of them, a “Condition”), such interest will be payable annually in arrears on each Interest Payment Date (as defined in the Conditions). The Interest Rate in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date will be equal to 9.5 per cent. per annum. Such rate is equal to the swap rate registered on 23 September 2010 plus 7.57 per cent. annum (the “Margin”). The Interest Rate will be reset on the First Reset Date and every five years thereafter on each subsequent Reset Date and will be the sum of the 5-year mid market swap rate (the “Interest Basis”), registered on the Reuters page ISDAFIX2 (above the caption “EURSFIXA”) at 11.00 a.m. (CET) on the second TARGET Settlement Date (as defined in the Conditions) before the applicable Reset Date, plus the Margin. Under certain circumstances described in Condition 5 (*Interest Suspension*), the Issuer may elect or even be required to suspend interest payments on the Notes.

The Notes will be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer as described in Condition 7 (*Redemption and Purchase*). The Issuer may, at its option, redeem the Notes in whole, but not in part, on the First Call Date and on any Reset Date (as defined in the Conditions) thereafter at an amount equal to their principal amount, together with any accrued interest and Additional Amounts (as defined in the Conditions), as described in Condition 7.1 (*Redemption at the option of the Issuer*). In addition, the Issuer may, at its option, redeem the Notes (in whole but not in part) at any time after 1 January 2013 upon occurrence of a Capital Disqualification Event (as defined in the Conditions) and within 120 days after the occurrence of such event, at a redemption price equal to 102% of their Original Principal Amount together with interest accrued (if any) up to, but excluding, the Capital Disqualification Event Redemption Date (as defined in the Conditions) and any Additional Amounts, provided that, if (a) a Principal Write Down Event (as defined in the Conditions) has occurred before the relevant Capital Disqualification Event, and (b) as a consequence of the Capital Disqualification Event, the Notes will be qualified as *patrimonio supplementare* (Tier 2 Capital) of the Issuer, the Issuer shall not redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated, as described in Condition 7.2 (*Redemption due to a Capital Disqualification Event*). Further, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the First Call Date following the occurrence of a Tax Event (as defined in the Conditions) provided that, if a Principal Write Down Event has occurred before the relevant Tax Event, the Issuer shall not redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated, as described in Condition 7.3 (*Redemption for tax reasons*). Any redemption of the Notes other than as described in the first sentence of this paragraph is subject to the prior approval of the Lead Regulator (as defined herein).

The Notes are expected, on issue, to be rated “Baa1” by Moody’s Investors Service, Inc. (“Moody’s”), “BBB+” by Standard & Poor’s Rating Services, a division of The McGraw Hill Companies Inc., (“S&P”) and “A” by Fitch Ratings Ltd (“Fitch”). **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**

**An investment in Notes involves certain risks. For a discussion of these risks, see the section entitled “Risk Factors” on page 13.**

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

*Joint Lead Managers*

Banca IMI

BofA Merrill Lynch

HSBC

Morgan Stanley

Société Générale  
Corporate & Investment Banking

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

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

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

*The Joint Lead Managers have not independently verified the information contained herein. No representation or warranty is made or implied by the Joint Lead Managers or any of their respective affiliates, and none of the Joint Lead Managers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise), business or prospects of the Issuer or of the Intesa Sanpaolo Group (as defined below) since the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.*

*This Prospectus may only be used for the purposes for which it has been published. The distribution of this Prospectus and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. No action has been or will be taken by the Issuer, the Joint Lead Managers or any other person that would permit a public offering of the Notes or the distribution of this Prospectus or any other offering material relating to the Notes, in any country or jurisdiction where regulatory action for that purpose is required. Persons into whose possession this Prospectus (or any part of it) comes are required by the Issuer and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions. Neither this Prospectus nor any part of it constitutes an offering, or may be used for the purpose of an offer to sell any of the Notes, or a solicitation of an offering to buy any of the Notes, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see "Subscription and Sale" below. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act).*

*This Prospectus does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Joint Lead Managers or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes. Each recipient of this Prospectus shall be deemed to have made its own investigation and appraisal of (a) the condition (financial or otherwise), business and prospects of the Issuer and of the Intesa Sanpaolo Group, and (b) the terms of the offering of the Notes, including the merits and risks of making an investment in them. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and any other relevant aspects of an investment in the Notes.*

*The Issuer will use its best efforts to adopt a consistent approach with respect to interest payments for holders of both its Parity Obligations (as defined herein) and the Notes.*

In this Prospectus, unless otherwise specified, references to “EUR”, “euro”, “Euro” or “€” are to the single currency introduced at the start of the third stage of European economic and monetary union and as defined in article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended. Unless otherwise specified or where the context requires, references to laws and regulations are to the laws and regulations of Italy.

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

## FORWARD LOOKING STATEMENTS

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

## STABILISATION

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

## CERTAIN DEFINITIONS

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

- (i) references to “**Intesa Sanpaolo**” are to Intesa Sanpaolo S.p.A. in respect of the period since 1 January 2007 and references to the “**Group**” or to the “**Intesa Sanpaolo Group**” are to Intesa Sanpaolo and its subsidiaries in respect of the same period;
- (ii) references to “**Banca Intesa**” or “**Intesa**” are to Banca Intesa S.p.A. in respect of the period prior to 1 January 2007 and references to the “**Banca Intesa Group**” or the “**Intesa Group**” are to Banca Intesa and its subsidiaries in respect of the same period; and
- (iii) references to “**Sanpaolo IMI**” are to Sanpaolo IMI S.p.A. and references to “**Sanpaolo IMI Group**” are to Sanpaolo IMI and its subsidiaries.

# INDEX

Section	Page
GENERAL OVERVIEW .....	5
RISK FACTORS.....	13
INFORMATION INCORPORATED BY REFERENCE.....	29
TERMS AND CONDITIONS OF THE NOTES.....	31
1. DEFINITIONS AND INTERPRETATION.....	31
2. FORM, DENOMINATION AND TITLE.....	38
3. STATUS AND SUBORDINATION OF THE NOTES.....	38
4. INTEREST .....	38
5. INTEREST SUSPENSION .....	40
6. LOSS ABSORPTION.....	42
7. REDEMPTION AND PURCHASE .....	44
8. PAYMENTS .....	46
9. TAXATION .....	48
10. PRESCRIPTION .....	49
11. REPLACEMENT OF NOTES AND COUPONS.....	49
12. PAYING AGENTS.....	49
13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION.....	50
14. FURTHER ISSUES .....	54
15. NOTICES .....	54
16. CURRENCY INDEMNITY .....	54
17. ROUNDING .....	54
18. GOVERNING LAW AND JURISDICTION .....	54
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM .....	56
USE OF PROCEEDS .....	58
DESCRIPTION OF THE ISSUER.....	59
SUMMARY FINANCIAL INFORMATION OF THE ISSUER .....	78
TAXATION.....	88
SUBSCRIPTION AND SALE.....	96
GENERAL INFORMATION .....	98

## GENERAL OVERVIEW

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

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

<b>Issuer</b>	Intesa Sanpaolo S.p.A.
<b>Joint Lead Managers</b>	Banca IMI S.p.A. HSBC Bank plc Merrill Lynch International Morgan Stanley & Co. International plc Société Générale
<b>Principal amount</b>	€1,000,000,000
<b>Issue price</b>	100.00 per cent. of the principal amount of the Notes.
<b>Issue Date</b>	1 October 2010
<b>Form and denomination</b>	The Notes will be issued in bearer form in a single denomination of €50,000 each.
<b>Status of the Notes</b>	<p>The Notes will constitute direct, unsecured and deeply subordinated obligations of the Issuer and, in the event of bankruptcy, dissolution, liquidation or winding-up of the Issuer, will rank:</p> <ul style="list-style-type: none"><li>(i) <i>pari passu</i> without any preference among themselves and <i>pari passu</i> with any present and future Parity Obligations;</li><li>(ii) senior in right of payment to all present and future Junior Obligations; and</li><li>(iii) junior in right of payment to any present and future claims of all unsubordinated creditors of the Issuer and to all present and future Less Deeply Subordinated Obligations.</li></ul>
<b>Maturity</b>	If not previously redeemed or purchased and cancelled, the Notes will mature and be redeemed on the date on which voluntary or involuntary winding-up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a meeting of the shareholders of the Issuer, (ii) any provision of the By-laws of the Issuer (which currently provide for the duration of the Issuer to run until 31 December 2100 but, if this is extended, redemption of the Notes will be correspondingly adjusted) or (iii) any applicable legal provision or any decision of any judicial or administrative authority.

**Redemption at the option of the Issuer**

The Issuer may, at its option, redeem the Notes in whole, but not in part, on the First Call Date and on any Reset Date thereafter at a redemption price equal to their Original Principal Amount together with any accrued interest and any Additional Amounts, as better described in Condition 7.1 (*Redemption at the option of the Issuer*).

However, if a Principal Write Down Event has occurred, the Issuer shall not be entitled to redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated to their Original Principal Amount.

In the Conditions, the “**First Call Date**” means 1 June 2021 but, if Bank of Italy Regulations are amended at any time after the date of this Prospectus so that instruments that constitute the Issuer’s Tier 1 Capital may be redeemed at the option of the Issuer after five years from the relevant issue date, then the First Call Date will be 1 June 2016. See also “*Risk Factors – Regulatory uncertainty concerning the First Call Date*”.

**Redemption due to a Capital Disqualification Event**

The Issuer may, at its option, redeem the Notes (in whole but not in part) at any time after 1 January 2013, following the occurrence of a Capital Disqualification Event and within 120 days after the occurrence of such event, at a redemption price equal to 102% of their Original Principal Amount together with interest accrued (if any) up to, but excluding, the Capital Disqualification Event Redemption Date and any Additional Amounts, provided that, if (a) a Principal Write Down Event has occurred before the relevant Capital Disqualification Event, and (b) as a consequence of the Capital Disqualification Event, the Notes qualify as *patrimonio supplementare* (Tier 2 Capital) of the Issuer, the Issuer shall not be entitled to redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated to their Original Principal Amount, as described in Conditions 7.2 (*Redemption due to a Capital Disqualification Event*).

For the sake of clarity, Capital Disqualification Event means a situation whereby (a) 75% or more of the principal amount of the Notes would not be eligible to qualify as regulatory capital resources for the Issuer for the purposes of its Tier 1 Capital save, where such non-qualification is only as a result of any applicable regulatory limitations on the amount of such capital (i.e., limitations on the inclusion of non-core capital instruments as part of the Tier 1 Capital of the Issuer) or (b) following a regulatory intervention, it is confirmed to the Issuer that the Notes would not be eligible to qualify as regulatory capital resources for the Issuer for the purposes of its Tier 1 Capital.

**Redemption for tax reasons**

The Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the First Call Date following the occurrence of

a Tax Event:

- (a) in the case of an Additional Amount Event, at a redemption price equal to the Original Principal Amount of the Notes; or
- (b) in the case of a Tax Deductibility Event, at a redemption price equal to the greater of (i) the Original Principal Amount of the Notes and (ii) the Make Whole Amount (excluding, for the purposes of this calculation only, the interest accrued (if any) up to, but excluding, the Tax Event Redemption Date),

in each case, together with interest accrued (if any) up to, but excluding, the Tax Event Redemption Date and any Additional Amounts and provided that, if a Principal Write Down Event has occurred before the relevant Tax Event, the Issuer shall not be entitled to redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated to their Original Principal Amount, as described in Condition 7.3 (*Redemption for tax reasons*).

**Redemption subject to regulatory approval**

Any redemption of the Notes, other than in accordance with the section "*Maturity*" above, is subject to the prior approval of the Lead Regulator.

**Interest**

The Notes will bear interest on a non-cumulative basis from (and including) the Issue Date at the relevant Interest Rate from time to time. Such interest will be payable, subject as provided in these Conditions, annually in arrears on each Interest Payment Date.

The Interest Rate in respect of the First Fixed Rate Period will be equal to 9.5 per cent. per annum. Such rate is equal to the swap rate, registered on the Reuters page ISDAFIX2 (above the caption "*EURSFIXA*") at 11.00 a.m. (CET) on 23 September 2010 plus 7.57 per cent. annum (the "**Margin**").

The Interest Rate will be reset on the First Reset Date and on each subsequent Reset Date and, for each subsequent Fixed Rate Period, will be the sum of the 5-year mid market swap rate (the "**Interest Basis**"), registered on the Reuters page ISDAFIX2 (above the caption "*EURSFIXA*") at 11.00 a.m. (CET) on the second TARGET Settlement Date before the applicable Reset Date, plus the Margin..

**Optional suspension of interest**

Subject to "*Mandatory payment of interest*" below, the Issuer, taking into account its specific financial and solvency condition, may elect not to pay all (or part only) of the interest accrued up to an Interest Payment Date (in circumstances such as the Issuer not having Distributable Profits according to its Latest Accounts or, since the Issuer's annual shareholders' meeting in respect of the non-consolidated financial statements for the financial year immediately preceding the year in which such Interest Payment Date falls, no

dividend or other distribution having been declared, made, approved or set aside for payment in respect of any Junior Obligations), as described in further detail in Condition 5.1 (*Optional suspension of interest*).

**Mandatory suspension of interest**

The Issuer will be prohibited from:

- (i) paying all (or part only) of the interest accrued up to an Interest Payment Date if and to the extent that a Capital Deficiency Event regarding the Issuer would occur if the Issuer made such payment of interest (in whole or in part) on such Interest Payment Date; and
- (ii) paying all (or part only) the interest accrued to an Interest Payment Date if:
  - (a) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or
  - (b) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on its Junior Obligations, other than in the case of a Capital Deficiency Event; or
  - (c) the Lead Regulator, in its sole discretion, determines that the specific financial and solvency condition of the Issuer requires the Issuer to cancel the relevant interest payment; or
  - (d) following a Principal Write Down Event, the obligations of the Issuer in respect of the principal amount of the Notes have not, as at such Interest Payment Date, been reinstated in whole to their Original Principal Amount,

subject, in the case of paragraphs (a) and (b) above, to the provisions described in “*Mandatory payment of interest*” below.

For further detail, see Condition 5.2 (*Mandatory suspension of interest*).

**Non-cumulative interest**

Where the Issuer elects not to pay the full Interest Amount pursuant to Condition 5.1 (*Optional suspension of interest*) or is prohibited from paying interest pursuant to Condition 5.2 (*Mandatory suspension of interest*), it shall not have any obligation to make such interest payment on the relevant Interest Payment Date and the failure to pay such Interest Amount shall not constitute a default of the Issuer or any other breach of obligations under the Conditions or for any purpose. Interest which the Issuer elects not to pay or is prohibited from paying will not accumulate or compound and all Noteholders’ rights and claims in respect of any such Interest Amount will be fully



and irrevocably cancelled and forfeited.

#### **Mandatory payment of interest**

Except in the circumstances described in sub-paragraphs (i), (ii)(c) and (ii)(d) in “*Mandatory suspension of interest*” above, the Issuer is required to pay the relevant Interest Amount on any Interest Payment Date in full if and to the extent that during the Look-Back Period:

- (i) the Issuer has declared or paid dividends or other distributions on any Junior Obligations (other than in the form of further or other Junior Obligations); or
- (ii) the Issuer or any of its Subsidiaries has redeemed, repurchased or acquired any Junior Obligations (other than in the case of a Permitted Repurchase),

in each case except and to the extent that a Capital Deficiency Event has occurred during the period commencing immediately following the relevant Pusher Event and ending on the relevant Interest Payment Date, and is continuing on such Interest Payment Date.

Notwithstanding the provisions described in “*Optional suspension of interest*” and “*Mandatory suspension of interest*” above, the Issuer is required to pay the relevant Interest Amount in full on the Original Principal Amount on an Interest Payment Date if a Capital Disqualification Event has occurred and is continuing.

For further information, see Condition 5.3 (*Mandatory payment of interest*).

**The Issuer will use its best efforts to adopt a consistent approach with respect to interest payments for holders of both its Parity Obligations and the Notes.**

#### **Loss absorption**

If and to the extent that the Issuer suffers losses which would result in a Capital Deficiency Event, the Issuer, taking into account its specific financial and solvency condition and at its sole discretion, may declare that its obligations relating to the principal amount of the Notes be written down to the extent necessary to enable the Issuer to continue to carry on its activities as determined in Condition 6.3 (*Principal write down mechanics*).

In any case, the obligations of the Issuer relating to the principal amount of the Notes will be written down if:

- (i) under the relevant Capital Deficiency Event, the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer, on a consolidated or non-consolidated basis, falls below 6 per cent. or such other minimum threshold of the Lead Regulator relating to mandatory principal write down specified from time to time in Bank of Italy regulations; or

- (ii) the Lead Regulator, in its sole discretion, notifies the Issuer that it has determined that the Issuer's financial condition is deteriorating such that a Capital Deficiency Event is likely to occur in the short term; or
- (iii) the Lead Regulator determines that the specific financial and solvency condition of the Issuer requires a write down of the principal amount of the Notes.

Any write-down of the outstanding principal amount of the Notes shall be made (i) *pari passu* and *pro rata* with (a) the Issuer's non-consolidated Tier 1 Capital (*patrimonio di base*) (as determined in accordance with the Bank of Italy Regulations), excluding any innovative or non-innovative capital instruments treated as own funds, and (b) any innovative or non-innovative capital instruments or other securities which would be subject to write down features similar to those provided under Condition 6 (*Loss Absorption*) (howsoever described in the terms of the relevant securities and ignoring, for this purpose, any ineligibility resulting from any applicable limitations on the amount of such capital), and (ii) to the extent that new capital would need to be generated to off-set the relevant losses and bring the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer above the minimum requirements of the Lead Regulator specified in the Bank of Italy Regulations (being, as at the date of this Prospectus, 8 per cent.).

For further information, see Condition 6 (*Loss Absorption*).

#### **Reinstatement following loss absorption**

Following a Principal Write Down Event, the obligations of the Issuer to make payments in respect of the principal amount of the Notes will be reinstated:

- (i) in whole to the Original Principal Amount, in the event of voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*); and
- (ii) in whole or in part, from time to time, up to the Original Principal Amount, to the extent that the Principal Write Down Event has ceased and is no longer continuing, and provided that (a) the Issuer has reported Distributable Profits following the occurrence of the Principal Write Down Event, and (b) reinstatement of the principal amount of the Notes occurs *pro rata* (taking into account the Original Principal Amount) and *pari passu* with ordinary shares and other outstanding securities (if any) of the Issuer, which are subject to write

down and write up features similar to those provided under Condition 6 (*Loss Absorption*) (howsoever described in the terms of the relevant securities), within the limits of the Distributable Profits reported following the occurrence of the Principal Write Down Event.

For the avoidance of doubt, write-down and reinstatement of the principal amount of the Notes as described above may occur on one or more occasions provided that the principal amount of the Notes shall never be written down to below one cent., nor shall it be reinstated to more than the Original Principal Amount.

For further information, see Condition 6 (*Loss Absorption*).

**Variation of the terms and conditions of the Notes following a Capital Disqualification Event or a Tax Event**

The Issuer may in certain circumstances modify the Conditions without any requirement for the consent of Noteholders to the extent that such modification is reasonably necessary to ensure that no Capital Disqualification Event or Tax Event would exist after such modification, provided that following such modification the terms and conditions of the Notes are no more prejudicial to Noteholders than the terms and conditions of the Notes prior to such modification, as described in Condition 13.3 (*Modification following a Capital Disqualification Event or a Tax Event*).

**Taxation**

All payments in respect of the Notes will be made free and clear of withholding or deduction for taxes imposed by the Republic of Italy (subject to certain customary exceptions), unless such a withholding or deduction is required by law. In that event and save as provided below, the Issuer will (subject as provided in Condition 9 (*Taxation*)) pay Additional Amounts so that Noteholders receive such amounts as they would have received if such withholding or deduction had not been applied.

However, in certain circumstances and as more fully set out in Condition 9 (*Taxation*), the Issuer shall not be liable to pay any Additional Amounts to Noteholders, including in particular with respect to any payment, withholding or deduction pursuant to Decree No. 239 on account of Italian substitute tax (*imposta sostitutiva*).

**Governing Law**

The Notes and any non-contractual obligations arising out of or in connection with them will be governed by English law, save that Condition 3 (*Status and Subordination of the Notes*) is governed by Italian law.

**Listing and Trading**

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to admit the Notes to trading on its Regulated Market.

<b>Rating</b>	<p>The Notes are expected to be rated “Baa1” by Moody’s, “BBB+” by S&amp;P and “A” by Fitch.</p> <p><b>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</b></p>
<b>Selling restrictions</b>	For a description of certain restrictions on the offer, sale and delivery of Notes and on the distribution of offering material in the United States of America, the United Kingdom and Italy, see “ <i>Subscription and Sale</i> ” below.
<b>Clearing systems</b>	Euroclear and Clearstream, Luxembourg.
<b>ISIN</b>	XS0545782020
<b>Common Code</b>	054578202

## **RISK FACTORS**

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

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

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

*In this Prospectus, words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere have the same meanings when used in this section. References to a “Condition” is to such numbered condition in the Terms and Conditions of the Notes.*

*Prospective investors should read the entire Prospectus.*

### **RISK FACTORS IN RELATION TO THE ISSUER**

#### **Risks relating to the Issuer’s business**

As a bank and parent company of an international banking group, the Issuer is exposed to the typical risks associated with the business of a financial intermediary such as liquidity risk, credit risk, market risk, interest rate risk and operational risk, plus a series of other risks typical to businesses such as strategic risk, legal risk, tax and reputational exposure.

Liquidity risk is defined as the risk that the Bank is not able to meet its payment obligations when they fall due (funding liquidity risk). It is quantified as the additional cost arising from asset sales and/or negotiation of new liabilities incurred by the intermediary when required to meet unexpected commitments by way of recourse to the market.

Credit risk is the risk that an unexpected change in a counterparty’s creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank’s exposure. The credit risk that the Issuer faces arises mainly from commercial and consumer loans and advances. Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled thus impeding or reducing the value of the asset, or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Issuer may pay a counterparty – for example, a bank in a foreign exchange transaction – but fail to receive the corresponding settlement in return.

Market risk derives from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

Interest rate risk refers to the possibility of the Issuer incurring losses as a result of a poor performance in market interest rates.

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual/out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.

### **Liquidity risks**

The Intesa Sanpaolo Group's businesses are subject to risks concerning liquidity which are inherent in its banking operations, and could affect the Intesa Sanpaolo Group's ability to meet its financial obligations as they fall due or to fulfil commitments to lend. In order to ensure that the Intesa Sanpaolo Group continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. The ability of the Intesa Sanpaolo Group to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The global financial system has yet to overcome the difficulties which first manifested themselves in August 2007, and were intensified by the bankruptcy filing of Lehman Brothers in September 2008. Financial market conditions have remained challenging and, in certain respects, have deteriorated. For example, the continued concern about sovereign credit risks in the Euro-zone has progressively intensified over the last six months, becoming more acute in early May 2010, and in July 2010 the sovereign debt of Portugal and Ireland was downgraded by Moody's. The large sovereign debts and/or fiscal deficits in European countries have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries, in particular following the recently agreed International Monetary Fund and European Union support package for Greece. These concerns may have an impact on the ability of Euro-zone banks to access the funding they need, or may increase the costs of such funding, which may cause such banks to suffer liquidity stress. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Intesa Sanpaolo Group's access to, and cost of, funding. Should the Intesa Sanpaolo Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Intesa Sanpaolo Group's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

### **Credit and market risk**

Credit risk is the risk of suffering financial loss, should any of the Intesa Sanpaolo Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Intesa Sanpaolo Group. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Intesa Sanpaolo Group's investment in that entity's financial instruments to fall. The credit risk that the Intesa Sanpaolo Group faces arises mainly from commercial and consumer loans and advances. Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled thus impeding or reducing the value of the asset, or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Intesa Sanpaolo Group may pay a counterparty - for example, a bank in a foreign exchange transaction - but fail to receive the corresponding settlement in return.

Market risk is the risk that the Intesa Sanpaolo Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The main market

risk arises arising from trading activities. The Intesa Sanpaolo Group is also exposed to interest rate risk (see “*Changes in interest rates*” below).

To the extent that any of the instruments and strategies used by the Intesa Sanpaolo Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the Intesa Sanpaolo Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Intesa Sanpaolo Group’s trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Intesa Sanpaolo Group’s financial results also depend upon how effectively it determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

### **Risks connected with the creditworthiness of customers**

The Intesa Sanpaolo Group’s businesses depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. The failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the Issuer’s business and financial results. In addition, during a recession, a greater number of the Issuer’s customers may default on their loans or other obligations. The risk arising from the impact of the economy and business climate on the credit quality of the Issuer’s borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

### **Risks associated with general economic, financial and other business conditions**

The results of the Intesa Sanpaolo Group are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the Intesa Sanpaolo Group’s customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Intesa Sanpaolo Group’s borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

As discussed under “*Liquidity risks*”, these risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in certain Euro-zone countries. There can be no assurance that the initiatives aimed at stabilising the markets will be sufficient to avert “contagion”, i.e. the risk that the Greek sovereign debt crisis will spread to other indebted countries. If there were to be a downgrade in the sovereign debt of the countries in which the Intesa Sanpaolo Group operates, such downgrade, or the perception that such a downgrade may occur, would be likely to have a material effect in depressing economic activity and restricting the availability, and increasing the cost, of funding for individuals and companies, which might have a material adverse effect on the Intesa Sanpaolo Group’s operating results, financial condition and prospects.

### **Financial condition of banks and other financial institutions**

The Intesa Sanpaolo Group is exposed to many different industries and counterparties in the normal course of its business, including in particular the financial services industry. This exposure can arise through

trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Intesa Sanpaolo Group to credit risk in the event of default of a counterparty or client. In addition, the Intesa Sanpaolo Group's credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Intesa Sanpaolo Group also involve transactions with financial services counterparties. The weakness or insolvency of these counterparties may impair the effectiveness of the Intesa Sanpaolo Group's hedging and other risk management strategies.

### **Risk arising from unforeseeable events**

The Intesa Sanpaolo Group's earnings and business are affected, *inter alia*, by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulations, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the Intesa Sanpaolo Group's products and services, the credit quality of borrowers and counterparties, the interest rate margin between lending and borrowing costs and the value of its investment and trading portfolios.

### **Changes in interest rates**

Fluctuations in interest rates influence the Intesa Sanpaolo Group's financial performance. The results of the Intesa Sanpaolo Group's banking operations are affected by its management of interest rate sensitivity and, in particular, changes in market interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Intesa Sanpaolo Group's financial condition or results of operations.

### **Deteriorating asset valuations from poor market conditions**

The global economic slowdown and economic crisis in certain countries of the Euro-zone have exerted, and may continue to exert, downward pressure on asset prices, which impacts the credit quality of the Intesa Sanpaolo Group's customers and counterparties. This may cause the Intesa Sanpaolo Group to incur losses or to experience reductions in business activity, increases in non-performing loans, decreased asset values, additional write-downs and impairment charges, resulting in significant changes in the fair values of the Intesa Sanpaolo Group's exposures.

A substantial portion of the Intesa Sanpaolo Group's loans to corporate and individual borrowers are secured by collateral such as real estate, securities, ships, term deposits and receivables. In particular, as mortgage loans are one of the Intesa Sanpaolo Group's principal assets, it is currently highly exposed to developments in real estate markets. Continued decline in the general economy of the countries in which the Intesa Sanpaolo Group operates, or a general deterioration of economic conditions in any industries in which its borrowers operate or in other markets in which the collateral is located, may result in decreases in the value of collateral securing the loans to levels below the outstanding principal balance on such loans. A decline in the value of collateral securing these loans or the inability to obtain additional collateral may require the Intesa Sanpaolo Group to reclassify the relevant loans, establish additional provisions for loan losses and increase reserve requirements. In addition, a failure to recover the expected value of collateral in the case of foreclosure may expose the Intesa Sanpaolo Group to losses which could have a material adverse effect on its business, financial condition and results of operations. Moreover, an increase in financial market volatility or adverse changes in the liquidity of its assets could impair the Intesa Sanpaolo Group's ability to



value certain of its assets and exposures or result in significant changes in the fair values of these assets and exposures, which may be materially different from the current or estimated fair value. Any of these factors could require the Intesa Sanpaolo Group to recognise write-downs or realise impairment charges, any of which may adversely affect its financial condition and results of operations.

### **Protracted market declines and reduced liquidity in the markets**

In some of the Intesa Sanpaolo Group's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Intesa Sanpaolo Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Intesa Sanpaolo Group using models rather than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Intesa Sanpaolo Group's operating results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Intesa Sanpaolo Group's securities trading activities and its asset management services, as well as its investments in and sales of products linked to the performance of financial assets.

### **Operational risk**

The Intesa Sanpaolo Group, like any other financial institution, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Intesa Sanpaolo Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect its financial performance and business activities.

### **Risk management and exposure to unidentified or unanticipated risks**

The Intesa Sanpaolo Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Intesa Sanpaolo Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Intesa Sanpaolo Group fails to identify or anticipate. If existing or potential customers believe that the Intesa Sanpaolo Group's risk management policies and procedures are inadequate, its reputation as well as its revenues and profits may be negatively affected.

### **Value of financial instruments recorded at fair value**

Under IFRS, the Intesa Sanpaolo Group recognises at fair value: (i) financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss", (ii) financial assets classified as "available for sale" and (iii) derivatives, each as further described in "Accounting Policies" in the notes to the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2009, which are incorporated by reference in this Prospectus. Generally, in order to establish the fair value of these instruments, the Intesa Sanpaolo Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in market

conditions, as has been the case in recent years. In such circumstances, the Intesa Sanpaolo Group's internal valuation models require the Intesa Sanpaolo Group to make assumptions, judgments and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgments and estimates the Intesa Sanpaolo Group is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, house price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgments and estimates may need to be updated to reflect changing trends and market conditions. The resulting change in fair values of the financial instruments could have a material adverse effect on the Intesa Sanpaolo Group's earnings and financial condition.

## **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) a progressive reduction in the differential between lending and borrowing interest rate, which may result in the Issuer facing difficulties in maintaining its actual rate of growth in interest rate margins; and
- (b) 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 the Issuer'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.

## **Changes in regulatory framework**

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

- EU Directive 2009/111/EC (CRD II), due to be implemented by 31 December 2010, will change the criteria for assessing hybrid capital eligible to be included in Tier 1 Capital and may require the Intesa Sanpaolo Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria. Pending the transposition of CRD II into Italian law, there is still significant uncertainty around the interpretation and the implementation of the Directive and any transposing Italian law as it relates to the Bank.

- EU Capital Requirements Directive III (CRD III) (currently subject to consultation, with implementation of the rules expected to occur by 31 December 2011) will introduce a number of changes in response to the recent and current market conditions, which may:
  - increase the capital requirements for trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
  - limit investments in re-securitisations and impose higher capital requirements for resecuritisations to make sure that banks take proper account of the risks of investing in such complex financial products; and
  - improve disclosure standards.
- In December 2009, the Basel Committee on Banking Supervision proposed strengthening the global capital framework by, among other things:
  - raising the quality of the Core Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base);
  - strengthening the risk coverage of the capital framework;
  - promoting the build up of capital buffers; and
  - introducing a global minimum liquidity standard for the banking sector (no changes are expected to be implemented until after 2012).

Such proposals have since been largely taken up by the European Commission in its public consultation document on further possible changes to the Capital Requirements Directive IV (CRD IV).

- In July and August 2010, the Basel Committee on Banking Supervision issued for consultation two proposals regarding, respectively, (i) a countercyclical capital buffer regime and (ii) loss absorption of all regulatory capital instruments in the event that the issuing bank reaches the point of non-viability.

Significant uncertainty remains around the final requirements and implementation of these proposed initiatives. If certain of these measures were implemented as currently proposed, in particular the changes proposed by the Basel Committee and the CRD IV consultation document relating to instruments that are eligible to be included within the Core Tier 1 Capital base, they would be expected to have a significant impact on the capital and asset and liability management of the Intesa Sanpaolo Group.

Such changes in the regulatory framework and how they are implemented may have a material effect on the Intesa Sanpaolo Group's business and operations. As the new framework of banking laws and regulations affecting the Intesa Sanpaolo Group is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Intesa Sanpaolo Group.

## **RISK FACTORS IN RELATION TO THE NOTES**

*An investment in the Notes involves certain risks associated with the characteristics of the Notes. Such risks could result in principal or interest not being paid by the Issuer and/or a material impairment of the market price of the Notes. The following is a description of certain risk factors in relation to the Notes.*

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

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

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

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

### **Perpetual securities**

The Issuer is under no obligation to redeem the Notes at any time before the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer and the Noteholders have no right to call for their redemption.

### **Subordination**

The Notes will be direct, unsecured, deeply subordinated obligations of the Issuer. Upon the occurrence of any winding up proceedings of the Issuer, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Issuer (including dated subordinated obligations), except those liabilities which rank *pari passu* with, or junior to, the Notes. In liquidation, dissolution, insolvency, composition or other proceedings aimed at avoiding the insolvency of the Issuer, the

Noteholders may recover proportionally less than the holders of unsubordinated and Less Deeply Subordinated Obligations of the Issuer.

The Noteholders explicitly accept that, in the circumstances described above, payments in respect of the Notes will be made by the Issuer only in accordance with the subordination provisions described above and elsewhere in this Prospectus.

### **No limitation on issuing debt**

There is no restriction on the amount of liabilities which the Issuer may issue, guarantee or otherwise incur which rank senior to the Notes or *pari passu* with the Notes. Such liabilities may reduce the amount recoverable by Noteholders on a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against, the Issuer. In addition, such increased liabilities may increase the risk of suspension of interest payments by the Issuer.

### **Redemption risk**

The Notes will be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer as described in Condition 7 (*Redemption and Purchase*). The Issuer may, at its option, redeem the Notes in whole, but not in part, on the First Call Date and on any Reset Date thereafter at an amount equal to their Original Principal Amount, together with any accrued interest and Additional Amounts, as described in Condition 7.1 (*Redemption at the option of the Issuer*). See also “*Regulatory uncertainty regarding the First Call Date*”.

There are no incentives for the Issuer to redeem the Notes on the First Call Date or on any of the Interest Payment Dates thereafter.

In addition, the Issuer may, at its option, redeem the Notes at any time after 1 January 2013 upon occurrence of a Capital Disqualification Event and within 120 days after the occurrence of such event, at a redemption price equal to 102% of their Original Principal Amount together with interest accrued (if any) up to, but excluding, the Capital Disqualification Event Redemption Date and any Additional Amounts, provided that, if (a) a Principal Write Down Event has occurred before the relevant Capital Disqualification Event, and (b) as a consequence of the Capital Disqualification Event, the Notes qualify as *patrimonio supplementare* (Tier 2 Capital) of the Issuer, the Issuer shall not be entitled to redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated, as described in Condition 7.2 (*Redemption due to a Capital Disqualification Event*). In this connection, investors should be aware that current regulatory practice does not require (or customarily provide for) any confirmation by the Bank of Italy prior to the issuance of hybrid securities that such securities will be treated as Tier 1 Capital (*patrimonio di base*). Although it is the Issuer’s expectation that the Notes will qualify as Tier 1 Capital, there can be no assurance that this is or will remain the case during the life of the Notes or that the Notes will be grandfathered following the implementation of future EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify, as Tier 1 Capital, a Capital Disqualification Event will occur and the Issuer will have the right to redeem the Notes in accordance with Condition 7.2 (*Redemption due to a Capital Disqualification Event*). For the sake of clarity Capital Disqualification Event means a situation whereby (a) 75% or more of the Principal Amount of the Notes would not be eligible to qualify as regulatory capital resources for the Issuer for the purposes of its Tier 1 Capital save, where such non-qualification is only as a result of any applicable regulatory limitations on the amount of such capital (i.e., limitations on the inclusion of non-core capital instruments as part of the Tier 1 Capital of the Issuer) or (b) following a regulatory intervention, it is confirmed to the Issuer that the Notes would not be eligible to qualify as regulatory capital resources for the Issuer for the purposes of its Tier 1 Capital.

Further, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the First Call Date following the occurrence of a Tax Event: (a) in the case of an Additional Amount Event, at the principal amount of the Notes; or (b) in the case of a Tax Deductibility Event, at a redemption price equal to the greater of (i) the Principal Amount of the Notes and (ii) the Make Whole Amount, in each case, together with interest accrued (if any) up to, but excluding, the Tax Event Redemption Date and any Additional Amounts and provided that, if a Principal Write Down Event has occurred before the relevant Tax Event, the Issuer shall not be entitled to redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated, as described in Condition 7.3 (*Redemption for tax reasons*).

If the Issuer calls and redeems the Notes in any of the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

In addition, any early redemption of the Notes is subject to prior approval of the Bank of Italy, regardless of whether such redemption would be favourable or unfavourable to Noteholders.

### **Regulatory uncertainty concerning the First Call Date**

In June 2010, the Bank of Italy issued a public consultation paper (the “**Consultation Paper**”) in relation to the implementation in the Italian regulatory framework of EU Directive 2009/111/EC (“**CRD II**”). The Consultation Paper envisages the issue of Tier 1 Capital with early redemption at the option of the issuer after five years from the relevant issue date (rather than after ten years, as currently provided for in the Bank of Italy Regulations). The Bank of Italy is expected to implement the provisions of the Consultation Paper by 31 October 2010 with effect from no later than 31 December 2010. Pending implementation, although the Issuer expects that the provisions allowing for redemption of Tier 1 securities after five years from the issue date will be implemented, there is still significant uncertainty. With respect to the Notes, if the provisions allowing redemption of the Notes after five years from the Issue Date are not implemented by the Bank of Italy, the First Call Date (as defined in Condition 7.1 (*Redemption at the option of the Issuer*)) will remain 1 June 2021 whereas, if these provisions are implemented, the First Call Date will change to 1 June 2016 and the Issuer, subject to prior approval of the Lead Regulator, will be entitled to redeem the Notes after five years from the Issue Date.

### **Optional suspension of interest payments**

The Issuer, taking into account its specific financial and solvency condition, may elect not to pay all (or part only) of the interest accrued to an Interest Payment Date, in circumstances such as the Issuer not having Distributable Profits according to its Latest Accounts, or, since the Issuer’s annual shareholders’ meeting in respect of the non-consolidated financial statements for the financial year immediately preceding the year in which such Interest Payment Date falls, no dividend or other distribution having been declared, made, approved or set aside for payment in respect of any Junior Obligations, subject in each case to Condition 5.3 (*Interest Suspension – Mandatory payment of interest*). Interest that the Issuer elects not to pay pursuant to Condition 5.1 (*Optional suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts will be fully and irrevocably cancelled and forfeited. As a consequence, if interest is suspended, Noteholders will not receive, and will have no right to receive, such interest at any time, even if dividends or other distributions are subsequently declared made, approved or set aside for payment in respect of any Junior Obligations. For further details see Condition 5.1 (*Optional suspension of interest*).

## **Mandatory suspension of interest payments**

The Issuer will be prohibited from:

- (a) paying all (or part only) of the interest accrued up to an Interest Payment Date if and to the extent that a Capital Deficiency Event regarding the Issuer would occur if the Issuer made such payment of interest (in whole or in part) on such Interest Payment Date; and
- (b) paying all (or part only) the interest accrued to an Interest Payment Date if: (i) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or (ii) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on its Junior Obligations, other than in the case of a Capital Deficiency Event; or (iii) the Lead Regulator, in its sole discretion, determines that the specific financial and solvency condition of the Issuer requires the Issuer to cancel the relevant interest payment; or (iv) the principal amount of the Notes has been written down in accordance with Condition 6 (*Loss Absorption*) and has not, as at such Interest Payment Date, been reinstated in whole.

Upon the occurrence of a Pusher Event (namely, the declaration or payment by the Issuer of dividends or other distributions on any Junior Obligations, other than in the form of further or other Junior Obligations, or the redemption, repurchase or acquisition by the Issuer or any of its Subsidiaries of any Junior Obligation, other than in the case of a Permitted Repurchase), payment of interest by the Issuer on the relevant Interest Payment Date is mandatory, notwithstanding the provisions described in sub-paragraphs (b)(i) and (b)(ii) above (and in the risk factor above entitled “*Optional suspension of interest payments*”). However, such provisions for mandatory payment of interest do not apply in the circumstances described in sub-paragraphs (a), (b)(iii) and (b)(iv) above.

For further details, see Conditions 5.2 (*Mandatory suspension of interest*) and 5.3 (*Mandatory payment of interest*).

Interest that the Issuer is prohibited from paying pursuant to Condition 5.2 (*Mandatory suspension of interest*) will not accumulate or compound and all rights and claims of Noteholders in respect of any such amounts will be fully and irrevocably cancelled and forfeited. As a consequence, if interest is suspended, Noteholders will not receive, and will have no right to receive, such interest at any time, even if dividends or other distributions are subsequently declared, made, approved or set aside for payment in respect of any Junior Notes.

## **Loss absorption**

If and to the extent that the Issuer suffers losses which would result in a Capital Deficiency Event, the Issuer, taking into account its specific financial and solvency condition and at its sole discretion, may declare that its obligations relating to the principal amount of the Notes be written down to the extent necessary to enable the Issuer to continue to carry on its activities as determined in Condition 6.3 (*Principal Write Down Mechanics*).

In any case, the obligation of the Issuer relating to the principal amount of the Notes will be written down if:

- (a) under the relevant Capital Deficiency Event, the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer, on a consolidated or non-consolidated basis, falls below 6 per cent or such other minimum threshold of the Lead Regulator relating to mandatory principal write down specified from time to time in Bank of Italy regulations; or

- (b) the Lead Regulator, at its sole discretion, notifies the Issuer that it has determined that the Issuer's financial condition is deteriorating such that a Capital Deficiency Event is likely to occur in the short term; or
- (c) the Lead Regulator determines that the specific financial and solvency condition of the Issuer requires a write down of the principal amount of the Notes.

Any write-down of the principal amount of the Notes shall be made:

- (i) *pari passu* and *pro rata* with (a) the Issuer's non-consolidated Tier 1 Capital (*patrimonio di base*) (as determined in accordance with the Bank of Italy Regulations), excluding any innovative or non-innovative capital instruments treated as own funds and (b) any innovative or non-innovative capital instruments or other securities which would be subject to write down features similar to those provided under Condition 6 (howsoever described in the terms of the relevant securities); and
- (ii) to the extent that new capital would need to be generated to off-set the relevant losses and bring the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer above the minimum requirements of the Lead Regulator specified in the Bank of Italy Regulations.

In any such case, the provisions of Condition 5.2 (*Mandatory suspension of interest*) will apply.

The Notes may not be redeemed pursuant to Conditions 7.1 (*Redemption at the option of the Issuer*), 7.2 (*Redemption due to a Capital Disqualification Event*) or 7.3 (*Redemption for tax reasons*) in the event that the principal amount of the Notes has been written down and has not yet, at the relevant time, been written up in whole pursuant to Condition 6 (*Loss Absorption*).

The principal amount of the Notes will only be written up again in the circumstances described in Condition 6 (*Loss Absorption*).

### **Variation of the terms and conditions of the Notes**

The Issuer may in certain circumstances modify the terms and conditions of the Notes without any requirement for the consent of Noteholders to the extent that such modification is reasonably necessary to ensure that no Capital Disqualification Event or Tax Event would exist after such modification, provided that following such modification the terms and conditions of the Notes are no more prejudicial to Noteholders than the terms and conditions of the Notes prior to such modification, as described in Condition 13.3 (*Modification following a Capital Disqualification Event or a Tax Event*).

### **Fixed rate securities**

The Notes will bear fixed interest. The Interest Rate in respect of the Notes for the period from (and including) the Issue Date to (but excluding) the First Reset Date will be equal to 9.5 per cent. per annum. Such rate is equal to the swap rate, registered on the Reuters page ISDAFIX2 (above the caption "EURSFIXA") at 11.00 a.m. (CET) of 23 September 2010 plus 7.57 per cent. annum (the "**Margin**"). The Interest Rate will be reset on the First Reset Date and on each subsequent Reset Date and will be the sum of the 5-year mid market swap rate (the "**Interest Basis**"), registered on the Reuters page ISDAFIX2 (above the caption "EURSFIXA") at 11.00 a.m. (CET) on the second TARGET Settlement Date before the applicable Reset Date, plus the Margin.

A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal interest rate of a security with a fixed interest rate is fixed during a certain period of time, the



Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes and lead to losses for Noteholders if they sell Notes before the Reset Date.

### **Classification of the Notes under Italian tax law**

Italian tax law does not provide for any specific and proper definition of “bonds” and “debentures similar to bonds” referred to in article 1 *et seq.* of Legislative Decree No. 239 of 1 April 1996 (“**Decree No. 239**”). The statements contained in the section “Taxation – Italy” regarding the applicability of the tax regime provided for by Decree No. 239 to the Notes are based on clarifications given by the Italian Revenue Agency in Circular No. 4/E of 18 January 2006, according to which bonds may have a maturity which is not scheduled at a specific date, but which instead is linked either to the duration of the issuing company (as is the case with the Notes) or to the liquidation of the issuer, if the company has been incorporated for an indefinite period pursuant to article 2328(2), paragraph 13 of the Italian civil code. Prospective purchasers and holders of the Notes should be aware that the above clarifications (as well as the Italian tax provisions in effect as of the date of this Prospectus) are subject to changes, which could even apply retrospectively.

If, as a result of a change in Italian tax provisions or in the interpretation applied by the Italian tax authorities, the Notes were classified as “atypical securities” pursuant to article 5 of Law Decree No. 512 of 30 September 1983 (instead of being qualified as “bonds” or “debentures similar to bonds” and subject to the tax regime described in the section “Taxation – Italy”), interest and other proceeds in respect of the Notes (including the difference between the redemption amount and the issue price) could be subject to Italian withholding tax at a rate of 27 per cent. if owed to beneficial owners that are not resident in Italy for tax purposes or to certain categories of Italian resident beneficiaries, depending on the legal status of the beneficial owner of such interest and other proceeds.

The applicability of such a withholding tax in relation to interest and other proceeds paid to non Italian resident beneficiaries would give rise to an obligation of the Issuer to pay Additional Amounts pursuant to Condition 9.1 (*Gross up*) (except in the circumstances set out below) and would, as a consequence, allow the Issuer to redeem the Notes at their principal amount, together with interest accrued pursuant to Condition 7.3 (*Redemption for tax reasons*).

On the other hand, based on Condition 9.1 (*Gross up*), the above withholding tax would not give rise to any obligation of the Issuer to pay Additional Amounts when levied in respect of interest and other proceeds paid to certain Italian resident beneficiaries or to non Italian resident entities or individuals which are resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC, each Member State is required to provide to the tax authorities of each other Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person in favour of, a beneficial owner that is an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by

Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments (although Belgium has opted to apply the exchange of information regime with effect from 1 January 2010).

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

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay Additional Amounts with respect to any Notes as a result of the imposition of such withholding tax. However, if a withholding tax is imposed on payment made by a Paying Agent following implementing of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

#### **Procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer**

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

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

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

#### **RISKS RELATED TO THE MARKET GENERALLY**

*A brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit*

*risk is set out below.*

### **The secondary market generally**

Although application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange, there can be no assurance that the Notes will have an established trading market when issued and that this, if any, will develop. The Notes have not been registered under the Securities Act and will be subject to significant restrictions on resale in the United States. Accordingly, there can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide the holders of the Notes with liquidity of investments or that any such liquidity will continue for the life of such Notes. Consequently, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

The market value of the Notes may also be significantly affected by factors such as variations in the Group's annual and interim results of operations, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group.

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

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

In addition, 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 at all.

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

Independent rating agencies have assigned ratings to the Issuer and are expected to assign ratings to the Notes. Rating levels assigned by independent agencies may not reflect the potential impact of all risks related to structure, market and additional factors described in this section and other factors that may affect the value of the Notes or the standing of the Issuer. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the assigning rating agency at any time.

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

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

## INFORMATION INCORPORATED BY REFERENCE

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

- (i) the unaudited consolidated half-yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2010, as shown in the Intesa Sanpaolo Group half-yearly report as at 30 June 2010;
- (ii) the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2009, as shown in the Intesa Sanpaolo Group 2009 Annual Report; and
- (iii) the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2008, as shown in the Intesa Sanpaolo Group 2008 Annual Report,

in each case together with the accompanying notes and independent auditors' reports prepared in connection therewith.

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

### Cross reference list

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

#### **Intesa Sanpaolo Group half-yearly report as at 30 June 2010**

<i>Unaudited half-yearly consolidated financial statements</i>	<i>Page number(s)</i>
Consolidated balance sheet	34-35
Consolidated income statement	36
Statement of consolidated comprehensive income for the period	37
Changes in consolidated shareholders' equity as at 30 June 2010	38
Changes in consolidated shareholders' equity as at 30 June 2009	39
Consolidated statement of cash flows	40
Explanatory notes	41-148
<i>Accounting policies</i>	43-56
<i>Subsequent events</i>	57
<i>Economic results</i>	58-69
<i>Balance sheet aggregates</i>	70-80
<i>Breakdown of consolidated results by business area and geographical area</i>	81-111
<i>Risk management</i>	112-142
<i>The shareholder base, transactions with related parties and other information</i>	143-148
Independent Auditors' Report	149

## **Intesa Sanpaolo Group 2009 Annual Report**

<b><i>Audited annual consolidated financial statements</i></b>	<b><i>Page number(s)</i></b>
Consolidated balance sheet	124-125
Consolidated income statement	126
Statement of consolidated comprehensive income	127
Changes in consolidated shareholders' equity	128-129
Consolidated statement of cash flow	130
Notes to the consolidated financial statements	131-387
– Part A – Accounting policies	133-170
– Part B – Information on the consolidated balance sheet	171-243
– Part C – Information on the consolidated income statement	244-266
– Part D – Consolidated comprehensive income	267
– Part E – Information on risks and relative hedging policies	269-366
– Part F – Information on capital	367-377
– Part G – Business combinations	378-379
– Part H – Information on compensation and transactions with related parties	380-384
– Part I – Share-based payments	385
– Part L – Segment reporting	386-387
Independent auditors' report on the consolidated financial statements	119-121

## **Intesa Sanpaolo Group 2008 Annual Report**

<b><i>Audited annual consolidated financial statements</i></b>	<b><i>Page number(s)</i></b>
Consolidated balance sheet	114-115
Consolidated statement of income	116
Consolidated statement of changes in equity	117 - 118
Consolidated cash flow statement	119
Accounting policies and explanatory notes	121 - 424
– Part A – Accounting policies	123 - 161
– Part B – Information on the consolidated balance sheet	162 - 251
– Part C – Information on the consolidated income statement	252 - 282
– Part D – Segment reporting	283 - 284
– Part E – Information on risks and relative hedging policies	285 - 399
– Part F – Information on capital	400 - 408
– Part G – Business combinations	409 - 416
– Part H – Information on compensation and transactions with related parties	417 - 422
– Part I – Share-based payments	423 - 424
Audit report	110 - 111

Any information not listed in the cross-reference list, but included in the documents referred to above, is given for information purposes only and does not form part of this Prospectus.

## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the €1,000,000,000 Fixed Rate Resetable Perpetual Subordinated Notes (the "**Notes**") issued by Intesa Sanpaolo S.p.A. (the "**Issuer**" or "**Intesa Sanpaolo**") was authorised by a resolution of the management board of the Issuer passed on 22 June 2010. The Notes are the subject of a fiscal agency agreement dated 1 October 2010 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are a summary of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) and talons for further Coupons ("**Talons**") which form part of each Coupon sheet of the Notes, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

In these Conditions the following expressions have the following meanings:

"**Additional Amount Event**" means a situation whereby:

- (i) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority 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 1 October 2010; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

"**Additional Amounts**" has the meaning given in Condition 9.1 (*Taxation - Gross up*);

"**Bank of Italy Regulations**" means the regulations of the Bank of Italy relating to the capital adequacy of banks (*Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, as set out in the Bank of Italy's Circular number 263 dated 27 December 2006), as amended and supplemented from time to time, and any supervisory guidelines of the Bank of Italy (*Istruzioni di Vigilanza*) setting out any capital adequacy requirements applicable to Italian banks, as amended and supplemented from time to time;

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

**“Calculation Agent”** means the Fiscal Agent or any successor calculation agent appointed from time to time in connection with the Notes;

**“Capital Deficiency Event”** means:

- (i) an event occurring when, as a result of losses incurred by the Issuer, on a consolidated or non-consolidated basis, the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer, on a consolidated or non-consolidated basis as calculated in accordance with applicable Italian banking laws and regulations, and either (A) reported in the Issuer’s reporting to the Lead Regulator (currently *Matrice dei Conti*) or (B) determined by the Lead Regulator and communicated to the Issuer, in either case, falls below the then minimum requirements of the Lead Regulator specified in the Bank of Italy’s Regulations (being, as at 1 October 2010, equal to eight per cent.); or
- (ii) the Lead Regulator, in its sole discretion, notifies the Issuer that it has determined that the Issuer’s financial and solvency condition is deteriorating in such a way that an event specified in (i) above is likely to occur in the short term;

**“Capital Disqualification Event”** means a situation whereby (a) 75% or more of the Principal Amount of the Notes would not be eligible to qualify as regulatory capital resources for the Issuer for the purposes of its Tier 1 Capital save, where such non-qualification is only as a result of any applicable regulatory limitations on the amount of such capital (i.e., limitations on the inclusion of non-core capital instruments as part of the Tier 1 Capital of the Issuer) or (b) following a regulatory intervention, it is confirmed to the Issuer that the Notes would not be eligible to qualify as regulatory capital resources for the Issuer for the purposes of its Tier 1 Capital;

**“Capital Disqualification Event Redemption Date”** means the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 7.2.1 (*Redemption and Purchase – Redemption due to a Capital Disqualification Event*) following a Capital Disqualification Event;

**“Comparable German Bund Issue”** means the German Bund security selected by the Calculation Agent as having a maturity closest to the First Call Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities having a maturity on the First Call Date;

**“Comparable German Bund Price”** means:

- (i) the average of five Reference German Bund Dealer Quotations for the relevant Redemption Date, after excluding the highest and lowest of such Reference German Bund Dealer Quotations; or
- (ii) if the Calculation Agent obtains fewer than five such Reference German Bund Dealer Quotations, the average of all such Reference German Bund Dealer Quotations;

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

**“Day Count Fraction”** means in respect of the calculation of an amount for any period of time during the life of the Notes (for the purposes of this definition, the **“Calculation Period”**) the actual number of days in the relevant Calculation Period divided by the actual number of days in the relevant calendar year;



**“Decree No. 239”** means Italian Legislative Decree number 239 of 1 April 1996, as subsequently amended, supplemented or replaced from time to time;

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

**“Dispute”** has the meaning given in Condition 18.2 (*Governing Law and Jurisdiction - Jurisdiction*);

**“Distributable Profits”** means net profits of the Issuer that are available for the payment of a dividend or the making of a distribution on any Junior Obligations;

**“Documents”** has the meaning given in Condition 13.4.1 (*Meetings of Noteholders, Modification, Waiver and Substitution - Substitution*);

**“Euro-zone”** means the region comprised of Member States of the European Union that adopted the single currency in accordance with Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended;

**“Extraordinary Resolution”** has the meaning given in the Agency Agreement;

**“Financial Year End Date”** means 31 December in any calendar year;

**“First Call Date”** has the meaning given in Condition 7.1.1 (*Redemption and Purchase – Redemption at the option of the Issuer*);

**“First Fixed Rate Period”** has the meaning ascribed to it in Condition 4.2 (*Interest – Interest rates*);

**“First Reset Date”** means 1 June 2016;

**“Fixed Rate Period”** means the period from (and including) the Issue Date to (but excluding) the First Reset Date and, thereafter, each period from (and including) each Reset Date to (but excluding) the next succeeding Reset Date;

**“German Bund Rate”** means, with respect to the relevant Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price calculated by the Calculation Agent;

**“German Business Day”** means a day other than a Saturday or Sunday or a day on which banking institutions in Frankfurt, Germany, are authorised or required by law or executive order to remain closed;

**“Group”** means the Issuer and its Subsidiaries;

**“Guarantor”** has the meaning given in Condition 13.4 (*Meetings of Noteholders, Modification, Waiver and Substitution - Substitution*);

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

**“Interest Basis”** has the meaning ascribed to it in Condition 4.2 (*Interest – Interest rates*);

**“Interest Payment Date”** means 1 June of each year beginning on 1 June 2011;

**“Interest Period”** means the Short Interest Period and any period beginning on (and including) any Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

**“Interest Rate”** means the relevant rate per annum as specified in Condition 4.2 (*Interest – Interest rates*);

**“Issue Date”** means 1 October 2010;

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

**“Junior Obligations”** means ordinary shares (*azioni ordinarie*) of the Issuer and its preferred shares (*azioni privilegiate*) and saving shares (*azioni di risparmio*), if any, and any other securities, guarantees or similar instruments outstanding as at the Issue Date or issued thereafter that expressly or effectively rank junior to Parity Obligations;

**“Latest Accounts”** means the non-consolidated accounts approved by the Issuer relating to the Financial Year End Date immediately preceding the financial year in which the relevant Interest Payment Date falls or, where such accounts are not available, the last set of non-consolidated financial statements as of and for a period ending on a Financial Year End Date approved by the Issuer prior to the relevant Interest Payment Date;

**“Lead Regulator”** means the Bank of Italy or any successor entity of the Bank of Italy or any other competent regulator to which the Issuer becomes subject as its lead regulator;

**“Less Deeply Subordinated Obligations”** means any obligation of the Issuer, whether or not having a fixed maturity date, which by its terms is, or is expressed to be, subordinated in the event of liquidation or insolvency of the Issuer to the claims of any unsubordinated creditors of the Issuer but senior to the Notes including, but not limited to, Upper Tier 2 Liabilities and Lower Tier 2 Liabilities of the Issuer;

**“Liquidazione Coatta Amministrativa”** means *Liquidazione Coatta Amministrativa* as described in articles 80 to 94 of the Italian Banking Act;

**“Lower Tier 2 Liabilities”** means *passività subordinate di secondo livello*, as defined in Title I, Chapter 2, Section II, paragraph 4.2 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition;

**“Make Whole Amount”** means, in respect of each Note, the principal amount of such Note, assuming such Note to be due and payable on the First Call Date, together with interest to be accrued from the relevant Redemption Date to (but excluding) the First Call Date, assuming all such amounts to be due in full, in each case discounted to the relevant Redemption Date on an annual basis (calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days in such period) at the German Bund Rate plus 1.75 per cent., as calculated by the Calculation Agent;

**“Margin”** has the meaning ascribed to it in Condition 4.2 (*Interest – Interest rates*);

**“Original Principal Amount”** means, per Note, €50,000, and in aggregate €1,000,000,000.

**“Parity Obligations”** means (i) all unsecured obligations or instruments of the Issuer ranking (or expressed to rank) *pari passu* with the Notes, and (ii) all guarantees or similar instruments of the Issuer granted for the benefit of preferred securities or preferred or preference shares issued by a

Subsidiary of the Issuer, if any, in each case including for the avoidance of doubt the guarantees given in respect of the following outstanding Tier 1 securities:

ISIN Code	Issue Date	Issuer	Early Redemption Date
XS0120282610	10/11/00	SPIMI Capital Company LLCI	10/11/10
XS0131944323	12/07/01	IntesaBci LLCIII	12/07/11
XS0371711663	20/06/08	Intesa Sanpaolo S.p.A.	20/06/18
XS0388841669	24/09/08	Intesa Sanpaolo S.p.A.	24/09/18
XS0456541506	14/10/09	Intesa Sanpaolo S.p.A.	14/10/19

**“Payment Business Day”** means:

- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
- (ii) in the case of payment by transfer to an account, a TARGET Settlement Day;

**“Permitted Repurchase”** means:

- (i) any redemption, repurchase or other acquisition of Junior Obligations held by the Issuer or any of its Subsidiaries;
- (ii) a reclassification of the equity share capital of the Issuer or any of its Subsidiaries or the exchange or conversion of one class or series of equity share capital for another class or series of equity share capital;
- (iii) the purchase of fractional interests in the share capital of the Issuer or any of its Subsidiaries pursuant to the conversion or exchange provisions of such security being converted or exchanged;
- (iv) any redemption or other acquisition of Junior Obligations in connection with a levy of execution for the satisfaction of a claim by the Issuer or any of its Subsidiaries;
- (v) any redemption or other acquisition of Junior Obligations in connection with the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plan or similar arrangement; or
- (vi) any redemption or other acquisition of Junior Obligations in connection with transactions effected by or for the account of customers of the Issuer or any of its Subsidiaries or in connection with the distribution, trading or market-making in respect of such securities;

**“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;

**“Principal Write Down Event”** has the meaning given in Condition 6.2 (*Loss Absorption - Mandatory principal write down*);

**“Proceedings”** has the meaning given in Condition 18.4 (*Governing Law and Jurisdiction - Rights of the Noteholders to take proceedings outside England*);

**“Pusher Event”** has the meaning given in Condition 5.3.1 (*Interest Suspension – Mandatory payment of interest*);

**“Redemption Date”** means, as the case may be, the Capital Disqualification Event Redemption Date or the Tax Event Redemption Date;

**“Reference German Bund Dealer”** means any German Bund dealer selected by the Calculation Agent and approved by the Issuer (such approval not to be unreasonably withheld or delayed);

**“Reference German Bund Dealer Quotations”** means, with respect to each Reference German Bund Dealer and the relevant Redemption Date, the average, as determined by the Calculation Agent, of the bid and ask prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference German Bund Dealer at 3.30 p.m., Frankfurt time, on the third German Business Day immediately preceding the relevant Redemption Date;

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

**“Reserved Matter”** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal (other than in the case of Principal Write Down), premium or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to change the provisions contained in Condition 3 (*Status and Subordination of the Notes*);

**“Reset Date”** means 1 June 2016 and 1 June in every fifth year thereafter;

**“Short Interest Period”** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date falling on 1 June 2011;

**“Specified Office”** has the meaning given in the Agency Agreement;

**“Subsequent Fixed Rate Period”** means any Fixed Rate Period other than the First Fixed Rate Period;

**“Subsidiary”** means a *società controllata*, as defined in article 2359, first and second paragraphs of the Italian civil code;

**“Substituted Debtor”** has the meaning given in Condition 13.4 (*Meetings of Noteholders, Modification, Waiver and Substitution - Substitution*);

**“Substitution Guarantee”** has the meaning given in Condition 13.4 (*Meetings of Noteholders, Modification, Waiver and Substitution - Substitution*);

**“TARGET2”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**“TARGET Settlement Day”** means any day on which TARGET2 is open for the settlement of payments in euro;

**“Tax Deductibility Event”** means a situation whereby:

- (i) interest payable by the Issuer in respect of the Notes is no longer, or will no longer be, deductible by the Issuer for Italian corporate income tax purposes as a result of any change in, or amendment to, the laws or regulations or applicable accounting standards of the Republic 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, regulations or standards, which change or amendment becomes effective on or after 1 October 2010 (save where any non-deductibility of interest payable by the Issuer in respect of the Notes is solely as a result of any applicable general threshold of aggregate interest expenses that may be deducted by the Issuer in any financial year for Italian corporate income tax purposes being exceeded); and
- (ii) such non-deductibility cannot be avoided by the Issuer taking reasonable measures available to it;

**“Tax Event”** means a Tax Deductibility Event or an Additional Amount Event;

**“Tax Event Redemption Date”** means the date fixed for redemption of the Notes specified in a notice delivered by the Issuer pursuant to Condition 7.3 (*Redemption and Purchase – Redemption for tax reasons*) following a Tax Event;

**“Tier 1 Capital”** means *patrimonio di base* as defined in Title I, Chapter 2, Section II, paragraph 1.1 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition; and

**“Upper Tier 2 Liabilities”** means *strumenti ibridi di patrimonializzazione* as defined in Title I, Chapter 2, Section II, paragraph 4.1 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition.

## 1.2 Interpretation

In these Conditions:

- (i) any reference to principal shall be deemed to include the principal amount of the Notes, any Additional Amounts thereon, any premium payable in respect of a Note 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 thereon and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement; and
- (iv) references to “Coupons” shall, unless the context otherwise requires, be deemed to include a reference to Talons.

## 2. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form in a single denomination of €50,000 with Coupons and Talons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 3. **STATUS AND SUBORDINATION OF THE NOTES**

### 3.1 **Status of the Notes**

The Notes constitute direct, unsecured and deeply subordinated obligations of the Issuer and, in the event of bankruptcy, dissolution, liquidation or winding-up of the Issuer, rank:

- (i) *pari passu* without any preference among themselves and *pari passu* with any present and future Parity Obligations;
- (ii) senior in right of payment to all present and future Junior Obligations; and
- (iii) junior in right of payment to any present and future claims of all unsubordinated creditors of the Issuer and to all present and future Less Deeply Subordinated Obligations.

### 3.2 **Subordination**

By virtue of such subordination, payments to Noteholders will, in the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, only be made after, and any set-off by any Noteholders shall be excluded until, the payment of any present or future claims of all unsubordinated creditors of the Issuer and of all Less Deeply Subordinated Obligations in any such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer have been satisfied in full or after an arrangement or composition has been agreed between them pursuant to which they have given full discharge against receipt of part of their claim.

## 4. **INTEREST**

### 4.1 **Interest Payment Date**

The Notes will bear interest on a non-cumulative basis from (and including) the Issue Date at the relevant Interest Rate from time to time. Such interest will be payable, subject as provided in these Conditions, annually in arrears on each Interest Payment Date.

### 4.2 **Interest Rates**

4.2.1 The Interest Rate in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date (the “**First Fixed Rate Period**”) will be equal to 9.5 per cent. per annum. Such rate is equal to the Euro market swap rate, registered on the Reuters page ISDAFIX2 (above the caption “EURSFIXA”) at 11.00 a.m. (CET) of 23 September 2010 plus 7.57 per cent. annum (the “**Margin**”).

The amount of interest payable in respect of each Note for any Interest Period (other than the Short Interest Period) falling within the First Fixed Rate Period shall be in the amount of

€4,750.00 per Note. The amount of interest payable in respect of each Note for any period falling within the First Fixed Rate Period which is not equal to an Interest Period (other than the Short Interest Period) shall be calculated by applying the Interest Rate for the First Fixed Rate Period to the Original Principal Amount of such Note, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The first interest payment shall be made on 1 June 2011 in respect of the period from (and including) the Issue Date to (but excluding) 1 June 2011 (the “**Short Interest Period**”) and shall be in the amount of €3,162.33 per Note.

4.2.2 The Interest Rate will be reset on the First Reset Date and on each subsequent Reset Date and, for each Interest Period falling within a Subsequent Fixed Rate Period, will be the sum of the 5-year mid market swap rate Euribor basis (the “**Interest Basis**”) registered on the Reuters page ISDAFIX2 (above the caption “EURSFIXA”) (or such other page as may replace that page on Reuters, or such other service as may be nominated by the Person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at 11.00 a.m. (CET) on the second TARGET Settlement Date before the applicable Reset Date (the “**Interest Determination Date**”), plus the Margin.

4.2.3 *Calculation of Interest Basis for any Subsequent Fixed Rate Period:* The Interest Basis applicable to the Notes for each Subsequent Fixed Rate Period will be determined by the Calculation Agent. If the Interest Basis does not appear on the relevant display page of the Reuters service or if the Reuters service ceases to be available, the Calculation Agent will:

- (a) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market to provide a quotation of the 5-year mid market swap rate in the Euro-zone interbank market at approximately 11:00 a.m. (Brussels time) on the Interest Determination Date; and
- (b) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations.

If fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the 5-year mid market swap rate quoted by major banks in the Euro-zone, selected by the Calculation Agent, at approximately 11:00 a.m. (Brussels time) on the first TARGET Settlement Date following the Interest Determination Date.

If the Calculation Agent is unable to determine the Interest Basis in accordance with the above provisions in relation to any Subsequent Fixed Rate Period, the Interest Basis applicable to the Notes during such Subsequent Fixed Rate Period will be the Interest Basis determined in relation to the Notes in respect of the preceding Fixed Rate Period.

4.2.4 *Calculation of Interest Amount for any Subsequent Fixed Rate Period:* The Calculation Agent will, as soon as practicable after the time at which the Interest Basis is to be determined in relation to each Subsequent Fixed Rate Period, calculate the Interest Amount payable in respect of each Note for such Subsequent Fixed Rate Period. The Interest Amount will be calculated by applying the Interest Rate (equal to the sum of the Interest Basis so determined and the Margin) for the relevant Subsequent Fixed Rate Period to the Original Principal Amount of

such Note, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The amount of interest payable in respect of each Note for any period falling within a Subsequent Fixed Rate Period which is not equal to an Interest Period shall be calculated by applying the Interest Rate for the relevant Subsequent Fixed Rate Period to the Original Principal Amount of such Note, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

4.2.5 *Publication:* The Calculation Agent will cause each Interest Rate and Interest Amount determined by it, and any other amount(s) required to be determined by it to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the first day of the relevant Subsequent Fixed Rate Period. Notice thereof shall also promptly be given to the Noteholders.

4.2.6 *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4.2 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

#### 4.3 **Interest accrual**

Each Note will cease to bear interest from (but excluding) maturity or the due date for redemption pursuant to Conditions 7.1 (*Redemption and Purchase – Redemption at the option of the Issuer*), 7.2 (*Redemption and Purchase – Redemption due to a Capital Disqualification Event*) or 7.3 (*Redemption and Purchase – Redemption for tax reasons*) unless, upon due presentation, payment of principal in respect of the Notes is improperly withheld or refused, in which case any such amounts of principal improperly withheld or refused 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 Note up to that day are received by or on behalf of the relevant Noteholder, and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

### 5. **INTEREST SUSPENSION**

#### 5.1 **Optional suspension of interest**

The Issuer, taking into account its specific financial and solvency condition, may elect (in circumstances such as the Issuer not having Distributable Profits according to its Latest Accounts, or, since the Issuer's annual shareholders' meeting in respect of the non-consolidated financial statements for the financial year immediately preceding the year in which such Interest Payment Date falls, no dividend or other distribution having been declared, made, approved or set aside for payment in respect of any Junior Obligations), by giving notice to the Noteholders pursuant to Condition 15 (*Notices*) below, not to pay all (or part only) of the interest accrued up to an Interest



Payment Date, subject, in any case, to Condition 5.3 (*Interest Suspension - Mandatory payment of interest*).

The Issuer shall give not more than 25 but not less than 15 Business Days' prior notice to the Paying Agents and to the Noteholders in accordance with Condition 15 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 5.1, it elects not to pay the full Interest Amount scheduled for payment thereon and such notice shall include a confirmation of the Issuer's entitlement not to pay interest, together with details of the relevant Interest Amount (if any) to be paid on such Interest Payment Date.

Where the Issuer elects not to pay the full Interest Amount pursuant to this Condition 5.1, it shall not have any obligation to make such interest payment on the relevant Interest Payment Date and the failure to pay such Interest Amount shall not constitute a default of the Issuer or any other breach of obligations under these Conditions or for any purpose.

Interest on the Notes will not be cumulative and any Interest Amount or part thereof that the Issuer elects not to pay pursuant to this Condition 5.1 will not accumulate or compound and all rights and claims in respect of any such Interest Amount shall be fully and irrevocably cancelled and forfeited.

## **5.2 Mandatory suspension of interest**

The Issuer will be prohibited from:

- 5.2.1 paying all (or part only) of the interest accrued up to an Interest Payment Date if and to the extent that a Capital Deficiency Event regarding the Issuer would occur if the Issuer made such payment of interest (in whole or in part) on such Interest Payment Date; and
- 5.2.2 paying all (or part only) of the interest accrued to an Interest Payment Date if:
  - (i) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or
  - (ii) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on its Junior Obligations, other than in the case of a Capital Deficiency Event; or
  - (iii) the Lead Regulator, in its sole discretion, determines that the specific financial and solvency condition of the Issuer requires the Issuer to cancel the relevant interest payment; or
  - (iv) following a Principal Write Down Event, the obligations of the Issuer in respect of the principal amount of the Notes have not, as at such Interest Payment Date, been reinstated in whole to their Original Principal Amount,

*provided that (i) and (ii) above are subject to Condition 5.3 (Interest Suspension – Mandatory payment of interest).*

The Issuer shall use its best endeavours to give not more than 25 Business Days' but not less than two Business Days' prior notice to the Paying Agents and to the Noteholders in accordance with Condition 15 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 5.2, it is prohibited from paying an Interest Amount and such notice shall include a

confirmation of the Issuer's prohibition from paying such Interest Amount, together with details of the amount of the Interest Amount (if any) to be paid on such Interest Payment Date.

Where the Issuer is prohibited from paying an Interest Amount pursuant to this Condition 5.2, it shall not have any obligation to make such interest payment on the relevant Interest Payment Date and the failure to pay such Interest Amount shall not constitute a default of the Issuer or any other breach of obligations under these Conditions or for any purpose.

Interest on the Notes will not be cumulative and any Interest Amount that the Issuer is prohibited from paying pursuant to this Condition 5.2 will not accumulate or compound and all rights and claims in respect of any such Interest Amount shall be fully and irrevocably cancelled and forfeited.

### 5.3 **Mandatory payment of interest**

5.3.1 Subject to Condition 5.2.1 and paragraphs (iii) and (iv) of Condition 5.2.2, the Issuer is required to pay the relevant Interest Amount on any Interest Payment Date in full if and to the extent that during the 3-month period prior to such Interest Payment Date (the "**Look-Back Period**"):

- (a) the Issuer has declared or paid dividends or other distributions on any Junior Obligations (other than in the form of further or other Junior Obligations); or
- (b) the Issuer or any of its Subsidiaries has redeemed, repurchased or acquired any Junior Obligations (other than in the case of a Permitted Repurchase)

(each a "**Pusher Event**"), in each case except and to the extent that a Capital Deficiency Event has occurred during the period commencing immediately following the relevant Pusher Event and ending on the relevant Interest Payment Date, and is continuing on such Interest Payment Date.

5.3.2 *Disapplication of interest suspension in case of Capital Disqualification Event:* Notwithstanding the provisions of Condition 5.1 (*Interest Suspension - Optional suspension of interest*) and 5.2 (*Interest Suspension - Mandatory suspension of interest*) the Issuer is required to pay the relevant Interest Amount in full on the Original Principal Amount on an Interest Payment Date if a Capital Disqualification Event has occurred and is continuing.

## 6. **LOSS ABSORPTION**

### 6.1 **Optional principal write down**

If and to the extent that the Issuer suffers losses which would result in a Capital Deficiency Event, the Issuer, taking into account its specific financial and solvency condition and at its sole discretion, may declare that its obligations relating to the principal amount of the Notes be written down to the extent necessary to enable the Issuer to continue to carry on its activities, as determined in Condition 6.3 (*Principal write down mechanics*) below.

### 6.2 **Mandatory principal write down**

In any case, the obligations of the Issuer relating to the principal amount of the Notes will be written down if:

- a) under the relevant Capital Deficiency Event, the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer, on a consolidated or non-consolidated basis, falls below 6 per cent. or such other minimum threshold of the Lead Regulator relating to mandatory principal write down specified from time to time in Bank of Italy regulations; or
- b) the Lead Regulator, in its sole discretion, notifies the Issuer that it has determined that the Issuer's financial condition is deteriorating such that a Capital Deficiency Event is likely to occur in the short term; or
- c) the Lead Regulator determines that the specific financial and solvency condition of the Issuer requires a write down of the principal amount of the Notes

Any situation where a principal write down occurs in accordance with Condition 6.1 (*Optional principal write down*) and this Condition 6.2 (*Mandatory principal write down*) is defined as a "**Principal Write Down Event**".

### 6.3 Principal write down mechanics

Any write down of the outstanding principal amount of the Notes shall be made (i) *pari passu* and *pro rata* with (a) the Issuer's non-consolidated Tier 1 Capital (*patrimonio di base*) (as determined in accordance with the Bank of Italy Regulations), excluding any innovative or non-innovative capital instruments treated as own funds, and (b) any innovative or non-innovative capital instruments or other securities which are subject to write down features similar to those provided under this Condition 6 (howsoever described in the terms of the relevant securities and ignoring, for this purpose, any ineligibility resulting from any applicable limitations on the amount of such capital), and (ii) to the extent that new capital would need to be generated to off-set the relevant losses and bring the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer above the minimum requirements of the Lead Regulator specified in the Bank of Italy Regulations (being, as at 1 October 2010, equal to 8 per cent.).

### 6.4 Principal write up

Following a Principal Write Down Event, the obligations of the Issuer to make payments in respect of the principal amount of the Notes will be reinstated:

- (a) in whole to the Original Principal Amount, in the event of voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*); and
- (b) in whole or in part, from time to time, up to the Original Principal Amount, to the extent that the Principal Write Down Event has ceased and is no longer continuing, and *provided that* (a) the Issuer has reported Distributable Profits following the occurrence of the Principal Write Down Event, and (b) reinstatement of the principal amount of the Notes occurs *pro rata* (taking into account the Original Principal Amount) and *pari passu* with ordinary shares and other outstanding securities (if any) of the Issuer, which are subject to write down and write up features similar to those provided under this Condition 6 (howsoever described in the terms of the relevant securities), within the limits of the Distributable Profits reported following the occurrence of the Principal Write Down Event.

For the avoidance of doubt, write-down and reinstatement of the principal amount of the Notes as described above may occur on one or more occasions *provided that* the principal amount of the Notes shall never be written down to below one cent., nor shall it be reinstated to more than the Original Principal Amount.

The Issuer shall use its best endeavours to give notice forthwith of any such write down and/or reinstatement to the Noteholders in accordance with Condition 15 (*Notices*) below and such notice shall include a confirmation of the Issuer's entitlement to such write down and/or reinstatement, together with details of the amounts to be so written down and/or reinstated.

## **7. REDEMPTION AND PURCHASE**

The Notes will mature and be redeemed by the Issuer on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 1 October 2010 provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of this Condition 7. Any redemption in accordance with this Condition 7, save in accordance with the first sentence of this paragraph, is subject to the prior approval of the Lead Regulator. The Notes may not be redeemed at the option of the Noteholders.

### **7.1 Redemption at the option of the Issuer**

7.1.1 Subject to Condition 7.1.2 and the paragraph below, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on 1 June 2021 (the "**First Call Date**") and on any Reset Date thereafter at a redemption price equal to their Original Principal Amount together with interest accrued (if any) up to, but excluding, the date fixed for redemption and any Additional Amounts on the Issuer, giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*).

In the event that the Bank of Italy Regulations are amended at any time after 1 October 2010 so that instruments that constitute the Issuer's Tier 1 Capital may be redeemed at the initiative of the Issuer after five years from the relevant issue date, the First Call Date will be 1 June 2016. For the avoidance of doubt, as soon as amendments to the Bank of Italy Regulations allowing a first issuer call date for instruments eligible as Tier 1 Capital become effective, any references to the First Call Date will be deemed to be references to 1 June 2016.

7.1.2 In any case if a Principal Write Down Event has occurred the Notes shall not be redeemed in accordance with this Condition 7.1 until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated to their Original Principal Amount.

### **7.2 Redemption due to a Capital Disqualification Event**

7.2.1 Without prejudice to (i) the Issuer's right to modify the terms and conditions of the Notes pursuant to Condition 13.3 (*Meetings of Noteholders, Modification, Waiver and Substitution - Modification following a Capital Disqualification Event or a Tax Event*) and (ii) Condition 7.2.2 below, the Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) in whole, but not in part, at any time after 1 January 2013, following the occurrence of a

Capital Disqualification Event and within 120 days after the occurrence of such event, at a redemption price equal to 102% of their Original Principal Amount together with interest accrued (if any) up to, but excluding, the Capital Disqualification Event Redemption Date and any Additional Amounts.

- 7.2.2 In the event that (a) a Principal Write Down Event has occurred before the relevant Capital Disqualification Event, and (b) as a consequence of the Capital Disqualification Event, the Notes qualify as *patrimonio supplementare* (Tier 2 Capital) of the Issuer, the Issuer shall not redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated to their Original Principal Amount.

### 7.3 Redemption for tax reasons

- 7.3.1 Without prejudice to Condition 7.3.2 below, the Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) in whole, but not in part, at any time before the First Call Date following the occurrence of a Tax Event as follows:

- (a) in the case of an Additional Amount Event, at a redemption price equal to the Original Principal Amount of the Notes; or
- (b) in the case of a Tax Deductibility Event, at a redemption price equal to the greater of (A) the Original Principal Amount of the Notes and (B) the Make Whole Amount (excluding, for the purposes of this calculation only, the interest accrued (if any) up to, but excluding, the Tax Event Redemption Date),

in each case, together with interest accrued (if any) up to, but excluding, the Tax Event Redemption Date and any Additional Amounts, *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which interest starts accruing in respect of which the Issuer would be unable to deduct amounts for Italian income tax purposes or obliged to pay Additional Amounts if a payment in respect of the Notes were then due, as the case may be.

- 7.3.2 In the event that a Principal Write Down Event has occurred before the relevant Tax Event, the Issuer shall not redeem the Notes until the obligations of the Issuer relating to the principal of the Notes have been fully reinstated to their Original Principal Amount.

### 7.4 Notification of redemption due to a Capital Disqualification Event or Tax Event

Prior to the publication of any notice of redemption pursuant to Conditions 7.2 (*Redemption and Purchase - Redemption due to a Capital Disqualification Event*) and 7.3 (*Redemption and Purchase - Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

- (a) a certificate signed by two duly authorised representatives 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
- (b) in the case of a Tax Event, an opinion of independent legal advisers of recognised standing to the effect that, as a result of such Tax Event, the Issuer is or will be unable to deduct

interest for Italian corporate income tax purposes or has or will become obliged to pay Additional Amounts, as the case may be.

Any notice of redemption as is referred to in this Condition 7 shall be irrevocable and shall specify the date on which the Notes will be redeemed and the relevant redemption amount. The Issuer shall be bound to redeem the Notes on the relevant date and at the relevant redemption amount specified in such notice in accordance with this Condition 7.

#### **7.5 No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7.1 (*Redemption and Purchase - Redemption at the option of the Issuer*), 7.2 (*Redemption and Purchase - Redemption due to a Capital Disqualification Event*) and 7.3 (*Redemption and Purchase - Redemption for tax reasons*) or upon maturity.

#### **7.6 Purchase**

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith, subject to the prior approval of the Lead Regulator (if applicable).

#### **7.7 Cancellation**

All Notes so redeemed or purchased (except where the Notes are purchased by the Issuer or any its Subsidiaries for market making purposes) and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

### **8. PAYMENTS**

#### **8.1 Principal**

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

#### **8.2 Interest**

Payments of interest shall, subject to Condition 8.7 (*Payments - Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 8.1 (*Payments - Principal*).

#### **8.3 Payments subject to fiscal laws**

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

#### **8.4 Deduction for unmatured Coupons**

If a Note is presented without all unmatured Coupons for the remainder of the relevant Fixed Rate

Period relating thereto, then a sum equal to the aggregate amount of such missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be the proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment. Each sum of principal so deducted shall be paid in the manner provided in Condition 8.1 (*Payments - Principal*) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

**8.5 Unmatured Coupons for subsequent Fixed Rate Periods void**

On the due date for redemption of any Note upon maturity or pursuant to Conditions 7.1 (*Redemption and Purchase – Redemption at the option of the Issuer*), 7.2 (*Redemption and Purchase – Redemption due to a Capital Disqualification Event*) or 7.3 (*Redemption and Purchase – Redemption for tax reasons*) all unmaturing Coupons relating to any Fixed Rate Period subsequent to such date for redemption (whether or not still attached) shall become void and no payment will be made in respect thereof, unless redemption does not actually occur on the due date in which case they will become void on the actual date of redemption.

**8.6 Payments on business days**

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

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

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

**8.8 Partial payments**

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

**8.9 Exchange of Talons**

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 10 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon, unless redemption does not actually occur on the due date in which case they will become void on the actual date of redemption.

## 9. TAXATION

### 9.1 Gross up

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon presented for payment:

- 9.1.1 in the Republic of Italy; or
- 9.1.2 by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or
- 9.1.3 by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or
- 9.1.4 to the extent that interest or any other amount payable is paid to a non-Italian resident where such withholding or deduction is required by Decree No. 239, unless such withholding or deduction is due to the requirements or procedures set forth therein not being met or complied with as a result of the actions or omissions of the Issuer or its agents; or
- 9.1.5 by an Italian resident, to the extent that interest is paid to an Italian individual or an Italian legal entity not carrying out commercial activities (in particular (A) partnerships, *de facto* partnerships not carrying out commercial activities and professional associations, (B) public and private resident entities, other than companies, not carrying out commercial activities, and (C) certain other Persons exempt from corporate income tax) or to such other Italian resident entities which have been or may be identified by Decree No. 239; or
- 9.1.6 where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any other law implementing or complying with, or introduced in order to conform to, such Directive; or
- 9.1.7 by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- 9.1.8 more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days.



## 9.2 Taxing jurisdiction

If, in respect of payments it makes in relation to the Notes, 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 such other jurisdiction.

## 10. PRESCRIPTION

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

## 11. REPLACEMENT OF NOTES AND COUPONS

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

## 12. PAYING AGENTS

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

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

- (a) the Issuer shall at all times maintain a fiscal agent;
- (b) the Issuer undertakes that it will ensure that it maintains a paying agent (i) outside the Republic of Italy, and (ii) in a Member State of the European Union who is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (c) the Issuer shall at all times maintain a calculation agent;
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system the rules of which require the appointment of a paying agent in any particular place, the Issuer shall maintain a paying agent having its Specified Office in the place required by the rules of such competent authority, stock exchange and/or quotation system; and
- (e) there will at all times be a paying agent in a jurisdiction, other than the jurisdiction in which the Issuer is incorporated.

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

### 13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

#### 13.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Subject to Condition 13.2 (*Meetings of Noteholders, Modifications, Waiver and Substitution – Modification and waiver*) any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

#### 13.2 Modification and waiver

The Conditions may not be amended without the prior approval of the Lead Regulator (if applicable). The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree without the consent of the Noteholders to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

#### 13.3 Modification following a Capital Disqualification Event or a Tax Event

Where a Capital Disqualification Event or a Tax Event occurs and is continuing, the Issuer may, without the consent of the Noteholders and without prejudice to its option to redeem under Conditions 7.2 (*Redemption and Purchase – Redemption due to a Capital Disqualification Event*) and 7.3 (*Redemption and Purchase – Redemption for tax reasons*), modify the terms of the Notes by giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*), to the extent that such modification is reasonably necessary to ensure that no Capital Disqualification Event or Tax Event (as the case may be) would exist after such modification, *provided that* following such modification:

- 13.3.1 the Notes, as so modified (the “**modified Notes**”), are held on terms and conditions which are no more prejudicial to Noteholders than the terms and conditions applicable to the Notes

prior to such modification (the “**existing Notes**”), provided that any modification may be made in accordance with paragraphs 13.3.2 to 13.3.4 below and any such modification shall not constitute a breach of this paragraph 13.3.1; and

- 13.3.2 the person having the obligation of the Issuer under the Notes continues to be Intesa Sanpaolo; and
- 13.3.3 the modified Notes rank at least equal to the existing Notes and feature the same tenor, the same principal amount, at least the same interest rate (including applicable margins) and the same interest payment dates and first call date as the existing Notes; and
- 13.3.4 the modified Notes continue to be listed on a regulated market of an internationally recognised stock exchange as selected by the Issuer (provided that the existing Notes were so listed prior to the occurrence of the Capital Disqualification Event or Tax Event (as the case may be)),

and *provided further that*:

- 13.3.5 the Issuer obtains approval of the proposed modification from the Lead Regulator (if such approval is required) or gives prior written notice (if such notice is required to be given) to the Lead Regulator and, following the expiry of all relevant statutory time limits, the Lead Regulator is no longer entitled to object or impose changes to the proposed modification;
- 13.3.6 the modification does not give rise to a change in any published credit rating of the existing Notes in effect at such time;
- 13.3.7 the modification does not give rise to any right on the part of the Issuer to exercise any option to redeem the Notes prior to their stated maturity, without prejudice to the provisions under Condition 7.1 (*Redemption and Purchase - Redemption at the option of the Issuer*); and
- 13.3.8 the Issuer has delivered to the Fiscal Agent a certificate, substantially in the form shown in the Agency Agreement, signed by two of the Issuer’s executive officers stating that Conditions 13.3.1 to 13.3.7 above have been complied with, such certificate to be made available for inspection by Noteholders.

In connection with any modification as indicated in this Condition 13.3, the Issuer shall comply with the rules of any competent authority, stock exchange and/or quotation system by which the Notes are then admitted to listing, trading and/or quotation.

#### 13.4 **Substitution**

Any duly incorporated Subsidiary of the Issuer in good standing under the laws of its jurisdiction may, without the consent of the Noteholders, but with the prior written approval of the Issuer, assume liability as the principal debtor in respect of the Notes (the “**Substituted Debtor**”), *provided that*:

- 13.4.1 a deed poll and such other documents (if any) shall be executed by the Substituted Debtor and the other parties to the Agency Agreement as may be necessary to give full effect to the substitution (the “**Documents**”) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake:

- (a) in favour of each Noteholder and each Accountholder (as defined in the Deed of Covenant) to be bound by these Conditions, the Deed of Covenant and the Agency Agreement as fully as if the Substituted Debtor had been named in the Notes, the Deed of Covenant and the Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer; and
  - (b) covenants to Noteholders and Accountholders, to the extent that the Substantial Debtor is subject to any taxing jurisdiction other than the Republic of Italy, to observe and perform its obligations under Condition 9 (*Taxation*) as if references in these Conditions to the Republic of Italy were to such other jurisdiction;
- 13.4.2 an unconditional and irrevocable deed of guarantee substantially in the form annexed to the Agency Agreement shall be executed by Intesa Sanpaolo, whereby Intesa Sanpaolo shall guarantee in favour of each Noteholder and each Accountholder the payment of all sums payable by the Substituted Debtor as such principal debtor to the extent of, and in the terms specified in, the form of deed of guarantee, annexed to the Agency Agreement (such guarantee being herein referred to as the “**Substitution Guarantee**” and such guarantor the “**Guarantor**”);
- 13.4.3 the Documents and the Substitution Guarantee shall contain a warranty and representation by the Substituted Debtor and the Guarantor that:
  - (a) each of the Substituted Debtor and the Guarantor has obtained all necessary governmental and regulatory approvals and consents for such substitution and the giving of the Substitution Guarantee;
  - (b) each of the Substituted Debtor and the Guarantor has obtained all necessary governmental and regulatory approvals and consents for the performance by each of the Substituted Debtor and the Guarantor of its obligations under the Documents and the Substitution Guarantee and that all such approvals and consents are in full force and effect; and
  - (c) the obligations assumed by each of the Substituted Debtor and the Guarantor are legal, valid and binding in accordance with their respective terms and enforceable by each Noteholder and each Accountholder (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors’ rights generally and general equitable principles);
- 13.4.4 legal opinions shall have been delivered to the Fiscal Agent from whom copies will be available to Noteholders (and if applicable Accountholders) from lawyers of recognised standing as to matters of law of the jurisdiction of the place of incorporation of the Substituted Debtor and the Guarantor confirming that, upon the substitution taking place:
  - (a) in the case of the Substituted Debtor:
    - (i) the requirements of this Condition 13.4, save as to the giving of notice to the Noteholders, have been met;
    - (ii) the Notes, the Deed of Covenant and the Agency Agreement and (where applicable) the Documents are legal, valid, binding and enforceable obligations of the Substituted Debtor (subject to all applicable bankruptcy,

insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles);

(iii) the Substituted Debtor is validly incorporated under the laws of its jurisdiction; and

(iv) the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for the substitution and for the entry into and performance of the Documents; and

(b) in the case of the Guarantor:

(i) the Substitution Guarantee and the Documents are legal, valid, binding and enforceable obligations of the Guarantor; and

(ii) the Guarantor has the power to enter into and perform the obligations to be assumed by the Guarantor in the Documents and the Substitution Guarantee;

13.4.5 the relevant credit rating agencies shall have confirmed to the Substituted Debtor, the Guarantor and the Fiscal Agent that after giving effect to such substitution, the Notes shall continue to have the same credit rating as that assigned to them immediately prior to the substitution;

13.4.6 no right of redemption pursuant to Condition 7 (*Redemption and Purchase*) would become applicable on or as a result of such substitution;

13.4.7 the appropriate competent authority, stock exchange and/or quotation system shall have confirmed to the Issuer, the Guarantor and the Fiscal Agent that, after giving effect to such substitution, the Notes shall continue to be admitted to listing, trading and/or quotation on the stock exchange, securities market and/or quotation system on which it is admitted to listing, trading and/or quotation immediately prior to the substitution; and

13.4.8 a certificate of solvency of the Substituted Debtor, signed by two directors of the Substituted Debtor shall have been delivered to the Fiscal Agent.

Upon satisfaction of the above conditions (including the execution of the Documents and the delivery of the legal opinions as referred to in paragraphs 13.4.1 to 13.4.4 above) (a) the Substituted Debtor shall be deemed to be named in the Notes, the Deed of Covenant and the Agency Agreement as the principal debtor in place of the Issuer and the Notes, the Deed of Covenant and the Agency Agreement shall thereupon be deemed to be amended to give effect to the substitution, and (b) the Issuer shall be released from all of its obligations under or in respect of the Notes, the Deed of Covenant and the Agency Agreement.

Counterparts of each of the Documents shall be deposited with and held by the Fiscal Agent for so long as any of the Notes remains outstanding and for so long as any claim made against the Substituted Debtor or the Guarantor by any Noteholder or Accountholder in relation to the Notes, the Documents or the Substitution Guarantee shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Guarantor shall acknowledge in the Documents and the Substitution Guarantee the right of every Noteholder and Accountholder to the production of the Documents for the enforcement of any of the Notes, Documents or Substitution Guarantee.

Not later than 20 days after the execution of the Documents, the Substituted Debtor together with the Issuer shall give notice thereof to the Noteholders in accordance with Condition 15 (*Notices*).

14. **FURTHER ISSUES**

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

15. **NOTICES**

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

16. **CURRENCY INDEMNITY**

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

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

17. **ROUNDING**

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

18. **GOVERNING LAW AND JURISDICTION**

18.1 **Governing law**

The Notes and any non-contractual obligation arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law, save that Condition 3 (*Status and Subordination of the Notes*) shall be governed by Italian law.

## 18.2 **Jurisdiction**

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or in connected with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes).

## 18.3 **Appropriate forum**

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

## 18.4 **Rights of the Noteholders to take proceedings outside England**

Condition 18.2 (*Governing Law and Jurisdiction – Jurisdiction*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 18 prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any courts with jurisdiction.

## 18.5 **Service of Process**

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

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

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around 1 October 2010 (the “**Closing Date**”) with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) in the denomination of €50,000, at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Fiscal Agent if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

The Permanent Global Note will also become exchangeable, in whole but not in part only and at the option of the Issuer, for Definitive Notes if, by reason of any change in the laws of the Issuer’s taxing jurisdiction, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

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

If:

- (a) Definitive Notes have not been delivered by 5:00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5:00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the deed of covenant dated 1 October 2010 (the “**Deed of Covenant**”) executed by the Issuer in relation to the Notes). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.



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

- (i) *Payments:* All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the same is noted in a schedule thereto.
- (ii) *Notices:* Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and such Permanent Global Note is (or such Permanent Global Note and/or such Temporary Global Note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

## **USE OF PROCEEDS**

The proceeds from the issue of the Notes are expected to be approximately €1,000,000,000 gross of the Joint Lead Managers' fees and commissions and other expenses relating to the issuance and offering of the Notes. The proceeds of the Notes will be used by the Issuer to improve its capital ratios. In addition in the context of its asset and liabilities management and consistently with the absence of incentives to redeem the Notes as of the First Call Date and any of the Reset Date thereafter, the Issuer will enter into derivative arrangements with market counterparties whereby the fixed rate interest carried by the Notes until the Reset Date will be swapped with floating rate interest.

## DESCRIPTION OF THE ISSUER

### Group History

Intesa Sanpaolo derives from the merger by incorporation of Sanpaolo IMI with and into Banca Intesa S.p.A. pursuant to the deed of merger of 28 December 2006 of the Italian notary public Ettore Morone. The merger came into legal and accounting effect as of 1 January 2007. In the merger, the surviving entity was Banca Intesa, which changed its name from Banca Intesa S.p.A. to Intesa Sanpaolo S.p.A.

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

The entity now known as Intesa Sanpaolo S.p.A. was originally established in 1925 under the name of La Centrale with interests in the field of production and distribution of electricity. After the nationalisation of the enterprises in that sector in the early 1960s, the company changed its name to La Centrale Finanziaria Generale, acquiring equity investments in various sectors and particularly in the banking, insurance and publishing sectors. In 1985, La Centrale incorporated the holding company Nuovo Banco Ambrosiano, adopting its name and corporate objects. Nuovo Banco Ambrosiano was formed in 1982 by a group of seven banks in order to take over the Banco Ambrosiano bank, which had been put in mandatory liquidation.

The former Banca Intesa Group was formed in January 1998 following the acquisition by Banca Intesa S.p.A. (formerly known as Banco Ambrosiano Veneto S.p.A.) of the entire issued share capital of Cassa di Risparmio delle Provincie Lombarde S.p.A. ("**Cariplo**"). During 1999 Banca Popolare Friuladria and Cassa di Risparmio di Parma e Piacenza also joined the Intesa Group.

In December 1999 Banca Intesa finalised the exchange offer pursuant to which it acquired 70 per cent, of the outstanding ordinary shares and savings shares of Banca Commerciale Italiana S.p.A. ("**BCI**") in exchange for the issue of new ordinary shares of Banca Intesa. In October 2000 the Board of Directors of both Banca Intesa and BCI approved the merger by incorporation of BCI into Banca Intesa, which was completed on 1 May 2001. Following this merger, Banca Intesa adopted a new corporate name, "*Banca Intesa Banca Commerciale Italiana S.p.A.*" or, in short, "*IntesaBci S.p.A.*" or "*Banca Intesa Comit S.p.A.*".

On 1 January 2003 the corporate name reverted to "*Banca Intesa S.p.A.*" or, in short, "*Intesa S.p.A.*" and consequently the Group name became known once again as "*Gruppo Banca Intesa*" or, in short form, "*Gruppo Intesa*".

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

Sanpaolo was formed through the merger of IMI - Istituto Mobiliare Italiano into Istituto Bancario San Paolo di Torino, effective as of 1 November 1998.

Istituto San Paolo di Torino originates from the "Compagnia di San Paolo" brotherhood, which was set up in 1563 to help the needy. The "Compagnia" developed from "Monte di Pietà" to a real bank during the nineteenth century, progressively developing credit activities. In 1932, the Bank achieved the status of public law credit institute. Between 1960 and 1990, the Bank expanded its network nationwide through a number of acquisitions of local banks and medium-sized regional banks. In 1977, the Bank took control of Banco Lariano di Como and in 1984 it acquired Banca Provinciale Lombarda, well-rooted in the Bergamo province.

In 1991, the Bank acquired Crediop from Cassa Depositi e Prestiti and reached the level of a multifunctional group of national importance.

In 1992, following the transformation into a company limited by shares, according to the rules and facilitations provided for by Italian Law No. 218 of 1990 (the so-called Amato Law), approximately 20 per cent, of the share capital was listed on the Italian stock market and placed on the main foreign stock markets through public offers.

In 1993, certain reorganisations took place leading to the incorporation of Banco Lariano and of Banca Provinciale Lombarda. In February 1995, Banca Nazionale delle Comunicazioni was acquired. The privatisation process of the bank was completed in 1997 through the public offer for sale of 31 per cent, of the share capital and the private placement of a 22 per cent, stake aimed at constituting a stable group of shareholders.

At the time of the merger with IMI - Istituto Mobiliare Italiano, San Paolo presented itself as a commercial bank of primary national standing, with diversified products and a widespread and effective distribution network.

IMI was founded in 1931 as a public law body, with the purpose of promoting the process of restructuring and recapitalising Italian industry through the grant of medium/long-term loans and the acquisition of equity investments. During the eighties, the IMI group implemented a broad reorganisation of its operating structure and of its company activities by developing the business area represented by specialist credit services as well as new operations in the investment banking sector and, with Banca Fideuram, in the professional asset management and financial consultancy sectors.

The multifunctional group originated by the merger of Sanpaolo with IMI was organised according to business areas: commercial banking, large corporate, investment banking, personal financial services, merchant banking, funding of public investments and infrastructures.

During 2000, Sanpaolo IMI acquired Banco di Napoli, a longstanding bank with a strong territorial presence, which integrated the Group's distribution network with its widespread presence in Central-Southern Italy. Banco di Napoli was incorporated in 2002, followed by the spin-off by the Group of the operating units in Campania, Puglia, Calabria and Basilicata into a new company which took the name of Sanpaolo Banco di Napoli, the only group bank operating in those areas from that date.

### **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.

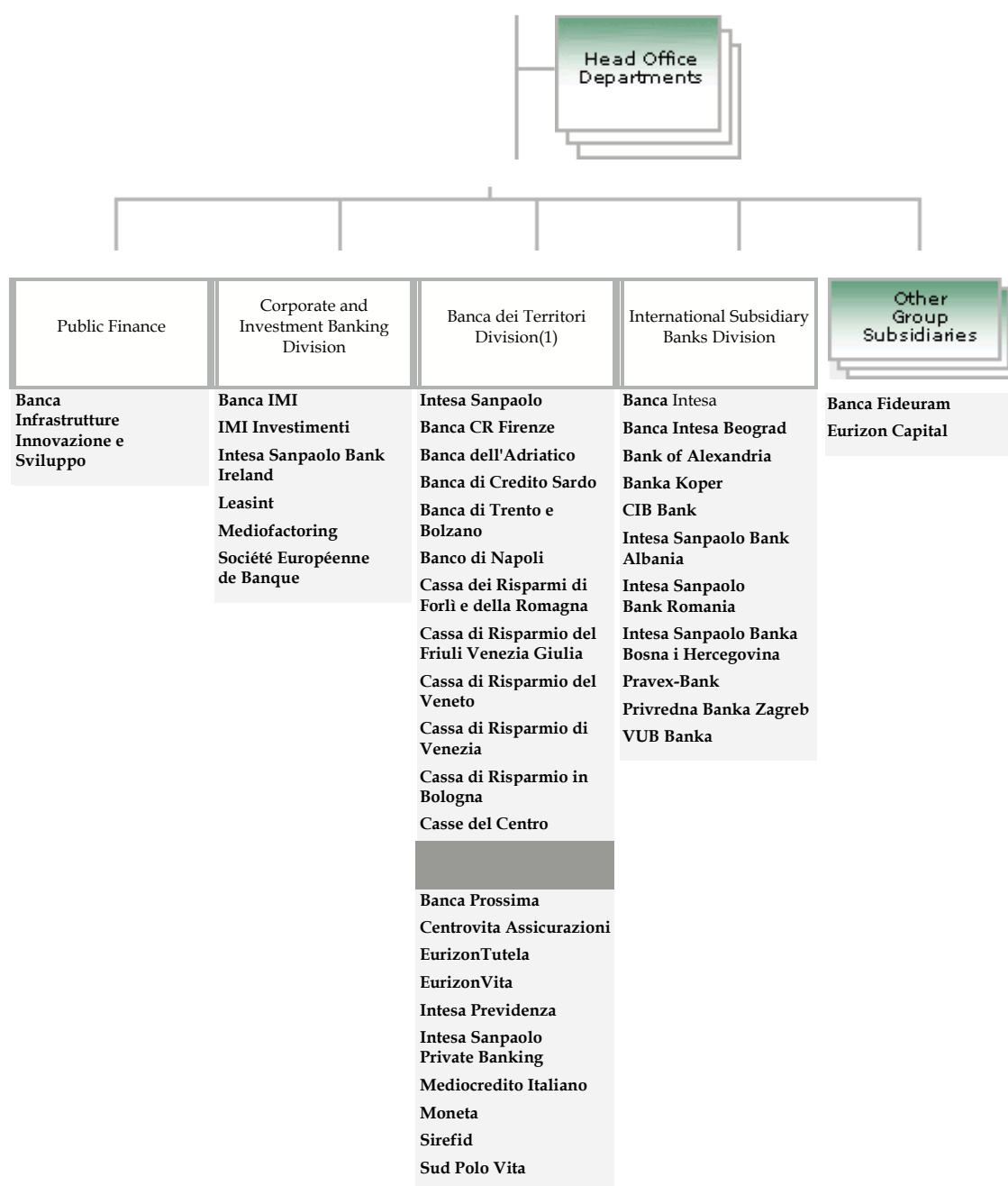
### **Objects**

The objects of 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

At 30 June 2010, Intesa Sanpaolo's issued and paid-up share capital amounted to €6,646,547,922.56, divided into 12,781,822,928 shares with a nominal value of €0.52 each, in turn comprising 11,849,332,367 ordinary shares and 932,490,561 non-convertible savings shares. Since 30 June 2010, there has been no change to Intesa Sanpaolo's share capital.

## Organisational Structure



(1) Domestic commercial banking

The activity of the Intesa Sanpaolo Group is organised by business units:

- The **Banca dei Territori Division** - which includes Italian subsidiary banks - operates with 5,749 branches serving 11.3 million customers and is based on a business model oriented to maintain and enhance regional brands, strengthen local commercial coverage and relations with individuals, small businesses and SMEs. Banca Prossima was established to serve non-profit entities and operates through the Group's branches, with local offices and dedicated professionals.

The activities of this Division include private banking, industrial credit (operated by Mediocredito Italiano) and bancassurance (operated by EurizonVita, Sud Polo Vita, Centrovita Assicurazioni and Intesa Vita - a joint venture with the Generali group - in the life insurance sector and EurizonTutela in the casualty sector, with products mainly addressed to the safeguard of person and assets).

- The **Corporate & Investment Banking Division** has the mission of supporting the steady and sustainable growth of businesses and financial institutions with a medium/long term view, on a national and international basis, acting as a "global partner" with an in-depth understanding of company strategies and a complete service range. The Division includes M&A activities, structured finance and capital markets (performed through Banca IMI) and also merchant banking. It is present in 31 countries supporting the cross-border activity of its customers through a specialised network which comprises foreign branches, representative offices and subsidiaries performing corporate banking activity.
- The **International Subsidiary Banks Division**, which is responsible for activities outside Italy, operates through subsidiary and partly-owned commercial banks and provides guidelines, coordination and support to subsidiaries abroad active in retail and commercial banking. It operates with 1,799 branches serving approximately 8.6 million customers in the following 13 countries in Central-Eastern Europe and the Mediterranean region: Albania (Intesa Sanpaolo Bank Albania), Bosnia-Herzegovina (Intesa Sanpaolo Banka Bosna i Hercegovina), Croatia (Privredna Banka Zagreb), Egypt (Bank of Alexandria), the Russian Federation (Banca Intesa), Greece (with the Athens branch of Intesa Sanpaolo Bank Albania), the Czech Republic (with the Prague branch of VUB Banka), Romania (with Intesa Sanpaolo Bank Romania and Banca CR Firenze Romania), Serbia (Banca Intesa Beograd), Slovakia (VUB Banka), Slovenia (Banka Koper), Hungary (CIB Bank) and Ukraine (Pravex-Bank).
- **Public Finance** is responsible for customers in government, public entities, local authorities, public utilities, general contractors, public and private healthcare structures, developing activities related to lending and day-to-day banking operations, project financing, securitisations, financial advisory, with the aim of favouring cooperation between public and private entities and supporting initiatives and investment projects in large infrastructures, healthcare, research and public utilities in general. Public finance activities are performed through Banca Infrastrutture Innovazione e Sviluppo.
- **Eurizon Capital** is the Group's asset management company.
- **Banca Fideuram** is the Group company specialised in asset gathering, performed by the networks of financial advisors and 97 branches serving customers with medium to high savings potential.

### Integration Process of the Intesa Sanpaolo Group

In 2009, the migration of all the Group Banks to the Group's target ICT system was completed along with a territorial reorder, that is a revision of territorial coverage including branch transfers between the different banks belonging to the Banca dei Territori Division.

## Rationalisation of the Intesa Sanpaolo Group Structure

Following approval in December 2008 of the reinforcement project for the Banca dei Territori Division - aimed to improve commercial efficiency in the areas covered and to relaunch marketing for the development of new products and services, at the same time maintaining adequate cost control - the territorial structure has been divided into eight Regional Governance Centres to coordinate 22 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned.

In 2009, the centralisation of investment banking activities in Banca IMI was completed, via the transfer of the structured finance activities formerly managed by Intesa Sanpaolo. By this reorganisation, a single structure has been created within the Group which is responsible for all capital market and investment banking activities, offering integrated solutions for all products and services in the field of extraordinary corporate finance.

In the same year, Intesa Sanpaolo Group Services was created, that is a consortium company tasked with Group-wide handling of all operations regarding Organisation, Security, Real Estate, Procurement, Operations, ITC systems and Contact Unit services.

## Management

### *Supervisory Board*

The composition of Intesa Sanpaolo's Supervisory Board is as set out below.

<u>Member of Supervisory Board</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo</u>
Giovanni Bazoli	Chairman	Chairman of Mittel S.p.A. Deputy Chairman of La Scuola S.p.A. Member of Supervisory Board of UBI Banca S.c.p.A. Director of RCS Quotidiani S.p.A.
Elsa Fornero	Deputy Chairman	Director of Buzzi Unicem S.p.A.
Mario Bertolissi	Deputy Chairman	-
Franco Dalla Sega	Board Member	Chairman of the Board of Statutory Auditors of Intesa Previdenza SIM S.p.A. Chairman of the Board of Statutory Auditors of Mittel Investimenti Immobiliari S.r.l. Chairman of the Board of Statutory Auditors of Mittel Private Equity S.p.A. Chairman of the Board of Statutory Auditors of Hopa S.p.A. Chairman of the Board of Statutory Auditors of Mittel S.p.A. Chairman of the Board of Statutory Auditors of Brands Partners 2 S.p.A. Member of the Board of the Statutory Auditors of I.T.L. S.r.l. Director of Avvenire Nuova Editoriale Italiana S.p.A. Director of MicroVentures S.p.A.
Luigi Arturo Bianchi	Board Member	Chairman of Idea SIM S.p.A. Director and Member of Control Committee of Benetton Group S.p.A. Director and Member of Control Committee of UBS Fiduciaria S.p.A.
Rosalba Casiraghi	Board Member	Chairman of the Board of Statutory Auditors of Non Performing Loans S.p.A. Chairman of the Board of Statutory Auditors of Banca CR Firenze S.p.A. Chairman of the Board of Statutory Auditors of Nuovo Trasporto Viaggiatori S.p.A. Member of the Board of Statutory Auditors of Industrie de Nora S.p.A.

<u>Member of Supervisory Board</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo</u>
		<p>Director of Luisa Spagnoli S.p.A.  Director of Spa.Im S.r.l.  Director of Spa.Pi S.r.l.  Director of Spa.Ma S.r.l.  Director of Alto Partners SGR S.p.A.  Director of Biancamano S.p.A.  Director of NH Hoteles SA  Director of PMS S.p.A.  Managing Director of Costruzione Gestione Progettazione - Co.Ge.Pro S.p.A.  Sole Director of Rating S.r.l.</p>
Gianluca Ferrero	Board Member	<p>Executive Partner of Giovanni Agnelli e C. Sapaz  Director of Banca del Piemonte S.p.A.  Director of SEI Società Editrice Internazionale S.p.A.  Director of Finlega S.p.A.  Director of Lol S.r.l.  Chairman of the Board of Statutory Auditors of Luigi Lavazza S.p.A.  Chairman of the Board of Statutory Auditors of Biotronik Italia S.r.l.  Chairman of the Board of Statutory Auditors of G.F.T. NET S.p.A. (in liquidazione)  Chairman of the Board of Statutory Auditors of Praxi Intellectual Property S.p.A.  Chairman of the Board of Statutory Auditors of TO-DIS S.r.l.  Chairman of the Board of Statutory Auditors of Edizione White Star S.r.l.  Chairman of the Board of Statutory Auditors of Cafiero Mattioli Finanziaria S.p.A.  Member of the Board of the Statutory Auditors of Alberto Lavazza e C. Sapa  Member of the Board of the Statutory Auditors of Emilio Lavazza Sapa  Member of the Board of the Statutory Auditors of Fenera Holding S.p.A.  Member of the Board of the Statutory Auditors of Fenera Real Estate S.p.A.  Member of the Board of the Statutory Auditors of Centro Congressi Unione Industriali Torino S.p.A.  Liquidator of Tecnodelta S.p.A. (in liquidazione)  Sole Director of B. S.r.l.</p>
Jean Paul Fitoussi	Board Member	Director of Telecom Italia S.p.A.
Pietro Garibaldi	Board Member	-
Giulio Stefano Lubatti	Board Member	Chairman of the Board of the Statutory Auditors of Banco di Napoli S.p.A.
Marco Mangiagalli	Board Member	<p>Chairman of Saipem S.p.A.  Director of Luxottica Group S.p.A.</p>
Gianni Marchesini	Board Member	-
Fabio Pasquini	Board Member	<p>Chairman of Fidicont S.r.l.  Managing Director of Torino Fiduciaria - Fiditor S.r.l.  Member of the Board of the Statutory Auditors of Basicitalia S.p.A.  Member of the Board of the Statutory Auditors of Italcables S.p.A.  Member of the Board of the Statutory Auditors of Rexcourta S.p.A.  Member of the Board of the Statutory Auditors of S.p.A. Michelin Italiana - S.A.M.I.  Member of the Board of the Statutory Auditors of Autoliv Italia S.p.A.  Member of the Board of the Statutory Auditors of Basic world S.r.l.  Member of the Board of the Statutory Auditors of Casco Imos Italia S.r.l.  a socio unico</p>



<u>Member of Supervisory Board</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo</u>
		<p>Member of the Board of the Statutory Auditors of Grandi Magazzini Piemontesi S.r.l.</p> <p>Member of the Board of the Statutory Auditors of Jacobacci &amp; Partners S.p.A.</p> <p>Chairman of the Board of the Statutory Auditors of Finance Evolution S.p.A.</p> <p>Chairman of the Board of the Statutory Auditors of Geovita F.I. S.r.l.</p> <p>Chairman of the Board of the Statutory Auditors of Sangiorgio Costruzioni S.p.A.</p> <p>Chairman of the Board of the Statutory Auditors of Sapri S.p.A.</p> <p>Director of Consorzio Torino Time</p>
Gianluca Ponzellini	Board Member	<p>Chairman of Metodo S.r.l.</p> <p>Chairman of the Board of Statutory Auditors of Banca IMI S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of De' Longhi Capital Services S.r.l.</p> <p>Chairman of the Board of Statutory Auditors of De' Longhi S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of De' Longhi Appliances S.r.l.</p> <p>Chairman of the Board of Statutory Auditors of Finmar S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of Luisa Spagnoli S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of Spa.Pi S.r.l.</p> <p>Chairman of the Board of Statutory Auditors of Spa.Im S.r.l.</p> <p>Chairman of the Board of Statutory Auditors of Spa.Ma S.r.l.</p> <p>Chairman of the Board of Statutory Auditors of Diperdi S.r.l.</p> <p>Member of the Board of the Statutory Auditors of G.S. S.p.A.</p> <p>Member of the Board of the Statutory Auditors of Casa Editrice Universo S.p.A.</p> <p>Member of the Board of the Statutory Auditors of Caretti &amp; Associati S.p.A.</p> <p>Member of the Board of the Statutory Auditors of Etnastore S.r.l.</p> <p>Member of the Board of the Statutory Auditors of SSC Società Sviluppo Commerciale S.r.l.</p> <p>Member of the Board of the Statutory Auditors of Telecom Italia S.p.A.</p>
Gianguido Sacchi Morsiani	Board Member	-
Marco Spadacini	Board Member	<p>Chairman of the Board of Statutory Auditors of Atlantia S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of Ambi S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of Apple Italia S.r.l.</p> <p>Chairman of the Board of Statutory Auditors of Apple S.p.A.</p> <p>Chairman of the Board of Statutory Auditors of Cooperativa Palomar 3 arl</p> <p>Chairman of the Board of Statutory Auditors of Delmi S.p.A.</p> <p>Director of Arnoldo Mondadori Editore S.p.A.</p> <p>Director of Lorenzo Galtruccio S.p.A.</p> <p>Director of Compagnia Fiduciaria Nazionale S.p.A.</p> <p>Member of the Board of the Statutory Auditors of Axa Assicurazioni S.p.A.</p> <p>Member of the Board of the Statutory Auditors of Axa Partecipazioni S.p.A.</p> <p>Member of the Board of the Statutory Auditors of Centurion Immobiliare S.p.A.</p> <p>Member of the Board of the Statutory Auditors of Expo 2015 S.p.A.</p> <p>Member of the Board of the Statutory Auditors of Investim S.r.l.</p> <p>Member of the Board of the Statutory Auditors of Transalpina di Energia S.r.l.</p> <p>Member of the Board of the Statutory Auditors of Fondiaria S.A.I. S.p.A.</p>

<u>Member of Supervisory Board</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo</u>
Ferdinando Targetti	Board Member	-
Livio Torio	Board Member	Chairman of the Board of Statutory Auditors of Mediocredito Italiano S.p.A. Chairman of the Board of Statutory Auditors of Moneta S.p.A. Chairman of the Board of Statutory Auditors of Setefi S.p.A. Chairman of the Board of Statutory Auditors of Alintec Scarl Chairman of the Board of Statutory Auditors of Senato 14/16 Immobiliare S.r.l. Chairman of the Board of Statutory Auditors of Fondo Pensioni per il Personale Cariplo Member of the Board of the Statutory Auditors of Banca di Credito Sardo S.p.A. Member of the Board of the Statutory Auditors of Fondazione Lombardia Film Commission Member of the Board of the Statutory Auditors of P.S.M. Celada Fasteners S.r.l.
Riccardo Varaldo	Board Member	Director of Finmeccanica S.p.A. Director of Piaggio & C. S.p.A.

### *Management Board*

The composition of the Management Board of Intesa Sanpaolo is as set out below.

<u>Director</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo</u>
Andrea Beltratti	Chairman	-
Marcello Sala	Deputy Chairman	Director of Bank of Alexandria S.A.E. Director of Banca ITB S.p.A.
Giovanni Costa	Deputy Chairman	Director of Edizione S.r.l.
Corrado Passera	Managing Director and Chief Executive Officer	-
Aureliano Benedetti	Board Member	Chairman of Banca CR Firenze S.p.A. Chairman of Centrovita Assicurazioni S.p.A. Deputy Chairman of Agriventure S.p.A. Director of Banca Imi S.p.A.
Paolo Campaioli	Board Member	Director of Cassa di Risparmio di Pistoia e Pescia S.p.A. Director of Centrovita Assicurazioni S.p.A.
Elio Catania	Board Member	Chairman and Managing Director of Azienda Trasporti Milanese S.p.A. Director of Telecom Italia S.p.A.
Roberto Firpo	Board Member	Director of Banco di Napoli S.p.A. Director of Equiter S.p.A.
Emilio Ottolenghi	Board Member	Chairman of Banca IMI S.p.A. Chairman of La Petrolifera Italo Rumena S.p.A. Chairman of Pir Finanziaria S.p.A. Chairman of Vis S.p.A. Director of Sapir S.p.A. Chairman of the Supervisory Board of La Petrolifera Italo Albanese Sh.A.

The business address of each member of the Management Board is Intesa Sanpaolo S.p.A., Piazza San Carlo 156, 10121 Turin.

## ***Conflicts of interest***

None of the functions performed by any of the Board Members mentioned above results in a conflict of interest, except for any competition in the national and/or international banking system in the ordinary course of business arising from the activities performed by them outside Intesa Sanpaolo, as set out in the tables above under the heading “*Principal activities performed outside Intesa Sanpaolo*”.

## **Principal Shareholders**

As of 30 July 2010, the shareholder structure of Intesa Sanpaolo was composed as follows (holders of shares exceeding 2%).

<u>Shareholder</u>	<u>Ordinary shares</u>	<u>% of ordinary shares</u>
Compagnia di San Paolo	1,171,622,725	9.888%
Crédit Agricole S.A	592,000,000	4.996%
Assicurazioni Generali	589,263,955	4.973%
Fondazione C.R. Padova e Rovigo	583,404,899	4.924%
Fondazione Cariplo	554,578,319	4.680%
Ente C.R. Firenze	400,287,395	3.378%
BlackRock Inc. <sup>(1)</sup>	376,688,882	3.179%
Fondazione C.R. in Bologna	323,955,012	2.734%
Carlo Tassara S.p.A.	296,764,457	2.504%

<sup>(1)</sup> Fund Management

## **Subprime Mortgages**

Intesa Sanpaolo is only indirectly exposed to the U.S. subprime mortgage crisis through structured credit products which were negatively affected by the dramatic decline in prices from the fourth quarter of 2007 - with impacts on profits on trading mainly in terms of write-downs - to the first quarter of 2009 inclusive, with recovery starting as of the second quarter of 2009 with positive effects on profits on trading, as commented upon previously in the income statement section.

The Group had a gross and net risk exposure to structured credit products with underlying U.S. subprime of 36 million euro as at 30 June 2010.

## **Legal Risks**

Legal risks are analysed by Intesa Sanpaolo Group and by group companies. Provisions are made to the Allowance for risks and charges, in the presence of legal obligations for which it is probable the funds will be disbursed to meet such obligations and where it is possible to make a reliable estimate of the disbursement.

The most complex legal procedures are described in the paragraphs below.

## ***Litigation regarding compound interest***

In 1999, the Italian Supreme Court (*Corte di Cassazione*) declared that quarterly capitalisation of interim interest payable on current accounts was unlawful. Although a subsequent Legislative Decree (No. 342 of 4 August 1999) confirmed the legitimacy of capitalisation of interest on current accounts under certain conditions, this decree only took effect in April 2000. Disputes therefore arose regarding those contracts which were entered into before April 2000.

The overall number of pending cases on this issue is not significant and Intesa Sanpaolo believes that the potential losses related to these disputes are sufficiently covered by provisions made for risks and charges.

### *Litigation regarding bonds in default*

Intesa Sanpaolo is party to a number of proceedings related to the bond defaults of Cirio (in addition to the Cirio default described below), Parmalat, Argentina and Lehman Brothers.

With respect to Parmalat, pursuant to an agreement with Italian consumer groups, Intesa Sanpaolo have instituted a settlement procedure that covered all of the approximately 27,000 customers of the former Sanpaolo IMI Group who had purchased Parmalat bonds and subsequently converted them into shares and warrants of the new Parmalat. Approximately 16,400 of these customers agreed to participate in the procedure. Examination of claims began in November 2008 and concluded in the first half of 2010. Former Sanpaolo IMI Group customers also benefit from the support offered by the Sanpaolo IMI Customer Parmalatbond Committee. The committee's mission is to provide free protection for the rights to compensation of participants, including by filing a civil claim in the pending trials of those responsible for the default. The results of these initiatives include three important settlements reached by the committee and the parties against whom civil claims were brought in the trials. These settlements resulted in the availability of a total of Euro 83.5 million, most of which has already been distributed to participants. A fourth settlement was added recently, for which participants are currently being sought and an additional amount of approximately €15 million is expected to be recovered.

With respect to the bond defaults by Argentina and Lehman Brothers, customer claims are managed on a case-by-case basis. Intesa Sanpaolo believes that the potential losses related to these disputes are sufficiently covered by provisions made for risks and charges.

### *Cirio group default*

In November 2002, the Cirio Group, one of the largest Italian groups operating in the agro-industrial sector, was declared insolvent. The bonds issued by the Cirio Group had a nominal value totalling approximately €1,250 million. Together with other major banking groups, both the former Banca Intesa Group and the former Sanpaolo IMI Group had granted loans to the Cirio group.

In April 2007, ten companies of the Cirio group claimed that Intesa Sanpaolo and Banca Caboto (now Banca IMI), together with five other banks, were liable for damages caused by aggravating the default of the Cirio group by assisting in the issuance in the 2000/2002 period of six bonds. The Cirio group alleges that damages could be between €2,082 million and Euro 421 million. On 3 November 2009, the Court of Rome ruled against the Cirio group, finding that their claim was unfounded and rejecting the request for damages. In February 2010, the Cirio group appealed against this judgment and the appeal is still pending.

### *Equitalia Polis S.p.A. (formerly Gest Line S.p.A.)*

In three separate transactions in September 2006, December 2007 and April 2008, Intesa Sanpaolo sold to Equitalia (a tax collection company owned by the Italian government) 100% of the share capital of Gest Line S.p.A. (now Equitalia Polis), a company that performed tax-collection activities in the former Sanpaolo IMI Group. At the time of the sale, Intesa Sanpaolo indemnified the buyer against losses related to prior litigation concerning alleged irregularities in Gest Line's tax-collection activities in the late 1980s and the early 1990s. Although an amnesty for administrative irregularities was passed in Italy (introduced in Italy by Law No. 311/04), doubts have been raised by certain local tax authorities concerning whether Gest Line should be eligible. Notwithstanding a new regulatory initiative passed in 2007 (Law Decree No. 248/2007) aimed at clarifying the scope of the amnesty, magistrates of the Italian *Corte dei Conti* have ruled against Gest Line. Intesa Sanpaolo believes that the potential losses related to these disputes are sufficiently covered by provisions made for risks and charges.

### ***BIIS and Municipality of Taranto dispute***

BIIS (as the successor to Banca OPI) was sued in the Court of Taranto by the Municipality of Taranto in a case related to Banca OPI's 2004 purchase of a €250 million bond issued by the Municipality. On 27 April 2009, the Court nullified the bond and ordered BIIS to reimburse, with interest, all payments the Municipality had made on the bond and the Municipality was ordered to pay BIIS the principal amount of the bond, with interest. Both parties subsequently appealed against the judgment and the case is still pending.

### ***Class action by Codacons***

On 5 January 2010, Codacons (the Italian consumer rights organisation), acting on behalf of a single account holder, filed a class action suit against Intesa Sanpaolo and other major banking groups arguing that the Intesa Sanpaolo new fee structure (which replaced the prior system of overdraft charges) is unlawful and requesting compensation in the amount of €1,250 for each of the affected account holders in the class. Intesa Sanpaolo believes that the case is not properly admissible as a class action and, moreover, is incorrect on its merits.

The Court of Turin ruled in June 2010 that this case is inadmissible as a class action. This ruling has been appealed against by the plaintiffs.

### ***Angelo Rizzoli litigation***

In September 2009, Angelo Rizzoli filed a suit against Intesa Sanpaolo (as the successor of the former Banco Ambrosiano) and four other parties seeking to nullify transactions undertaken between 1977 and 1984, which he alleges resulted in the wrongful loss of control he would have exercised over Rizzoli Editore S.p.A. Mr. Rizzoli is requesting compensation in an amount ranging from €650 to €724 million. This case is still pending. Intesa Sanpaolo believes that these claims are incorrect on their merits and, moreover, are inadmissible on the grounds that the Milan Court of Appeal already ruled on this matter in a 1996 judgment.

### ***Other judicial and administrative proceedings***

The District Prosecutor of New York and the Department of Justice have started a criminal investigation in the U.S. aimed at verifying the methods used for clearing dollar payments in the U.S. to/from countries embargoed by the U.S. government in the years from 2001 to 2008. The investigation involves the treatment of payment orders issued in connection with SWIFT interbank payments settled through U.S. banks and the alleged omission or alteration of information relating to the senders and beneficiaries of these payments. Intesa Sanpaolo is cooperating in full with this investigation.

The U.S. banking supervisory authorities also initiated a parallel administrative proceeding in March 2007 related to weaknesses in the anti-money laundering systems of Intesa Sanpaolo New York branch. Remedial action was requested to strengthen these anti-money laundering procedures, and Intesa Sanpaolo believes that it has complied with all such requests to date.

Based on the information available, Intesa Sanpaolo cannot currently estimate when and how these proceedings will be concluded or what impact they may have.

### ***Italian competition authority proceedings related to Crédit Agricole***

The Italian Competition Authority began non-compliance proceedings against us related to Intesa Sanpaolo's relationship with Crédit Agricole following the merger between Banca Intesa and Sanpaolo IMI. Pursuant to the Italian Competition Authority's authorisation of the merger, Intesa Sanpaolo is required to

ensure that Crédit Agricole complies with certain obligations to reduce its ownership interest in Intesa Sanpaolo. In April 2009, Assicurazioni Generali and Crédit Agricole entered into a shareholders' agreement with respect to Intesa Sanpaolo shares, which prompted the Italian Competition Authority to begin non-compliance proceedings against Intesa Sanpaolo.

In February 2010, Intesa Sanpaolo executed an agreement with Crédit Agricole pursuant to which Crédit Agricole agreed to purchase certain assets from Intesa Sanpaolo and made a series of commitments to Intesa Sanpaolo. In a resolution of 18 February 2010, the Italian Competition Authority acknowledged Intesa Sanpaolo's agreement with Crédit Agricole and extended the deadline for the conclusion of the non-compliance proceedings until 15 July 2011.

### ***Tax litigation***

The risks associated with tax litigation are covered by specific provisions for risks and charges. In 2009, there were no new significant tax disputes brought against the parent company.

The outstanding tax litigation as of 31 December 2009 involving the other Italian and international companies of the Group amounted to a total of Euro 572 million, consisting of Euro 549 million for actions brought for taxes, penalties and interest by tax authorities and €23 million for tax credits recorded in the financial statements.

The most significant disputes that arose in 2009 relate to interpretative issues (with respect to which Intesa Sanpaolo believes it has acted correctly). These include:

- a total of approximately €211 million claimed from Intesa Investimenti in taxes, penalties and interest for 2004, 2005 and 2006 related to the reclassification of foreign dividends collected by the company; and
- approximately €105 million claimed from Banca IMI in income taxes, withholdings, penalties and interest involving both Banca IMI, for the tax years 2004 to 2006, and the former Banca Caboto, for the tax years 2004 to 2006, primarily relating to equity dividend transactions and other issues associated with core capital market and investment banking operations.

The affected companies are disputing these matters in the appropriate tax courts.

### **Recent Events**

#### ***Intesa Sanpaolo Group sells Cassa di Risparmio della Spezia and 96 branches to Crédit Agricole Group***

On 22 June 2010, Intesa Sanpaolo published a press release, an extract of which is set out below:

*"Intesa Sanpaolo and Crédit Agricole today finalised terms and conditions of the agreement disclosed on 18 February 2010, whereby Intesa Sanpaolo shall sell to the Crédit Agricole Group the entire stake held by its subsidiary Banca CR Firenze in Cassa di Risparmio della Spezia (80% of the capital) and 96 branches of the Group in Italy for a total cash consideration of approximately 740 million euro. The congruity of that consideration with the market price has been confirmed by the fairness opinion of Deutsche Bank AG, acting as independent expert. Around 585 million euro of the total consideration are goodwill and other intangible assets. Once finalised, that transaction, which is conditional upon the necessary authorisations, will result in approximately 215 million euro of net capital gains for the Intesa Sanpaolo Group, approximately 370 million euro of goodwill and other intangible assets being released and approximately 20 basis points of positive impact on the Core Tier 1 ratio.*

The overall consideration is subject to a price adjustment mechanism based on the trend of total deposits (both direct and indirect) after today's date, which is estimated not to reflect materially in the mentioned positive effect on the Core Tier 1 ratio.

Cassa di Risparmio della Spezia has operations in Liguria, Tuscany and Emilia Romagna carried out through a network of 76 branches. As at 31 December 2009, its loans to customers amounted to around 1.8 billion euro, direct customer to 1.8 billion euro, indirect customer deposits to 1.9 billion euro and the net shareholders' equity was 179 million euro. In 2009, Cassa di Risparmio della Spezia registered operating income of 93 million euro, an operating margin of 33 million euro and net income of 9 million euro.

The 96 branches of the Intesa Sanpaolo Group involved in the sale are mostly located in areas neighbouring those where the Crédit Agricole Group already has a presence. The geographical breakdown is as follows: 3 branches in Liguria, 28 in Lombardy, 1 in Piedmont, 15 in Veneto, 18 in Tuscany, 4 in Umbria and 27 in Latium. As per year-end 2009 management data, all the 96 branches under disposal accounted for loans to customers of approximately 2 billion euro, direct customer deposits of 4.2 billion euro and indirect customer deposits of 4.3 billion euro. In 2009, those branches generated operating income of approximately 121 million euro and - before allocation of corporate centre costs - an operating margin of approximately 45 million euro and net income of approximately 23 million euro.

The above sale and purchase operation is a related party transaction since at the end of April 2010 Crédit Agricole held 5.163% of the ordinary share capital of Intesa Sanpaolo and the latter's corporate rules have extended the definition of related party to any shareholder who owns an equity investment with voting rights in the Bank's capital of over 2%."

#### ***Intesa Sanpaolo passes the EU-wide stress test***

On 23 July 2010, Intesa Sanpaolo published a press release, the full text of which is set out below:

- “• Intesa Sanpaolo was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and Banca d'Italia.
- Intesa Sanpaolo acknowledges the outcomes of the EU-wide stress tests.
- This stress test complements the risk management procedures and regular stress testing programmes set up in Intesa Sanpaolo under the Pillar 2 framework of the Basel II and CRD<sup>1</sup> requirements.
- The exercise was conducted using the scenarios, methodology and key assumptions provided by CEBS (see the aggregate report published on the CEBS website<sup>2</sup>). As a result of the assumed shock under the adverse scenario, the estimated consolidated Tier 1 capital ratio would change to 8.8% in 2011 compared to 8.3% as of end of 2009. An additional sovereign risk scenario would have a further impact of 0.6 percentage point on the estimated Tier 1 capital ratio, bringing it to 8.2% at the end of 2011, compared with the CRD regulatory minimum of 4%.
- The results of the stress suggest a buffer of 8,500 mln EUR of the Tier 1 capital against the threshold of 6% of Tier 1 capital adequacy ratio for Intesa Sanpaolo agreed exclusively for the purposes of this exercise. This threshold should by no means be interpreted as a regulatory minimum (the regulatory minimum for the Tier 1 capital ratio is set to 4%), nor as a capital target reflecting the risk profile of the institution determined as a result of the supervisory review process in Pillar 2 of the CRD.
- Banca d'Italia has held rigorous discussions of the results of the stress test with Intesa Sanpaolo.

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<sup>1</sup> Directive EC/2006/48 – Capital Requirements Directive (CRD)

<sup>2</sup> <http://stress-test.c-ebs.org/results.htm>

- *Given that the stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet) the information on benchmark scenarios is provided only for comparison purposes and should in no way be construed as a forecast.*
- *In the interpretation of the outcome of the exercise, it is imperative to differentiate between the results obtained under the different scenarios developed for the purposes of the EU-wide exercise. The results of the adverse scenario should not be considered as representative of the current situation or possible present capital needs. A stress testing exercise does not provide forecasts of expected outcomes since the adverse scenarios are designed as “what-if” scenarios including plausible but extreme assumptions, which are therefore not very likely to materialise. Different stresses may produce different outcomes depending on the circumstances of each institution.*

- **Background**

*The objective of the 2010 EU-wide stress test exercise conducted under the mandate from the EU Council of Ministers of Finance (ECOFIN) and coordinated by CEBS in cooperation with the ECB, national supervisory authorities and the EU Commission, is to assess the overall resilience of the EU banking sector and the banks’ ability to absorb further possible shocks on credit and market risks, including sovereign risks.*

*The exercise has been conducted on a bank-by-bank basis for a sample of 91 EU banks from 20 EU Member States, covering at least 50% of the banking sector, in terms of total consolidated assets, in each of the 27 EU Member States, using commonly agreed macro-economic scenarios (benchmark and adverse) for 2010 and 2011, developed in close cooperation with the ECB and the European Commission.*

*More information on the scenarios, methodology, aggregate and detailed individual results is available from CEBS<sup>3</sup>. Information can also be obtained from the website of Banca d’Italia<sup>4</sup>.*

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<sup>3</sup> See: <http://stress-test.c-ebs.org/results.htm>

<sup>4</sup> See: [http://www.bancaditalia.it/vigilanza/stress\\_test;internal&action=\\_setlanguage.action?LANGUAGE=en](http://www.bancaditalia.it/vigilanza/stress_test;internal&action=_setlanguage.action?LANGUAGE=en)



**Template for bank specific publication of the stress test outputs****Name of bank: INTESA SANPAOLO****Actual results****At 31 December 2009****mln EUR**

Total Tier 1 capital	30,205
Total regulatory capital	42,754
Total risk weighted assets	361,750
Pre-impairment income (including operating expenses)	8,021
Impairment losses on financial assets in the banking book	-3,941
1 yr Loss rate on Corporate exposures (%) <sup>1</sup>	1.05%
1 yr Loss rate on Retail exposures (%) <sup>1</sup>	0.97%
Tier 1 ratio (%)	8.3%

**Outcomes of stress test scenarios**

The stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet, uniform treatment of securitisation exposures). Therefore, the information relative to the benchmark scenarios is provided only for comparison purposes. Neither the benchmark scenario nor the adverse scenario should in any way be construed as a forecast.

**Benchmark scenario at 31 December 2011<sup>2</sup>****mln EUR**

Total Tier 1 capital after the benchmark scenario	33,934
Total regulatory capital after the benchmark scenario	43,550
Total risk weighted assets after the benchmark scenario	345,167
Tier 1 ratio (%) after the benchmark scenario	9.8%

**Adverse scenario at 31 December 2011<sup>2</sup>****mln EUR**

Total Tier 1 capital after the adverse scenario	33,326
Total regulatory capital after the adverse scenario	42,782
Total risk weighted assets after the adverse scenario	377,451
2 yr cumulative pre-impairment income after the adverse scenario (including operating expenses) <sup>2</sup>	17,782
2 yr cumulative impairment losses on financial assets in the banking book after the adverse scenario <sup>2</sup>	-10,865
2 yr cumulative losses on the trading book after the adverse scenario <sup>2</sup>	-586
2 yr Loss rate on Corporate exposures (%) after the adverse scenario <sup>1, 2</sup>	2.81%
2 yr Loss rate on Retail exposures (%) after the adverse scenario <sup>1, 2</sup>	2.34%
Tier 1 ratio (%) after the adverse scenario	8.8%

**Additional sovereign shock on the adverse scenario at 31 December 2011****mln EUR**

Additional impairment losses on the banking book after the sovereign shock <sup>2</sup>	-928
Additional losses on sovereign exposures in the trading book after the sovereign shock <sup>2</sup>	-1,915
2 yr Loss rate on Corporate exposures (%) after the adverse scenario and sovereign shock <sup>1, 2, 3</sup>	3.09%
2 yr Loss rate on Retail exposures (%) after the adverse scenario and sovereign shock <sup>1, 2, 3</sup>	2.56%
Tier 1 ratio (%) after the adverse scenario and sovereign shock	8.2%
Additional capital needed to reach a 6 % Tier 1 ratio under the adverse scenario + additional sovereign shock, at the end of 2011	-

<sup>1</sup> Impairment losses as a % of corporate/retail exposures in AFS, HTM, and loans and receivables portfolios

<sup>2</sup> Cumulative for 2010 and 2011

<sup>3</sup> On the basis of losses estimated under both the adverse scenario and the additional sovereign shock

Exposures to central and local governments

**Banking group's exposure on a consolidated basis**

**Amount in million reporting currency**

*Name of bank* INTESA SANPAOLO

*Reporting date* 31 March 2010

	<i>Gross exposures</i>	<i>of which Banking book</i>	<i>of which Trading book</i>	<i>Net exposures</i>
<i>Austria</i>	57	6	51	50
<i>Belgium</i>	74	34	40	40
<i>Bulgaria</i>				
<i>Cyprus</i>				
<i>Czech Republic</i>				
<i>Denmark</i>				
<i>Estonia</i>				
<i>Finland</i>				
<i>France</i>	434	45	389	434
<i>Germany</i>	529	335	194	380
<i>Greece</i>	828	536	292	828
<i>Hungary</i>	718	596	122	703
<i>Iceland</i>				
<i>Ireland</i>	156	156	0	156
<i>Italy</i>	63,681	41,121	22,560	63,543
<i>Latvia</i>				
<i>Liechtenstein</i>				
<i>Lithuania</i>				
<i>Luxembourg</i>	44	44	0	44
<i>Malta</i>				
<i>Netherlands</i>	3	3	0	3
<i>Norway</i>				
<i>Poland</i>				
<i>Portugal</i>	25	25	0	25
<i>Romania</i>				
<i>Slovakia</i>	3,038	2,956	82	3,038
<i>Slovenia</i>	177	177	0	177
<i>Spain</i>	556	546	10	556
<i>Sweden</i>				
<i>United Kingdom</i>	1,080	0	1,080	1,069"

### ***Intesa Sanpaolo: clarification over the Group passing the EU-wide stress test***

On 23 July 2010, Intesa Sanpaolo published a press release, the full text of which is set out below:

*“The Intesa Sanpaolo Group passed the stress test carried out by the CEBS on the 91 major European banking groups. Under a what-if adverse scenario with an additional sovereign shock, the Group would register a Tier 1 ratio of 8.2% at year-end 2011 compared to the 8.3% ratio of year-end 2009 and the minimum level of 6% required for the purposes of this stress test, with a buffer of approximately 8.5 billion euro of Tier 1 capital against the threshold of the minimum capital adequacy ratio required for the purposes of this exercise.*

*Under a what-if adverse scenario with an additional sovereign shock, the Core Tier 1 ratio would stand at 7.1% at year-end 2011, the same level as at year-end 2009.*

*That result does not imply any implementation of contingency actions on costs (in particular, a level of capital budget investment exceeding 1.5 billion euro is being maintained) nor does it take into account the expected benefit of more than 150 basis points from possible capital management actions on non-core assets (e.g. partial or full disposals, partnerships, listings) just reckoning the net benefit of about 40 basis points from the Group’s capital management actions and acquisitions either finalised or in their finalisation stage after 31 December 2009.*

*Furthermore, that result has been achieved in spite of a write-down of sovereign bonds held for trading based on assumptions (haircut provided by supervisory authorities) of losses on securities with a residual life of 5 years, whereas the Group’s portfolio of government bonds held for trading has an average residual life of just around one year, as the annex shows.*

*That result stems from the course of action that the Intesa Sanpaolo Group has continued to implement since its foundation aimed at achieving sustainable profitability driven by strategic decisions concerning not only revenues and costs but also liquidity, capital solidity and a low risk profile.*

*The what-if stress exercise (under the adverse scenario with an additional sovereign shock) showed, in fact, that the Intesa Sanpaolo Group is able to preserve its sustainable profitability generating resources of 17.8 billion euro for the 2010-2011 period thus broadly absorbing losses of overall 14.3 billion euro envisaged in the stress test due to loan adjustments, impairment on AFS equity instruments and trading losses.*

*Self-financing under the stress scenario (adverse scenario with an additional sovereign shock) assumes a dividend pay-out of a total amount of approximately 1.3 billion euro for the years 2010 and 2011, consistent with capital ratios exceeding 7% for the Core Tier 1 ratio and 8% for the Tier 1 ratio within a stress scenario. Under the benchmark scenario, which brings the Core Tier 1 ratio to 8.5% and the Tier 1 ratio to 9.8% at year-end 2011, self-financing assumes a dividend pay-out of a total amount of approximately 2 billion euro for the years 2010 and 2011, in line with both the approximately one billion euro pay-out in 2010 for year 2009 and the calculation of capital ratios as at 31 March 2010 which had taken into account the dividend accrued in the first quarter of the year assuming the quarterly quota of the amount paid for year 2009.*

*Under the what-if stress scenario (adverse scenario with an additional sovereign shock) the Core Tier 1 ratio stands at 7.1% at year-end 2011, the same level as at year-end 2009 as a result of on one hand a net negative impact of about 40 basis points following the what-if stress scenario and on the other of a net positive impact of equal size generated by the Group’s capital management actions and acquisitions either finalised or in their finalisation stage after 31 December 2009 detailed below:*

- *sale of the securities services business to State Street Corporation, finalised on 22 June 2010 (positive impact of 37 basis points on the Core Tier 1 ratio),*

- purchase of 50 branches from Banca Monte dei Paschi di Siena, finalised on 11 June 2010 (negative impact of 9 basis points on the Core Tier 1 ratio),
- sale of Cassa di Risparmio della Spezia and 96 branches to the Crédit Agricole group, in the finalisation stage (expected positive impact of about 20 basis points on the Core Tier 1 ratio),
- purchase of 50% of Intesa Vita from the Generali group, in the finalisation stage (expected negative impact of 7 basis points on the Core Tier 1 ratio).

**STRESS-TEST RESULTS (ADVERSE SCENARIO WITH AN ADDITIONAL SOVEREIGN SHOCK) FOR THE INTESA SANPAOLO GROUP**

<b>31 December 2009</b>	<b>€bn</b>	<b>% RWA</b>
Core Tier 1 Capital	25.7	7.1
Tier 1 Capital	30.2	8.3
Total Regulatory Capital	42.8	11.8
Risk-Weighted Assets	361.8	
<b>Cumulated impacts from stress test on 2010-2011 P&amp;L</b>		
<b>Total losses envisaged</b>	<b>14.3</b>	
Of which: Impairment on the banking book	11.8	
Of which: Net adjustments on loans	10.7	
Impairment on AFS equity instruments	1.1	
Trading Losses	2.5	
<b>Loss-absorbing resources from recurring operations</b>	<b>17.8</b>	
<b>Post-stress results</b>		
Core Tier 1	26.6	7.1
Tier 1 Capital	31.1	8.2
Total Regulatory Capital	40.6	10.8
Risk-Weighted Assets	377.5	

**Intesa Sanpaolo Group's portfolio of government bonds held for trading**

<b>Country</b>	<b>2010-2011 cumulated haircut provided by supervisors assuming a residual life of 5 years</b>	<b>Group's gross exposure (euro m)</b>	<b>Actual residual life for the Group (years)</b>
Austria	5.6%	51	6.59
Belgium	6.9%	40	6.22
Bulgaria	11.8%		
Cyprus	6.7%		
Czech Republic	11.4%		
Denmark	5.2%		
Estonia	11.8%		
Finland	6.1%		
France	6.0%	389	2.08
Germany	4.7%	194	3.92
Greece	23.1%	292	2.67
Hungary	11.8%	122	2.45
Iceland	11.8%		
Ireland	12.8%		
Italy	7.4%	22,560	1.09
Latvia	11.8%		
Liechtenstein	11.8%		
Lithuania	11.8%		
Luxembourg	7.6%		
Malta	6.4%		
Netherlands	5.2%		
Norway	5.7%		
Poland	12.3%		
Portugal	14.1%		
Romania	11.8%		
Slovakia	5.0%	82	3.44
Slovenia	4.2%		
Spain	12.0%	10	5.75
Sweden	6.7%		
United Kingdom	10.7%	1,080	0.18"

## SUMMARY FINANCIAL INFORMATION OF THE ISSUER

### Audited Consolidated Annual Financial Statements

The annual financial information below as at and for the years ended 31 December 2009 and 31 December 2008 has been derived from the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2009 (the “**2009 Annual Financial Statements**”) and includes comparative figures as at and for the year ended 31 December 2008 which have been restated in accordance with IFRS 5 and the instructions issued by the Bank of Italy in Circular No. 262/2005, as updated on 18 November 2009. The 2009 Annual Financial Statements have been audited by Reconta Ernst & Young S.p.A., auditors to Intesa Sanpaolo S.p.A., who issued their audit report on 26 March 2010.

### Half-yearly Financial Statements

The half yearly financial information below as at and for the six months ended 30 June 2010 has been derived from the unaudited consolidated half-yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2010 (the “**2010 Half-yearly Financial Statements**”) and includes comparative balance sheet figures as at 31 December 2009 and income statement figures for the six months ended 30 June 2009, which have been restated in accordance with IFRS 5. Reconta Ernst & Young S.p.A. has performed a review on the 2010 Half-yearly Financial Statements as at and for the six months ended 30 June 2009 in accordance with CONSOB Regulation No. 10867 of 31 July 1997 and issued their review report on 28 August 2010. In addition, tables in the sub-sections below entitled “Lending Activity” and “Funding Activity” include 2009 year-end comparative figures which have also been restated, *inter alia*, to take account of changes in the consolidation area and have not been audited or reviewed or examined by the Issuer’s external auditors. For further detail, see the explanatory notes to the 2010 Half-yearly Financial Statements.

### 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 (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), otherwise known as International Financial Reporting Standards, as adopted by the European Union under Regulation (EC) 1606/2002.

### Incorporation by Reference

Both the annual and the half-yearly financial statements referred to above are incorporated by reference in this Prospectus (see “*Information Incorporated by Reference*”). The financial information set out below forms only part of, should be read in conjunction with and is qualified in its entirety by reference to the above-mentioned annual and half-yearly financial statements, together with the accompanying notes and auditors’ reports.

**INTESA SANPAOLO**  
**AUDITED CONSOLIDATED ANNUAL BALANCE SHEETS**  
**AS AT 31/12/2009 AND 31/12/2008**

Assets	31/12/2009 Audited	31/12/2008 Audited
	<i>(in millions of Euro)</i>	
Cash and cash equivalents	8,412	7,835
Financial assets held for trading	69,825	61,080
Financial assets designated at fair value through profit and loss	21,965	19,727
Financial assets available for sale	35,895	29,083
Investments held to maturity	4,561	5,572
Due from banks	43,242	56,371
Loans to customers	374,033	395,189
Hedging derivatives	7,008	5,389
Fair value change of financial assets in hedged portfolios (+/-)	69	66
Investments in associates and companies subject to joint control	3,059	3,230
Technical insurance reserves re-assured with third parties	38	40
Property and equipment	5,291	5,255
Intangible assets of which:	25,789	27,151
- goodwill	18,838	19,694
Tax assets	7,320	7,495
a) current	2,072	2,752
b) deferred	5,248	4,743
Non-current assets held for sale and discontinued operations	6,552	1,135
Other assets	11,785	11,515
<b>Total assets</b>	<b>624,844</b>	<b>636,133</b>

**INTESA SANPAOLO**  
**AUDITED CONSOLIDATED ANNUAL BALANCE SHEETS**  
**AS AT 31/12/2009 AND 31/12/2008**

Liabilities and Shareholders' Equity	31/12/2009 Audited	31/12/2008 Audited
	<i>(in millions of Euro)</i>	
Due to banks	43,369	51,745
Due to customers	210,814	217,498
Securities issued	185,243	188,280
Financial liabilities held for trading	42,249	45,870
Financial liabilities designated at fair value through profit and loss	25,887	25,119
Hedging derivatives	5,179	5,086
Fair value change of financial liabilities in hedged portfolios (+/-)	1,513	1,236
Tax liabilities	2,965	4,461
<i>a) current</i>	841	1,607
<i>b) deferred</i>	2,124	2,854
Liabilities associated with non-current assets held for sale and discontinued operations	9,723	1,021
Other liabilities	15,755	20,046
Employee termination indemnities	1,374	1,487
Allowances for risks and charges	3,420	3,982
<i>a) post employment benefits</i>	512	504
<i>b) other allowances</i>	2,908	3,478
Technical reserves	23,582	20,248
Valuation reserves	-430	-1,412
Reimbursable shares	-	-
Equity instruments	-	-
Reserves	10,565	8,075
Share premium reserve	33,102	33,102
Share capital	6,647	6,647
Treasury shares (-)	-8	-11
Minority interests (+/-)	1,090	1,100
Net income (loss)	2,805	2,553
<b>Total liabilities and shareholders' equity</b>	<b>624,844</b>	<b>636,133</b>



**INTESA SANPAOLO**  
**AUDITED CONSOLIDATED ANNUAL STATEMENTS OF INCOME**  
**FOR THE YEAR ENDED 31/12/2009 AND UNAUDITED CONSOLIDATED ANNUAL STATEMENTS**  
**OF INCOME FOR THE YEAR ENDED 31/12/2008**

The annual financial information below include comparative figures as at and for the year ended 31 December 2008 which have been restated in accordance with IFRS 5 and the instructions issued by the Bank of Italy in Circular No 262/2005, as updated on 18 November 2009.

	31/12/2009 Audited	31/12/2008 Unaudited
	(in millions of Euro)	
Interest and similar income	19,607	27,383
Interest and similar expense	-8,370	-15,034
<b>Interest margin</b>	<b>11,237</b>	<b>12,349</b>
Fee and commission income	6,141	6,543
Fee and commission expense	-1,186	-1,216
<b>Net fee and commission income</b>	<b>4,955</b>	<b>5,327</b>
Dividend and similar income	479	704
Profits (Losses) on trading	855	-1,329
Fair value adjustments in hedge accounting	-41	-143
Profits (Losses) on disposal or repurchase of:	316	46
<i>a) loans</i>	-16	-50
<i>b) financial assets available for sale</i>	320	80
<i>c) investments held to maturity</i>	-	-
<i>d) financial liabilities</i>	12	16
Profits (Losses) on financial assets and liabilities designated at fair value	81	6
<b>Net interest and other banking income</b>	<b>17,882</b>	<b>16,960</b>
Net losses/recoveries on impairment	-3,711	-3,270
<i>a) loans</i>	-3,448	-2,433
<i>b) financial assets available for sale</i>	-256	-963
<i>c) investments held to maturity</i>	-	-
<i>d) other financial activities</i>	-7	126
<b>Net income from banking activities</b>	<b>14,171</b>	<b>13,690</b>
Net insurance premiums	6,579	1,773
Other net insurance income (expense)	-7,251	-1,575
<b>Net income from banking and insurance activities</b>	<b>13,499</b>	<b>13,888</b>
Administrative expenses	-9,615	-10,474
<i>a) personnel expenses</i>	-5,788	-6,358
<i>b) other administrative expenses</i>	-3,827	-4,116
Net provisions for risks and charges	-330	-365
Net adjustments to/recoveries on property and equipment	-413	-431
Net adjustments to/recoveries on intangible assets	-771	-1,738
Other operating expenses (income)	519	645
<b>Operating expenses</b>	<b>-10,610</b>	<b>-12,363</b>
Profits (Losses) on investments in associates and companies subject to joint control	561	176
Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Goodwill impairment	-	-1,065
Profits (Losses) on disposal of investments	5	203
<b>Income (Loss) before tax from continuing operations</b>	<b>3,455</b>	<b>839</b>
Taxes on income from continuing operations	-686	656
<b>Income (Loss) after tax from continuing operations</b>	<b>2,769</b>	<b>1,495</b>
Income (Loss) after tax from discontinued operations	169	1,187
<b>Net income (loss)</b>	<b>2,938</b>	<b>2,682</b>
Minority interests	-133	-129
<b>Parent company's net income (loss)</b>	<b>2,805</b>	<b>2,553</b>
Basic EPS - Euro	0.22	0.20
Diluted EPS - Euro	0.22	0.20

**INTESA SANPAOLO**  
**UNAUDITED CONSOLIDATED HALF-YEARLY BALANCE SHEETS**  
**AS AT 30/06/2010**

Assets	30/06/2010 Unaudited	31/12/2009 Audited
	(in millions of Euro)	
Cash and cash equivalents	4,749	8,412
Financial assets held for trading	97,238	69,825
Financial assets designated at fair value through profit and loss	23,317	21,965
Financial assets available for sale	38,767	35,895
Investments held to maturity	4,307	4,561
Due from banks	48,480	43,242
Loans to customers	374,801	374,033
Hedging derivatives	9,321	7,008
Fair value change of financial assets in hedged portfolios (+/-)	82	69
Investments in associates and companies subject to joint control	3,085	3,059
Technical insurance reserves reassured with third parties	34	38
Property and equipment	5,182	5,291
Intangible assets	25,856	25,789
of which		
- goodwill	19,149	18,838
Tax assets	8,043	7,320
a) current	2,228	2,072
b) deferred	5,815	5,248
Non-current assets held for sale and discontinued operations	35	6,552
Other assets	11,744	11,785
<b>Total Assets</b>	<b>655,041</b>	<b>624,844</b>

**INTESA SANPAOLO**  
**UNAUDITED CONSOLIDATED HALF-YEARLY BALANCE SHEETS**  
**AS AT 30/06/2010**

Liabilities and Shareholders' Equity	30/06/2010 Unaudited	31/12/2009 Audited
	(in millions of Euro)	
Due to banks	49,510	43,369
Due to customers	232,406	210,814
Securities issued	180,373	185,243
Financial liabilities held for trading	56,413	42,249
Financial liabilities designated at fair value through profit and loss	23,756	25,887
Hedging derivatives	6,994	5,179
Fair value change of financial liabilities in hedged portfolios (+/-)	2,111	1,513
Tax liabilities	2,604	2,965
<i>a) current</i>	514	841
<i>b) deferred</i>	2,090	2,124
Liabilities associated with non-current assets held for sale and discontinued operations	-	9,723
Other liabilities	17,207	15,755
Employee termination indemnities	1,367	1,374
Allowances for risks and charges	3,251	3,420
<i>a) post employment benefits</i>	367	512
<i>b) other allowances</i>	2,884	2,908
Technical reserves	25,495	23,582
Valuation reserves	-1,120	-430
Redeemable shares	-	-
Equity instruments	-	-
Reserves	12,219	10,565
Share premium reserve	33,102	33,102
Share capital	6,647	6,647
Treasury shares (-)	-4	-8
Minority interests (+/-)	1,020	1,090
Net income (loss)	1,690	2,805
<b>Total Liabilities and Shareholders' Equity</b>	<b>655,041</b>	<b>624,844</b>

**INTESA SANPAOLO**  
**UNAUDITED CONSOLIDATED HALF-YEARLY STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED 30/06/2010 AND 30/06/2009**

	30/06/2010 Unaudited	30/06/2009 Unaudited
	(in millions of Euro)	
Interest and similar income	8,572	10,467
Interest and similar expense	-3,389	-4,714
<b>Interest margin</b>	<b>5,183</b>	<b>5,753</b>
<b>Fee and commission income</b>	<b>3,212</b>	<b>2,882</b>
Fee and commission expense	-617	-550
Net fee and commission income	2,595	2,332
Dividend and similar income	285	313
Profits (Losses) on trading	95	482
Fair value adjustments in hedge accounting	-84	29
Profits (Losses) on disposal or repurchase of	152	47
<i>a) loans</i>	-2	-7
<i>b) financial assets available for sale</i>	153	47
<i>c) investments held to maturity</i>	-	-
<i>d) financial liabilities</i>	1	7
Profits (Losses) on financial assets and liabilities designated at fair value	53	-168
<b>Net interest and other banking income</b>	<b>8,279</b>	<b>8,788</b>
Net losses / recoveries on impairment	-1,467	-1,786
<i>a) loans</i>	-1,419	-1,647
<i>b) financial assets available for sale</i>	-47	-100
<i>c) investments held to maturity</i>	-	-
<i>d) other financial activities</i>	-1	-39
<b>Net income from banking activities</b>	<b>6,812</b>	<b>7,002</b>
Net insurance premiums	3,832	2,538
Other net insurance income (expense)	-4,009	-2,744
<b>Net income from banking and insurance activities</b>	<b>6,635</b>	<b>6,796</b>
Administrative expenses	-4,594	-4,692
<i>a) personnel expenses</i>	-2,802	-2,827
<i>b) other administrative expenses</i>	-1,792	-1,865
Net provisions for risks and charges	-197	-149
Net adjustments to / recoveries on property and equipment	-194	-194
Net adjustments to / recoveries on intangible assets	-357	-355
Other operating expenses (income)	252	261
<b>Operating expenses</b>	<b>-5,090</b>	<b>-5,129</b>
Profits (Losses) on investments in associates and companies subject to joint control	11	22
Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Goodwill impairment	-	-
Profits (Losses) on disposal of investments	9	-1
<b>Income (Loss) before tax from continuing operations</b>	<b>1,565</b>	<b>1,688</b>
Taxes on income from continuing operations	-533	-164
Income (Loss) after tax from continuing operations	1,032	1,524
<b>Income (Loss) after tax from discontinued operations</b>	<b>691</b>	<b>121</b>
<b>Net income (loss)</b>	<b>1,723</b>	<b>1,645</b>
Minority interests	-33	-57
<b>Parent Company's net income (loss)</b>	<b>1,690</b>	<b>1,588</b>
Basic EPS - Euro	0.13	0.12
Diluted EPS - Euro	0.13	0.12

## Lending Activity

The following tables provide a breakdown of the lending activities and show the composition of the deposits of the Intesa Sanpaolo as at 30 June 2010 and include comparative figures as at 31 December 2009. Such information is derived from the 2010 Half-yearly Financial Statements (see “- Half-yearly Financial Statements “ above).

Loans to Customers	30/06/2010 Unaudited	31/12/2009 Unaudited
	<i>(in millions of euro)</i>	
Current accounts .....	31,195	32,468
Mortgages.....	165,958	165,655
Advances and other loans .....	127,993	127,745
Commercial banking loans.....	325,146	325,868
Repurchase agreements .....	8,999	10,586
Loans represented by securities.....	19,834	18,527
Non-performing loans .....	20,822	20,456
<b>Loans to Customers .....</b>	<b>374,801</b>	<b>375,437</b>

Loans to customers: loan portfolio quality	30/06/2010 Unaudited	31/12/2009 Unaudited
	<i>(in millions of euro)</i>	
Doubtful loans .....	6,275	5,365
Substandard loans.....	9,686	10,375
Restructured loans .....	3,577	2,293
Past due loans .....	1,284	2,423
<b>Non-performing loans .....</b>	<b>20,822</b>	<b>20,456</b>
Performing loans .....	334,145	336,454
Performing loans represented by securities .....	19,834	18,527
<b>Loans to Customers.....</b>	<b>374,801</b>	<b>375,437</b>

## Funding Activity

The following tables provide a breakdown of the Intesa Sanpaolo Group's direct customer deposits as at 30 June 2010 and include comparative figures as at 31 December 2009 (see “- Half-yearly Financial Statements “ above).

Direct customer deposits	30/06/2010 Unaudited	31/12/2009 Unaudited
	(in millions of euro)	
Current accounts and deposits.....	202,431	198,356
Repurchase agreements and securities lending .....	19,186	7,422
Bonds .....	124,812	124,955
of which designated at fair value(*)	1,784	3,225
Certificates of deposit.....	20,581	25,475
Subordinated liabilities.....	22,222	22,950
Financial liabilities of the insurance business designated at fair value(*)	21,972	22,662
Other deposits.....	25,331	20,858
of which designated at fair value(*)	-	-
<b>Direct customer deposits .....</b>	<b>436,535</b>	<b>422,678</b>

(\*) Figures included in the Balance Sheet under Financial Liabilities designated at fair value through profit and loss.

## Regulatory Capital

Regulatory capital and related capital ratios as at 30 June 2010 were determined by applying the instructions issued by the Bank of Italy in accordance with Basel II provisions.

The Intesa Sanpaolo Group has been using the Foundation Internal Rating Based (FIRB) approach to calculate its credit risk capital requirements with reference to regulatory portfolio exposures to corporates since 31 December 2008. In addition, in early 2010 the Intesa Sanpaolo Group received authorisation to use the internal model AMA (Advanced Measurement Approach) to determine capital requirements for operational risks effective from reporting as at 31 December 2009.

Moreover, the Bank of Italy has authorised the Group to use the internal approach to determine the credit risk requirement relating to the regulatory segment of residential mortgages for private individuals effective from 30 June 2010.

Regulatory capital	30/06/2010 Unaudited	31/12/2009 Unaudited
	(in millions of euro)	
Tier 1 capital.....	31,710	30,205
of which: preferred shares .....	4,500	4,499
Tier 2 capital.....	14,844	15,472
Minus items to be deducted .....	-3,034	-2,923
<b>Regulatory capital.....</b>	<b>43,520</b>	<b>42,754</b>
Tier 3 subordinated loans .....	-	-
<b>Total regulatory capital .....</b>	<b>43,520</b>	<b>42,754</b>
<b>Risk-weighted assets.....</b>	<b>355,655</b>	<b>361,648</b>
<b>Capital ratios</b>	(%)	
Core Tier 1 .....	7.7	7.1
Tier 1 .....	8.9	8.4
<b>Total capital ratio.....</b>	<b>12.2</b>	<b>11.8</b>

In compliance with provisions of Bank of Italy Circular 263/2006, in the calculation of capital ratios elements to be deducted from total regulatory capital have been deducted separately and for an equal amount from Tier 1 and Tier 2 capital, with the exception of the contributions deriving from the insurance business that refer to contracts which arose prior to 20 July 2006, and as such continue to be deducted from total capital.

## TAXATION

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

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

### Italy

#### ***Tax treatment of interest and other proceeds under the Notes***

Pursuant to Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"), as amended and restated, in general, interest and other proceeds (including the difference between the redemption amount and the issue price) in respect of notes with a maturity of not less than 18 months which are classified as "bonds" or "securities similar to bonds" (*obbligazioni or titoli similari alle obbligazioni*) for Italian tax purposes and which are issued by Italian banks or listed companies (i.e. so-called *grandi emittenti*) may be subject to Italian substitute tax, depending on the legal status of the beneficial owner of such interest and other proceeds. In particular, the tax regime provided for by Decree No. 239 applies to interest and other proceeds on securities with maturity not less than 18 months that qualify as (i) "bonds", which are the securities classified as *obbligazioni* pursuant to Art. 2410 et seq. of the Italian Civil Code or to Art. 12 of Italian Legislative Decree No. 385 of 1st September 1993, or (ii) other securities, defined as "securities similar to bonds" by Article 44(2)(c) of Italian Presidential Decree 22 December 1986, No. 917 ("**Decree no. 917**"), which incorporate an unconditional obligation to pay an amount not less than their nominal value at maturity and that do not give any right to participate directly or indirectly in the management of the relevant issuer or of the business in relation to which they are issued. The Italian tax authorities have clarified (Revenue Agency Circular No. 4/E of 18 January 2006) that bonds may have a maturity which is not scheduled at a specific date but which is linked to the duration of the issuing company or to the liquidation thereof, if the company has been incorporated for an indefinite duration pursuant to Article 2328(2), No. 13, of the Italian Civil Code.

#### ***Italian resident Noteholders – applicability of substitute tax***

Under Decree No. 239, payments of interest and other proceeds (including the original issue discount, if any) in respect of the Notes to Italian resident beneficial owners (either when interest and other proceeds are paid or when payment thereof is obtained by a beneficial owner on a transfer of the Notes) are subject to a final substitute tax (*imposta sostitutiva*) at a rate of 12.5 per cent. in the Republic of Italy if made to Italian resident beneficial owners that are:

- (i) private individuals holding the Notes otherwise than in connection with an entrepreneurial activity (for individuals holding the Notes in connection with an entrepreneurial activity, see below);
- (ii) partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations;



- (iii) public and private entities, other than companies, not carrying out commercial activities as their exclusive or principal activity; or
- (iv) entities exempt from corporate income tax,

(in each case, unless they have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the regime provided for under Article 7 of Legislative Decree No. 461 of 21 November 1997, the so called “asset management option” or *risparmio gestito*).

Based on Conditions 9.1 (*Gross up*) of the terms and conditions of the Notes, the Issuer will not be obliged to pay any Additional Amounts in relation to substitute tax (*imposta sostitutiva*) applied pursuant to Decree No. 239 on payments of interest or other proceeds in respect of the Notes to Italian resident beneficial owners.

Where the Notes are held by an individual or by an entity indicated under (iii) above, in either case in connection with an entrepreneurial activity, interest and other proceeds relating to the Notes are subject to substitute tax and have to be included in the relevant beneficial owner’s income tax return. As a consequence, interest and other proceeds are subject to ordinary income tax and substitute tax may be recovered as a deduction from income tax due.

The 12.5 per cent. substitute tax is applied by the Italian resident qualified financial intermediaries provided by law (including banks, *società di intermediazione mobiliare* (or “SIMs”), fiduciary companies, *società di gestione del risparmio* (or “SGRs”), stock brokers and other qualified entities expressly indicated in Ministerial Decrees, as well as permanent establishments in the Republic of Italy of banks or intermediaries resident outside the Republic of Italy, collectively referred to as “**Intermediaries**” and each as an “**Intermediary**”) that intervene, in any way, in the collection of interest and other proceeds on the Notes or, also as transferee, in the transfer of the Notes.

If the Notes are not deposited with any qualified Intermediary, substitute tax is applied and withheld by any Italian intermediary (including a permanent establishment in Italy of a foreign entity) paying interest to a beneficial owner.

If interest and other proceeds on the Notes are not collected through the intervention of an Italian resident intermediary, substitute tax is levied by the Issuer.

#### ***Italian resident Noteholders – substitute tax not applicable***

Pursuant to Decree No. 239, payments of interest and other proceeds (including the original issue discount) in respect of the Notes to Italian resident beneficial owners are not subject to substitute tax if made to beneficial owners that are:

- (i) Italian resident individuals or other entities holding the Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the *risparmio gestito* regime;
- (ii) Italian resident collective investment funds and SICAVs and pension funds subject to the tax regime provided for by Art. 17 of Legislative Decree No. 252 of 5 December 2005;
- (iii) Italian resident real estate investment funds;
- (iv) Italian resident corporations or permanent establishments in the Republic of Italy of non-resident corporations to which the Notes are effectively connected;

- (v) Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and other similar partnerships, including de facto partnerships, carrying out a commercial activity; or
- (vi) public and private entities, other than companies, carrying out commercial activities and holding the Notes in connection with the same commercial activities.

If the Notes are part of an investment portfolio managed on a discretionary basis by an Italian authorised intermediary and the beneficial owner of the Notes has opted for the *risparmio gestito* regime, an annual substitute tax at a rate of 12.5 per cent. (the “**Asset Management Tax**”) applies on the increase in value of the managed assets accrued, even if not realised, at the end of each tax year (which increase includes interest, premium and other proceeds accrued on Notes during the holding period). The substitute tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian resident collective investment funds and SICAVs are generally subject to a 12.5 per cent. annual substitute tax (the “**Collective Investment Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued on the Notes during the holding period).

Italian resident pension funds subject to the tax regime provided by Art. 17 of Legislative Decree No. 252 of 5 December 2005, are subject to an 11 per cent. annual substitute tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued on Notes during the holding period).

Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (“**Decree No. 58**”) and Art. 14-bis of Italian Law No. 86 of 25 January 1994, are not subject to any taxation at the fund level on payments under the Notes.

Interest and other proceeds on the Notes accrued to (a) Italian resident corporations or to permanent establishments in the Republic of Italy of foreign companies to which the Notes are effectively connected, (b) Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* or similar partnerships carrying out a commercial activity; and (c) Italian resident public and private entities, carrying out commercial activities and holding the Notes in connection with the same commercial activities, generally are included in the taxable business income for income tax purposes (and, in certain cases, depending on the status of the Noteholder, may also be included in the taxable net value of production for the purposes of regional tax on productive activities - IRAP) of such beneficial owners, subject to tax in the Republic of Italy in accordance with ordinary tax rules.

To ensure payment of interest and other proceeds in respect of the Notes without application of substitute tax, where allowed, investors indicated herein under (i) to (vi) above must be the beneficial owners of payments of interest and other proceeds on the Notes and must deposit the Notes in due time, together with the coupons relating to such Notes, directly or indirectly, with an Italian authorised financial intermediary.

Where the Notes and the relevant coupons are not deposited with an Intermediary, the substitute tax is applied and withheld by any Italian intermediary (or permanent establishment in Italy of foreign intermediary) that intervenes in the payment of interest and other proceeds in respect of the Notes to any Noteholder or by the Issuer and Noteholders indicated above under (a), (b) and (c) are entitled to deduct substitute tax suffered from income taxes due.

### *Non-Italian resident Noteholders*

Pursuant to Decree No. 239 payments of interest and other proceeds in respect of the Notes are not subject to substitute tax if made to non-Italian resident beneficial owners of the Notes with no permanent establishment in the Republic of Italy to which the Notes are effectively connected, provided that:

- (a) they are resident for tax purposes in a country which allows an adequate exchange of information with Italy. The exemption from substitute tax also applies to (i) non-Italian resident “institutional investors” (i.e. entities whose activity consists of making or managing investments on their own behalf or on behalf of other persons, as defined by the Revenue Agency Circular No. 23/E of 1 March 2002), even if they are not treated as taxpayers in their country of residence, but provided that they are established in a country which allows for an adequate exchange of information with Italy (and subject to certain other conditions mentioned in Circular No. 23/E, quoted, and in Revenue Agency Circular No. 20/E of 27 March 2003), (ii) international bodies or entities set up in accordance with international agreements ratified by Italy, and (iii) central banks or entities managing the official reserves of the State;
- (b) the Notes and the coupons relating to the Notes are deposited in due time, directly or indirectly, with an Italian authorised financial Intermediary or with a non-Italian resident entity participating in a centralised securities management system which is in contact, via telematic link, with the Ministry of Economics;
- (c) the intermediaries mentioned in (b) above receive in due time a self-declaration from the Noteholder stating, inter alia, to be resident or established, as the case may be, in a country which recognises the Italian fiscal authorities’ right to an adequate exchange of information. Such self-declaration - which is not requested for international bodies or entities set up in accordance with international agreements ratified by Italy nor for foreign central banks or entities managing official State reserves - must comply with the requirements set forth by Italian Ministerial Decree of 12 December 2001 and is valid until withdrawn or revoked. Additional statements may be required for non-Italian resident Noteholders who are institutional investors;
- (d) the intermediaries mentioned in (b) above receive all necessary information to identify the non-resident Noteholder of the deposited Notes, and all necessary information in order to determine the amount of interest and other proceeds that such Noteholder is entitled to receive.

For the purposes of the above, the currently applicable “white list” of countries allowing for an adequate exchange of information with Italy is provided for by Italian Ministerial Decree 4 September 1996, as subsequently amended and supplemented. According to Budget Law 2008, a decree still to be issued is proposed to introduce a new “white list” ordered to replace the current one.

Non-Italian resident Noteholders are subject to final substitute tax at the rate of 12.5 per cent. on interest and other proceeds on the Notes if any of the above conditions (a), (b), (c) or (d) is not satisfied. As to non-Italian resident Noteholders, substitute tax may apply at lower or nil rate under double taxation treaties entered into by Italy, where applicable, and in any case subject to proper compliance with subjective and procedural requirements provided for. The 12.5 per cent. (or the lower rate provided for by the relevant applicable double taxation treaty) final substitute tax will be generally applied by any Italian resident qualified financial intermediary that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes or by the Issuer.

### ***Early redemption***

Without prejudice to the above provisions, in the event that the Notes are redeemed, in full or in part, prior to eighteen months from their date of issue, the Issuer is required to pay an additional amount equal to 20 per cent. of the interest, premium and other proceeds accrued up to the time of the early redemption. In accordance with one interpretation of Italian tax law, in the event of a purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the issue date, this 20 per cent. additional amount may also be due.

### ***Capital gains tax***

#### *Capital gains realised by Italian resident Noteholders*

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in the Republic of Italy according to the relevant tax provisions, if realised by Noteholders that are:

- Italian resident corporations;
- Italian resident partnerships classified as *società in nome collettivo* or *società in accomandita semplice* and other similar partnerships, including de facto partnerships, carrying on a commercial activity;
- permanent establishments in the Republic of Italy of foreign corporations to which the Notes are effectively connected;
- Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out; or
- public or private entities, other than companies, carrying out commercial activities, holding the Notes in connection with the same commercial activities.

Pursuant to Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding the Notes otherwise than in connection with an entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to substitute tax at the current rate of 12.5 per cent. Under the so called “tax return regime” (*regime della dichiarazione*), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity, substitute tax on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital loss of the same kind, realised by Italian resident individuals holding the Notes otherwise than in connection with an entrepreneurial activity pursuant to all disposals of Notes carried out during any given tax year. Italian resident individuals holding the Notes otherwise than in connection with entrepreneurial activity must report overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same kind, in the annual tax return to be filed for such year and pay substitute tax on such gains together with any income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realised in any of the four succeeding tax years.

As an alternative to the tax return regime, Italian resident individual Noteholders holding the Notes otherwise than in connection with entrepreneurial activity may elect to pay a 12.5 per cent. substitute tax separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with

Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being made in writing in due time by the relevant Noteholder. Under the *risparmio amministrato* regime, the financial intermediary is responsible for accounting for substitute tax in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any relevant incurred capital loss of the same kind, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, by deducting a corresponding amount from proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose.

Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains of the same kind subsequently realised within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare capital gains in its annual tax declaration.

Any capital gains accrued on Notes held otherwise than in connection with entrepreneurial activity by Italian resident individuals who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have elected for the *risparmio gestito* regime 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 the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the *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 Noteholder is not required to report capital gains realised in its annual tax declaration.

In the case of Notes held by Italian resident collective investment funds or SICAVs, capital gains on the Notes are included in the computation of the taxable basis of the Collective Investment Fund Tax.

In the case of Notes held by Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005, capital gains on the Notes are included in the computation of the taxable basis of the Pension Fund Tax.

#### *Capital gains realised by non-Italian resident Noteholders*

Pursuant to Article 23(1)(f) of Decree No. 917, any capital gains realised upon sale for consideration or redemption of the Notes by non-Italian residents without a permanent establishment in the Republic of Italy to which the Notes are effectively connected are not subject to taxation in the Republic of Italy to the extent that the Notes are listed on a regulated market (as defined in the EC Directive No. 2004/39/EC) in the Republic of Italy or abroad, even if the Notes are held in the Republic of Italy and regardless of the provisions set forth by any applicable double tax treaty.

In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorised financial intermediary and elect to be subject to the *risparmio gestito* regime or are subject to the *risparmio amministrato* regime, may be required to produce in due time to the Italian authorized financial intermediary an appropriate self-declaration that they are not resident in Italy for tax purposes.

#### *Italian inheritance and gift tax*

The Italian regime for inheritance and gift tax is provided for under Law Decree No. 262 of 3 October 2006 (“**Law Decree No. 262**”), as converted, with amendments, by Law No. 286 of 24 November 2006, Law No. 296 of 27 December 2006 and Legislative Decree No. 346 of 31 October 1990.

Under such rules, subject to certain exceptions, Italian inheritance and gift tax is generally payable on transfers of assets and rights (including notes) (i) by reason of death or donations by Italian residents, even if the transferred assets are held outside Italy, and (ii) by reason of death or donations by non-Italian residents, but limited to transferred assets held in Italy (which, for presumption of law, includes notes qualifying as bonds issued by Italian resident companies).

Pursuant to Decree No. 262, transfers of assets and rights (including the Notes) on death or by gift are generally subject to inheritance and gift tax:

- at a rate of 4 per cent. in case of transfers made to the spouse or relatives in direct line, on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, €1,000,000;
- at a rate of 6 per cent. in case of transfers made to certain other relatives (in the case of transfers to brothers or sisters, the 6 per cent. rate is applicable only on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, €100,000); and
- at a rate of 8 per cent. in any other case.

### *Transfer tax*

Law Decree No. 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008 (“**Decree No. 248**”), has repealed the Italian transfer tax on the transfer of securities (so-called “*tasse sui contratti di borsa*”), previously applicable, inter alia, to the transfer of bonds or similar securities issued by Italian resident entities.

Based on Art. 11 of the Tariff (Part I) enclosed to Presidential Decree No. 131 of 26 April 1986, and to Art. 2 of the same Tariff (Part II), any acts, agreements and deeds regulating the transfer of Notes may be subject, in certain cases, to Italian registration tax in a lump sum of Euro 168.00.

### *European Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), EU member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) made by a person within its jurisdiction to, or collected by such a person in favour of, a beneficial owner that is an individual resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead required to operate a withholding system in relation to such payments, deducting taxes at rates rising over time at 35 per cent., unless during that period they elect otherwise, which Belgium has done with effect from 1 January 2010. The ending of such transitional period will depend upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including, inter alia, Switzerland, have agreed to adopt similar measures (which will be a withholding system in the case of Switzerland) with effect from the same date.

The Republic of Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (“**Decree No. 84**”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU member state or in a dependent or associated territory under the relevant international agreement, Italian qualified paying agents (i.e. banks, SIMs, fiduciary companies and SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) must report to the Italian tax authorities details of the relevant payments and personal information

on the individual beneficial owner. Such information will be transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances the same reporting requirements must be complied with also in respect of interest paid to an entity established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), entities whose profits are included in business income taxable under general arrangements for business taxation and, in specific cases, UCITS recognised in accordance with Directive 85/611/EEC.

Additional Amounts which, at present, may become due as described in Condition 9 (*Taxation*) above would not be due in respect of withholding tax imposed under or pursuant to the EU Savings Directive, or any law implementing or complying with, or introduced in order to conform to, the EU Savings Directive.

### ***Tax Monitoring Obligations***

Pursuant to Law Decree No. 167 of 28 June 1990, individuals, non-profit entities and certain partnerships (in particular, società semplici or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy are required to report in their yearly income tax declaration, for tax monitoring purposes:

- (a) the amount of securities (including the Notes) held abroad at the end of each tax year, if exceeding in the aggregate €10,000; and
- (b) the amount of any transfers from abroad, sent abroad and occurring abroad, related to such securities, occurred during each tax year, if exceeding in the aggregate €10,000, even if at the end of the tax year the securities are no longer held by such investors.

The above persons are, however, not required to comply with the above reporting requirements in respect of securities deposited for management with qualified Italian financial intermediaries and in respect of contracts entered into through their intervention, upon condition that the items of income derived from such securities are collected through the intervention of the same intermediaries.

## SUBSCRIPTION AND SALE

Banca IMI S.p.A., HSBC Bank plc, Merrill Lynch International, Morgan Stanley & Co. International plc and Société Générale (together, the “**Joint Lead Managers**”) have, in a subscription agreement dated 30 September 2010 (the “**Subscription Agreement**”) and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 100 per cent. of their principal amount, less commissions. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of the expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

### **United Kingdom**

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA would not, if it were not an authorised person, apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.



## Italy

Each of the Joint Lead Managers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Prospectus or any other document relating to the Notes in the Republic of Italy except:

- (1) to qualified investors (*investitori qualificati*), as defined in article 100 Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**") and article 34-*ter*, first paragraph, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation 11971**"); or
- (2) in any other circumstances where an express exemption from the rules on the offering of securities applies, as provided under article 100 of Decree No. 58 and Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Decree No. 58, Legislative Decree No. 385 of 1 September 1993, as amended ("**Decree No. 385**") and CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws and regulations;
- (b) in compliance with article 129 of Decree No. 385, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or any other competent authority in the Republic of Italy.

## General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

## GENERAL INFORMATION

### Authorisations

The creation and the issue of the Notes has been authorised by a resolution of the management board of the Issuer dated 22 June 2010.

### Listing and admission to trading

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

### Expenses related to admission to trading

The total expenses related to admission to trading are estimated at €16,000 in listing and listing agent's fees.

### Potential conflicts of interest

The Joint Lead Managers and their respective affiliates, including parent companies, engage and may in the future engage, in investment banking, commercial banking and other related transactions with the Issuer and its affiliates and may perform services for them, in each case in the ordinary course of business.

In addition, Banca IMI S.p.A., a Joint Lead Manager, is a wholly owned subsidiary of the Issuer.

Save as set out above and save for the commissions payable to the Joint Lead Managers, there are no interests, conflicting or otherwise, of natural and legal persons involved in the issue of the Notes that are material to the issue of the Notes.

### Clearing of the Notes

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

ISIN: XS0545782020

Common Code: 054578202

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

### Litigation

Save as disclosed in this Prospectus, neither the Issuer nor any member of the Intesa Sanpaolo Group is or has been involved in any governmental, legal or arbitration proceedings during the 12 months before the date of this Prospectus, which may have, or have in such period had, significant effects on the Issuer's or the Intesa Sanpaolo Group's financial position or profitability, nor is the Issuer aware of any pending or threatened proceedings of such kind.

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

Save as disclosed in this Prospectus, there has been no significant change in the financial or trading position of the Intesa Sanpaolo Group since 30 June 2010 (being the date of the most recently published financial information of the Issuer) and no material adverse change in the prospects of the Issuer since 31 December 2009 (being the date of the most recently published audited financial information of the Issuer).

### **Material contracts**

Save as disclosed in this Prospectus, neither the Issuer nor any of its subsidiaries has entered into any material contracts in the last two years outside the ordinary course of the Issuer's business, which could result in the Issuer or any other Intesa Sanpaolo Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Noteholders.

### **Documents on display**

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

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Subscription Agreement; and
- (d) the By-laws of the Issuer.

### **Financial statements available**

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

- (a) the unaudited consolidated half-yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2010; and
- (b) the audited consolidated annual financial statements of the Intesa Sanpaolo Group as at and for the years ended 31 December 2009 and 31 December 2008.

### **Auditors**

The auditors of the Issuer are Reconta Ernst & Young S.p.A. who are registered under No. 2 on the special register (*albo speciale*) maintained by CONSOB and set out under Article 161 of Legislative Decree No. 58 of 24 February 1998 (as amended) and under No. 70945 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992.

Reconta Ernst & Young S.p.A. has audited the Issuer's consolidated financial statements, without qualification, in accordance with International Financial Reporting Standards as at and for the years ended 31 December 2009 and 31 December 2008.

### **Declaration of the officer responsible for preparing the Issuer's financial reports**

The officer responsible for preparing the Issuer's financial reports, Ernesto Riva, declares, pursuant to paragraph 2 of Article 154-*bis* of the Consolidated Law on Finance<sup>4</sup>, that the accounting information contained in this Prospectus corresponds to the document results, books and accounting records.

### **Legend**

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

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<sup>4</sup> Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented from time to time.

**THE ISSUER**

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

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10121 Turin

Italy

**FISCAL and PAYING AGENT**

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**Clifford Chance Studio Legale Associato**

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*to the Issuer as to Italian tax law*

**Vitali Romagnoli Piccardi e Associati**

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**AUDITORS TO THE ISSUER**

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20123 Milan

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**LISTING AGENT**

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Grand Duchy of Luxembourg