WARNING: This is a free courtesy translation into English of the Registration Document and it is provided solely for the convenience of English speaking readers. The Italian version of the Registration Document is the only document approved by CONSOB with notice on 25 June 2020, protocol no. 0690568/20, and the sole official legally binding version of this document. Only the official Italian version may be used for any purpose, including for interpretative purposes, evaluations and investment decisions. In the event of any ambiguity or conflict between corresponding statements, items or figures contained in this free courtesy unofficial English translation and the official Italian version, the relevant statements, items or figures of the official Italian version shall prevail. Intesa Sanpaolo assumes no liability with respect to any such ambiguity or conflict resulting from translation of the Registration Document from Italian to English.

INTESA SANPAOLO S.P.A.

Company included in the National Register of Banks with no. 5361.
Parent Company of the Intesa Sanpaolo Banking Group
included in the National Register of Banking Groups
Registered address in Turin, Piazza San Carlo, 156
Secondary registered office in Milan, Via Monte di Pietà, 8
Share Capital Euro 9,085,663,010.32
Registration number on the Turin Company Register and fiscal code: 00799960158
Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund

REGISTRATION DOCUMENT

Registration Document submitted to Consob on 26 June 2020 after notification that Consob had issued its approval of the Registration Document with a notice on 25 June 2020, protocol no. 0609568/20. Publication of the Registration Document does not imply any judgement by Consob on the appropriateness of the proposed investment and on the validity of the data and information contained in the document.

The Registration Document must be read together with the Securities Note of Intesa Sanpaolo S.p.A., submitted to Consob on 26 June 2020 after notification that Consob had issued its approval of the Securities Note with a notice on 25 June 2020, protocol no. 0609570/20, and the Summary of Intesa Sanpaolo S.p.A., submitted to Consob on 26 June 2020, after notification that Consob had issued its approval of the Summary with a notice on 25 June 2020, protocol no. 0609570/20. Together, the Registration Document, the Securities Note and the Summary constitute the Prospectus.

The Prospectus is valid for 12 months from the approval date of the Securities Note. It will no longer be mandatory to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies when the Prospectus is no longer valid.

The Registration Document, prepared in compliance with Regulation (EU) 1129/2017, Commission Delegated Regulation (EU) 979/2019 and Commission Delegated Regulation (EU) 980/2019, is available at the registered office of Intesa Sanpaolo S.p.A. in Turin, Piazza San Carlo 156 and at the secondary registered office of Intesa Sanpaolo S.p.A. in Milan, Via Monte di Pietà 8, as well as on the website of the Issuer (group.intesasanpaolo.com).

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PART A

RISK FACTORS

Investors should consider several risk factors before making any decision to invest in financial instruments issued by the Issuer.

To make an informed investment decision, investors are encouraged to assess the specific risk factors associated with the Issuer, the ISP Group and the sector in which they operate. This Section on "Risk Factors" presents only those risks which the Issuer deems specifically and materially related to making an informed investment decision, considering the likelihood that they will occur and the expected magnitude of their negative impact. The risk factors described as follows must be read together with the additional information provided in the Registration Document, and the information and risk factors related to the financial instruments of the Issuer contained in the Securities Note and the Summary.

As the Shares constitute risk capital, the investor is informed that he or she might lose all or part of the invested capital.

The references to Sections and Paragraphs refer to Sections and Paragraphs of this Registration Document.

A.1 RISKS ASSOCIATED WITH THE FINANCIAL POSITION OF THE BANK AND THE ISP GROUP

A.1.1. Risks associated with the forecast targets set in the 2018-2021 Business Plan and the Strategic Targets of the Acquisition, including with regard to the COVID-19 pandemic

*On 17 February 2020, the Board of Directors of the Issuer adopted the decision to launch the Public Exchange Offer for the Acquisition of control of UBI Banca (the "**Offer**"). The Offer was announced by means of two press releases published by the Issuer on the same date, in accordance, respectively, with Article 102, paragraph 1, of the Consolidated Law on Finance and Article 37, paragraph 1, of the Issuers' Regulation and Article 17 of Market Abuse Regulation. The Public Exchange Offer is made for a maximum total of no. 1,144,285,146 UBI Shares – including the treasury shares held by UBI Banca – representing the entire share capital of UBI Banca and provides that for each UBI Share tendered in acceptance of the Offer, the Issuer will pay a Consideration consisting of n. 1.7000 newly-issued ordinary shares of ISP, with no nominal value, regular dividend entitlement and the same characteristics as the ordinary ISP shares already outstanding on the issue date, which will be listed on the Mercato Telematico Azionario. The ISP Shares tendered as Consideration will be issued through a share capital increase of ISP, without the pre-emption rights pursuant to Article 2441, paragraph 4, of the Italian Civil Code, reserved to the acceptors of the Offer, to be executed through (and in compensation of) the contribution in kind of the UBI Shares tendered in acceptance of the Offer, by issuing a maximum of no. 1,945,284,755 New Shares, with regular entitlement to dividends and having the same characteristics as the ordinary shares already outstanding at the date of issuance.*

On 17 February 2020, the Issuer and BPER signed the BPER Agreement, which provides for BPER's commitment to acquire a business unit composed of bank branches of the ISP Group, as integrated upon completion of the Offer (that will consist of branches of the ISP Group after its integration with UBI Banca and not represented only by branches of the former UBI Banca) and related staff and customer relationships. On the same date, the Issuer and Unipol signed the Unipol Agreement, which provides for a commitment by Unipol to acquire, directly or through subsidiaries, the business units referring to the insurance companies currently held by UBI Banca (i.e. BancAssurance Popolari S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A.), composed of the "life" insurance policies entered into by the customers of the Banking Business Unit and the related assets, liabilities and legal relationships. On 19 March 2020 – for the purpose of reviewing the mechanism for calculating the consideration for the Banking Business Unit making it variable based on the market conditions existing on the date of completion of the Public Exchange Offer – the parties signed a supplementary agreement to the BPER Agreement. Then, on 15 June 2020, the Issuer, in order to remove the specific critical antitrust issues evidenced by AGCM (the Italian Antitrust Authority) in the Notification of the Results of the Review served on 5 June 2020, negotiated and signed an agreement supplementing the BPER Agreement, through which the number of branches to be transferred was increased (from 400-500 to 532), with precise identification of the addresses and consequent redefinition of the estimate of the quantities involved.

*The objective of the Offer is to acquire the entire share capital of UBI Banca and complete the merger by incorporation of UBI Banca into the Issuer (the "**Merger**"), fostering the objectives of integration, creation of synergies and growth of the ISP Group.*

Investors should consider that, in the event of the completion of the Acquisition of UBI Banca, there will be limits to the comparability of the ISP Group's post-Acquisition annual and interim reports with the ISP Group's financial information as at 31 December 2019.

* * *

*(1) On account of the changed macroeconomic scenario, particularly due to the possible public health and economic impacts and developments deriving from the COVID-19 (so-called coronavirus) pandemic, Intesa Sanpaolo has revised downwards the quantitative forecast targets underlying the 2018-2021 Business Plan, approved by the Board of Directors on 6 February 2018, and the forecast data for the 2020 financial year contained in the press release published on 4 February 2020 (the "**Forecast Data**"), as well as the Strategic Targets of the Acquisition announced on 17 February 2020. Taken into consideration the uncertainties surrounding the assumptions at the basis of the Forecast Data and the Strategic Targets of the Acquisition (including the dividend distribution targets) and the uncertainty surrounding the magnitude and duration of the negative impacts stemming from the COVID-19 pandemic, there is a very high risk that the effects deriving from occurrence of the assumed events underlying the Forecast Data and Strategic Targets of the Acquisition will not be realised to the extent and at the times assumed and estimated and that the targets will not be achieved; therefore, at the Date of the Registration Document there is still uncertainty over the income growth prospects underlying the Strategic Targets of the Acquisition. As announced in the press release issued on 5 May 2020 (i) with reference to the quantitative targets of the 2018-2021 Business Plan, the net income forecast for 2021 has been reviewed from 6 billion euro to no lower than 3.5 billion euro; (ii) with reference to the forecast result for 2020, the expected net income has been revised from above the net income reported for 2019 (which was 4.2 billion euro) to no lower than 3 billion euro (this result includes the expected net capital gain on Nexi transaction of approximately 900 million euro, which is to be allocated to additional provisions); (iii) with reference to the Strategic Targets of the Acquisition, the net income of the entity resulting from the integration of the UBI Group into the ISP Group forecasted for 2022 has been reviewed from over 6 billion euro to no less than 5 billion euro, and the dividend policy of the entity resulting from the integration of the UBI Group into the ISP Group has been modified by aligning it with the policy indicated in the 2018-2021 Business Plan, i.e. by forecasting the distribution of an amount of cash dividends corresponding to a payout ratio (i.e. the ratio between the total dividends to be distributed and the net income for the year) of 75% for 2020([1]) and 70% for 2021, rather than the distribution of a cash dividend per share of 0.20 euro for 2020 and greater than 0.20 euro per share for 2021.*

(2) The Issuer has estimated non-recurring integration costs relating to the Acquisition at 1.3 billion euro before tax, and the following expected cost and revenue synergies resulting from completion of the integration of the UBI Group into the ISP Group: (i) for the year 2023, an amount of 662 million euro before tax, and (ii) upon full implementation beginning in 2024 (inclusive), an amount of 700 million euro before tax per year. This latter amount represents the overall estimate of the annual contribution to pre-tax profits of the synergies (of both cost and revenues) when fully phased in. If the Merger is not carried out, the Issuer estimates that it can realise annual synergies upon full implementation, from 2024 (inclusive) of 611 million euro (around 87% of the total synergies envisaged upon implementation in the case of Merger, totalling around 700 million euro fully phased in), of which 156 million euro with respect to revenues (equal to 100% of the synergies that may be assumed in the case of Merger) and 455 million euro with respect to costs (around 84% of the synergies that may be forecasted in the case of Merger, equal to 545 million euro). Please note that for the year 2023 the cost and revenue synergies in the event the Merger is not carried out would correspond to 573 million euro of additional pre-tax profit, compared to around 662 million euro that could be achieved in the event of the Merger. If the Acquisition of UBI Banca is completed, the ISP Group will be exposed to risks: (i) associated with the possible failure to obtain or partly obtaining realisation of the economic benefits (including the cost and revenue synergies) expected from the Acquisition, and (ii) to assume unexpected liabilities and/or recognise lower asset values for the UBI Group as compared with those reported on the balance sheet of the UBI Group due to the incorrectness of the valuations made prior to the Acquisition (considering the lack of access to data and information about the UBI Group other than publicly available data) and/or due to the negative impact from the COVID-19 (so-called coronavirus) pandemic. Moreover, if the Acquisition is completed after the acquisition of a stake of 50% of the share capital + 1 Share of UBI, it cannot be ruled out that events, including those outside the control of the Issuer and the ISP Group, may occur such as to prejudice the goal of completing the Merger (considering the need to reach the deliberative quorum of two-thirds of the voting shares represented at the shareholders' meeting); moreover, regardless of the shareholding

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([1]) The 2020 net income considered for the purposes of the payout ratio does not include the effects on the income statement of the Acquisition transaction, including the recognition of negative goodwill.

reached by the Issuer in UBI Banca upon the conclusion of the Offer, it cannot be ruled out that events may occur, including events outside the control of the Issuer and the ISP Group, such as to delay or prevent the satisfaction of the conditions precedent for the BPER Agreement, including the appointment of a new board of directors of UBI Banca and/or the acceptance by UBI Banca of the BPER Agreement (a condition precedent of the BPER Agreement) and consequently performance of the Unipol Agreement. Although in ISP's opinion the lower cost synergies expected in the absence of the Merger are not such as to affect the achievement of the ISP Group's strategic net income target after the Acquisition of no less than 5 billion euro in 2022, any delays or obstacles in UBI Banca's accession to the BPER Agreement would entail an extension of the timelines envisaged for the integration of UBI Banca's information systems and operating model with the ISP Group, with a potential delay in realisation of the related cost savings as expected and by the expected times, and with an impact on the net income of the Issuer after the Merger (based on 2023 as a reference), which could be less as forecasted.

(3) Any authorisation issued by the AGCM that would prescribe corrective measures in addition to and/or different from those of the sales of bank branches object of the BPER Agreement and the ISP Commitments (for example, the sale of additional bank branches) might – in the case of waiver by the Issuer of the relevant condition precedent of the Public Exchange Offer and if the transaction is completed notwithstanding the imposition of those additional and/or different corrective measures – negatively and significantly impact the process of integration of UBI Banca in the ISP Group and its timing and, therefore, the pursuit of the revenue growth prospects underlying the Strategic Targets of the Acquisition. These risks would be accentuated (with potential adverse effects, even material, on the ISP Group's future earnings performance) in the event that (for reasons that cannot be identified now) the BPER Agreement was not executed or was executed at times, terms and conditions different from those envisaged and the Issuer were required to take actions, possibly after the launch of non-compliance proceedings before the AGCM, aimed at resolving the antitrust issues that the BPER Agreement seeks to prevent and/or resolve, at potentially worse terms and conditions than those envisaged in the BPER Agreement.

The occurrence of the events underlying the aforementioned risk, which are deemed by the Issuer as having a high probability of occurrence, could have significant negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is highly significant.

A consolidated business plan for the ISP Group that reflects the completion of the Acquisition has not been approved at the Date of the Registration Document. In this regard, the Issuer expects that the business plan for the entity resulting from the integration of the UBI Group with the ISP Group after the possible completion of the Offer, which will reflect the plans prepared by the Issuer for UBI Banca, be approved in accordance with the timeline set for approval of the business plan of the Issuer upon expiration of the 2018-2021 Business Plan (i.e. by early 2022).

Also in regard to the significant uncertainties characterising the extraordinary nature of the COVID-19 pandemic, the Issuer reported in the press release published on 5 May 2020 that currently available information only permits outlining the general trends of a scenario in the aftermath of the COVID-19 pandemic, even if it is susceptible to unpredictable changes, given the significant uncertainties surrounding the extraordinary spread of the COVID-19 pandemic.

The hypothetical scenario assumed by the Issuer on the basis of the available data and information can be summarised in the forecasts for Italian GDP, which is expected to decrease by 8%-10.5% in 2020 and rebound by around 4.5%-7% in 2021([2]).

The capacity of the ISP Group to achieve the targets published on 5 May 2020 depends on numerous assumptions and circumstances, most of which lie outside the control of the Issuer or refer to events that cannot be entirely controlled by ISP Group management and/or the Board of Directors. It is also noted that the Forecast Data do not consider the effects of the Acquisition, the Public Exchange Offer Share Capital Increase and the sales of the Banking Business Unit and the Insurance Business Units.

Specifically in regard to the dividend policy, it is noted that, in accordance with ECB Recommendation 2020/19 of 27 March 2020 concerning the dividend policy until 1 October 2020 in the context resulting from spread of the COVID-19 pandemic, the Board of Directors of the Issuer decided on 31 March 2020 to suspend the proposal to distribute cash dividends to shareholders of approximately 3.4 billion euro

([2]) Source: the GDP estimates shown here are the result of internal analysis performed by the Intesa Sanpaolo Research Department.

(equal to 19.2 euro cents per Share), on the agenda of the Ordinary Shareholders' Meeting of 27 April 2020. On proposal by the Board of Directors, the Shareholders' Meeting resolved to allocate the net income for the year 2019 to reserves (see Part B, Section 11, Paragraph 11.6 of the Registration Document). However, it cannot be ruled out that events may occur in the future that would extend the ECB Recommendation 2020/19 and (wholly or partially) limit the distribution of dividends and reserves and the achievement of the net income payout ratio targets. The distribution of dividends may also, in the future, be prevented or limited by the failure to earn distributable net income or by lower than expected level of net income and/or by the need to comply with the recommendations of the Supervisory Authority and the capital requirements established by the legal and/or regulatory rules applicable to the ISP Group or recommended by the Supervisory Authority.

With regard to the Acquisition through the Public Exchange Offer, and in light of the fact that the Issuer might still have to sustain all or part of the estimated 1.3 billion euro in costs for the combination, at the Date of the Registration Document, missed or only partial realisation of the expected economic benefits from the Acquisition or the achievement, even only partial, of the forecast cost and earnings synergies might negatively impact the activity, prospects, economic results, balance sheet and financial situation of the Issuer and/or the ISP Group.

The Issuer has decided to launch the Public Exchange Offer in order to further consolidate, through the contribution of UBI Banca's customers and network, its position in the Italian banking sector. The Public Exchange Offer is a market transaction directly addressed to all the shareholders of UBI Banca and has the purpose of realising, according to ISP's opinion, the integration of UBI Banca into Intesa Sanpaolo, that enables full exploitation of the potential of the two groups. At the Date of the Registration Document, the Issuer has not yet taken any decision on the possible Merger, or on the manner of its execution, even though it is an objective of the Offer in line with the reasons underlying the Offer.

It is evidenced that the strategic and quantitative targets of the Acquisition have been calculated on the assumption that the transaction will be completed and, therefore, that 100% of the share capital of UBI Banca will be acquired and that UBI Banca will be subsequently merged with Intesa Sanpaolo (although, even in the absence of the Merger, it is believed that about 87% of the forecast synergies can be realised and that most of the value creation can be achieved even if ISP acquires only 50% of the share capital + 1 share of UBI Banca. For more information, see Part B, Section 5, Paragraph 5.1.6.1, as well as to Section 7, Paragraph 7.4 of the Registration Document). In particular, this combination is the result of a process of prospective simulation of several operating, capital and financial measures referring to the ISP Group and the UBI Group (net of the sale of the Banking Business Unit and the Insurance Business Units to BPER and Unipol, respectively). Although the Issuer deems that the Strategic Targets of the Acquisition have been developed on the basis of assumptions deemed valid at the Date of the Registration Document, there is no guarantee that the Strategic Targets of the Acquisition represent the future consolidated economic results, balance sheet and financial situation of the ISP Group upon completion of the Acquisition and the sale of the Banking Business Unit and Insurance Business Units (see Part B, Section 7, Paragraph 7.4, of the Registration Document); and this is applicable even if, in spite of the sale of the Banking Business Unit and, if necessary, the Additional UBI Branches covered by the ISP Commitments (see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document), the concentration communicated by ISP to the Italian Antitrust Authority (Autorità Garante della Concorrenza e del Mercato – AGCM) is deemed capable to establish or reinforce a dominant position on the market and, therefore, the AGCM might prohibit it, or authorise it on condition of compliance with corrective measures in addition to and/or different from the sales of bank branches covered by the BPER Agreement and the ISP Commitments (e.g. the sale of additional bank branches). In this regard, it is noted that any authorisation issued by the AGCM that was not conditioned on completion only of the sales prescribed in the BPER Agreement and covered by the ISP Commitments, but prescribed additional and/or different corrective measures might – if the Issuer waives the relevant condition precedent of the Public Exchange Offer and in the case of completion of the transaction notwithstanding the imposition of those additional and/or different corrective measures – negatively and significantly impact the prospects and the economic results, balance sheet and financial situation of the Issuer and the ISP Group. That said, the Issuer estimates that the contribution made by the UBI Group to the results of the entity created upon completion of the Merger will not exceed, on average, about 11.5% in terms of the annual operating margin of the combined entity for the years 2021 and 2022.

Finally, it is noted that certain of the assumptions and/or actions taken as the basis for the targets and Forecast Data and the Strategic Targets of the Acquisition might turn out to be imprecise and, consequently, might not materialise or might materialise to an extent and at times different from those forecasted, just as events that could not be foreseen at the time they were formulated might occur, especially in relation to significant aspects of uncertainty that characterise the extraordinary nature of the COVID-19 pandemic. Moreover, due to the uncertainty associated with the realisation of any future event, both in terms of occurrence of the event, and in regard to the extent and timing of its occurrence, there might be significant discrepancies between the forecast values and the final values, even if the events forecast on the basis of general and hypothetical assumptions do materialise, with the consequent impossibility of achieving the identified targets and consequent negative effects, even significant ones, on the activities, prospects, economic results, balance sheet and financial situation of the Issuer and the ISP Group.

Given the uncertainty characterising any forecast data, investors are requested not to rely exclusively on the Forecast Data or Strategic Targets of the Acquisition when taking their own decisions to invest in financial instruments of the Issuer.

For more information, see Part B, Section 7, of the Registration Document.

A.1.2 Risks associated with the earnings performance of the ISP Group

The ISP Group is exposed to the risk that if its operating performance falls short of expectations, even due to the public health and economic impacts linked to the COVID-19 (so-called coronavirus) pandemic, the income trend of the ISP Group might fall, even if the Public Exchange Offer is a success, consequently compelling the Issuer to take specific additional measures to boost its own profitability. This circumstance might negatively impact the capacity of the Issuer to distribute dividends in future years.

Considering assessments of the likelihood that the risk in question – deemed to be high – does materialise, and the forecast magnitude of any negative impact, the Bank estimates that the risk in question is highly material.

The net profitability of the ISP Group in the first quarter of 2020 (1,151 million euro) was influenced by the recognition of net operating income, which was significantly impacted by the finance area, which by its nature is subject to volatility (the contribution made by the finance area rose from 458 million euro in the first quarter of 2019 to 994 million euro in the first quarter of 2020). The net profitability of the ISP Group in the first quarter of 2020 was also affected by (i) net adjustments to loans (which increased from 369 million euro in the first quarter of 2019 to 403 million euro in the first quarter of 2020) and (ii) approximately 300 million euro (before tax) set aside on a prudent basis in the allowance for risks and charges. The use of these provisions for risks and charges and the possibility of allocating to provisions about 1.2 billion euro before tax of the capital gain expected from the Nexi transaction would make it possible, in ISP's opinion, to absorb a total of about 1.5 billion euro in additional adjustments to loans (before tax) for all of 2020, to be used against the possible negative economic impacts of the COVID-19 pandemic. The Nexi transaction net capital gain, estimated at 900 million euro, corresponds to the sum of the estimated net capital gain deriving from the transfer of the Intesa Sanpaolo business unit relating to the acquiring activities (equal to approximately 780 million euro) and the estimated positive effect (day-one profit*)* of around 120 million euro based on the difference between the purchase price of the Nexi shares of 652,575,000 euro and a prudential valuation of the Nexi shares of 12.5 euro per share which, despite being lower than the market price of the Nexi shares on 19 June 2020, is, by its nature, subject to changes, which may even be significant. With regard to the gain expected from the Nexi transaction, whose exact amount will be known only at the time of closing, finalisation of the strategic partnership with Nexi is subject to fulfilment at the Date of the Registration Document of several conditions precedent in accordance with the market practice applied to similar transactions (for more information, see Part B, Section 14, Paragraph 14.1.4 of the Registration Document). In addition, in the first quarter of 2020, net fee and commission income totalled 1,844 million euro, down from 2,166 million in the fourth quarter of 2019, inter alia after the decrease in performance fees on assets under management from 126 million euro to 2 million euro.

At 31 December 2019, the ISP Group reported a 3.3% increase in profitability from the year ended at 31 December 2018, mainly attributable to a 5.6% increase in operating margin and, to a lesser extent, a 2.1% reduction of the operating costs from the values reported at 31 December 2018. More specifically, the operating margin was significantly impacted by the result of the finance area, which increased (+31% to 1,928 million euro) from the figure reported at 31 December 2018, which by its nature is subject to volatility.

It cannot be ruled out that the ISP Group will execute transactions (including non-recurring transactions) or that events marked by non-recurring economic components will occur (e.g. impairment of goodwill or the need to make additional contributions to the resolution fund and deposit guarantee schemes) over the next few years that may negatively impact the activity, prospects, economic results, balance sheet and financial situation of the Issuer and the ISP Group. At the Date of the Registration Document, the 2018-2021 Business Plan does not foresee any other non-recurring transactions other than those that have been recently completed (acquisition of RBM Assicurazione Salute S.p.A.) or are underway (strategic partnership agreement with Nexi S.p.A.) (see Part B, Section 14, Paragraphs 14.1.3 and 14.1.4 of the Registration Document). Moreover, the continuation of a negative macroeconomic situation – *inter alia* in consequence of the impact of the COVID-19 pandemic – might negatively impact the solvency of ISP Group customers, requiring the recognition of adjustments to loans and/or equity investments.

Moreover, with regard to the Acquisition, although the Issuer believes that the Strategic Targets of the Acquisition have been developed on the basis of assumptions deemed valid at the Date of the Registration Document, there is no guarantee that the Strategic Targets of the Acquisition represent the future consolidated capital, financial position and operating results of the ISP Group upon completion of the Acquisition and the sale of the Banking Business Unit and Insurance Business Units (see Part B, Section 7, Paragraph 7.4, of the Registration Document); it should be noted that the assumptions underlying the Strategic Targets of the Transaction do not include the case whereby the concentration reported by ISP to the Italian Antitrust Authority (Autorità Garante della Concorrenza e del Mercato – AGCM) is deemed capable to establish or reinforce a dominant position on the market and, therefore, the AGCM might prohibit it, or authorise it on condition of compliance with corrective measures in addition to and/or different from the sales of bank branches covered by the BPER Agreement and the ISP Commitments (e.g. the sale of additional bank branches). That said, the Issuer estimates that the contribution made by the UBI Group to the results of the entity created upon completion of the Merger will not exceed, on average, about 11.5% in terms of the annual operating margin of the combined entity for the years 2021 and 2022.

For more information on the earnings performance of the ISP Group, reference is made to pages 69-87 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports), and Part B, Section 6, Paragraph 6.1 of the Registration Document.

A.1.3 Risks associated with the distribution of dividends

In accordance with ECB Recommendation 2020/19 of 27 March 2020 on the dividend policy in the context resulting from the COVID-19 (so-called coronavirus) pandemic([3]), the Board of Directors of the Issuer decided on 31 March 2020 to suspend the proposal to distribute cash dividends to shareholders of approximately 3.4 billion euro (equal to 19.2 euro cents per Share), on the agenda of the Ordinary Shareholders' Meeting of 27 April 2020. On proposal by the Board of Directors, the Shareholders' Meeting resolved to allocate the net income for the year 2019 to reserves. The Issuer is exposed to the risk: (i) of being unable to fulfil the dividend distribution policy announced to the market, (ii) of being unable to realise distributable net income or, even if it does realise distributable net income, that the shareholders do not resolve to distribute dividends or distributions are made for a lower amount than in the past, and (iii) that the Supervisory Authority extends the 1 October 2020 expiration date for its recommendation to banks not to distribute dividends and reserves or issues new measures to prohibit or limit the distribution of dividends and reserves.

The Issuer believes that the likelihood of occurrence of the events described for the risk in question is high. Considering the magnitude of any negative impact, the Bank estimates that this risk is highly significant.

At the Date of the Registration Document, the Issuer has implemented a policy for the distribution of future dividends, which is periodically remitted for decision by the shareholders' meeting.

On 5 May 2020, the Issuer confirmed the dividend policy, previously indicated in the 2018-2021 Business Plan, which contains a commitment to distribute cash dividends corresponding to an ISP Group payout ratio (i.e. the ratio between the total amount of dividends to be distributed and the net income for the year) of 75% for 2020([4]) and 70% for 2021. As stated above, the proposal to distribute cash dividends to shareholders for 2019 has been suspended and the Ordinary Shareholders' Meeting held on 27 April 2020, on proposal from the Board of Directors, resolved to allocate the net income for 2019 to reserves. The European Central Bank has indicated that it will consider whether its recommendation concerning the dividend policy will be extended beyond 1 October 2020. Subject to the recommendations to be provided by the ECB and monitoring of the soundness of the Group's capital base in relation to the evolution of the situation resulting from the COVID-19 pandemic, the Board of Directors of Intesa Sanpaolo intends to call a Shareholders' Meeting after 1 October to implement the distribution of part of the reserves to

([3]) For the full text of ECB Recommendation 2020/19 of 27 March 2020, please use the following link: https://www.ecb.europa.eu/ecb/legal/pdf/ecb_2020_19_f_sign.pdf.

([4]) The 2020 net income considered for the purposes of the payout ratio does not include the effects on the income statement of the Acquisition transaction, including the recognition of negative goodwill.

shareholders before the end of 2020, whose amount has not yet been set and will be proposed to the shareholders by the Board of Directors when the Shareholders' Meeting is called. Moreover, the resolution to suspend the proposal to distribute a cash dividend of 3.4 billion euro to the shareholders has caused an increase in the fully loaded pro-forma Common Equity Tier 1 ratio ([5]) of the Issuer amounting to about 115 basis points, from the ratio at 31 December 2019.

Moreover, as announced in the press release published on 5 May 2020, the Issuer – while confirming the ISP Group dividend policy, as previously set out in the 2018-2021 Business Plan, which envisages a commitment to distribution of cash dividends corresponding to a payout ratio on Group net income of 75% in 2020 and 70% in 2021 – updated the dividend distribution targets for the entity resulting from the integration of the UBI Group into the ISP Group stated on 17 February 2020 when the Public Exchange Offer was announced. In particular, the Issuer aligned those objectives with the dividend policy of the 2018-2021 Business Plan of the ISP Group, declaring that those objectives envisage the distribution of cash dividends corresponding to a payout ratio of 75% of the net income of the entity resulting from the integration of the UBI Group into the ISP Group for 2020 (having excluded the contribution of the Negative goodwill ([6]) not allocated to cover charges for integration and reduce the risk profile from the net income) and 70% for 2021, rather than the distribution of a cash dividend per share of 0.20 euro for 2020 and more than 0.20 euro per share for 2021. By way of comparison, in the final year of the 2018-2021 Business Plan of the ISP Group, the dividend policy announced on 5 May 2020 equates – considering the expected net income of the ISP Group of no lower than 3.5 billion euro in 2021, as announced on the same date – to an expected dividend per share for the stand-alone ISP Group of no less than 0.14 euro, compared to 0.24 euro based on the net income of 6 billion euro announced on 6 February 2018 at the moment of approval of the 2018-2021 Business Plan, and to an expected dividend per share for the entity resulting from the integration of the UBI Group into the ISP Group of no lower than the aforesaid value projected for the ISP Group, compared to the value above 0.20 announced on 17 February 2020.

However, it cannot be ruled out that events may occur in the future that would extend the ECB Recommendation 2020/19 and (wholly or partially) prevent the distribution of dividends and reserves and the achievement of the net income payout ratio targets. The distribution of dividends may also, in the future, be prevented or limited by the failure to earn distributable net income or by lower than expected level of net income and/or by the need to comply with the recommendations of the Supervisory Authority and the capital requirements established by the legal and/or regulatory rules applicable to the ISP Group or recommended by the Supervisory Authority.

For more information, see Part B, Section 11, Paragraph 11.6 of the Registration Document.

A.1.4 Risks associated with the exposure of the ISP Group to sovereign debt

At 31 December 2019, the Issuer had a 136 billion euro exposure to sovereign debt ([7]). At the same date, the investments in sovereign debt securities of EU Member States amounted to 121 billion euro (about 15% of the total assets of the ISP Group), while the investments in Italian Government securities totalled 86 billion euro (about 11% of the total assets of the ISP Group). At 31 March 2020, the exposure to sovereign debt securities fell to 135 billion euro ([8]). At the same date, the investments in sovereign debt securities of EU Member States amounted to 118 billion euro, while the investments in Italian Government securities totalled 86 billion euro. Any increases in the return on Government bonds and/or worsening in the spread between the return on Government bonds and risk-free benchmark rates and/or any downgrading by rating agencies might trigger, for the Government bonds measured at fair value, a negative impact on the value of the ISP Group portfolio and on its capital ratios and/or liquidity. In particular, this risk may affect Italian Government bonds, due to possible worsening of the spread between them and the return on other benchmark European government bonds and/or joint actions by

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([5]) Pro-forma fully loaded Basel 3 (considering the total absorption of deferred tax assets [DTA] related to the first-time application of IFRS 9, the realignment of goodwill/net adjustments to loans/non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of certain assets and liabilities of the two former Venetian banks and the expected absorption of DTA on losses carried forward).

([6]) The actual determination of the Negative goodwill will result following the outcome of the PPA procedure provided for under IFRS 3.

([7])excluding the securities in which it had invested the funds received with insurance policies issued entirely at the risk of the insured and inclusive of valuation reserves on FVTOCI (Fair Value Through Other Comprehensive Income) / AFS (Available for sale) securities for 362 million euro).

([8]) Excluding the securities in which the Issuer had invested the funds received with insurance policies issued entirely at the risk of the insured and inclusive of valuation reserves on FVTOCI / AFS securities for -931 million euro).

the principal rating agencies, capable of pushing the credit rating of the Republic of Italy below investment grade.

Occurrence of the risk-related events – deemed by the Bank of Italy to be of medium probability – may have a medium-high impact. Considering the above, the Bank estimates that the risk in question is of medium-high significance.

The ISP Group is exposed to sovereign debtors, especially to the Republic of Italy and certain of the main European countries. Tension on the government bond market and the volatility of government bonds, especially with reference to the spread between Italian government bonds and other benchmark government bonds, and downgrades in the rating of the Republic of Italy, or forecasts that such downgrades may occur, can generate instability on the markets, reduce the value of the securities portfolio, and negatively impact the activities, capital, financial position, operating results and prospects of the Issuer and/or the ISP Group.

The Issuer had a 136 billion euro exposure to sovereign debt securities at 31 December 2019. About 13 billion euro of these securities was allocated as financial assets at amortised cost, about 58 billion euro as FVTOCI securities, about 7 billion euro as FVTPL([9]) (Fair Value Through Profit and Loss) assets, and about 58 billion euro, for the insurance activity, as AFS financial assets. Subsequently, its exposure to sovereign debt securities decreased to 135 billion euro at 31 March 2020. About 16 billion euro of these securities was allocated as financial assets at amortised cost, about 58 billion euro as FVTOCI securities, about 4 billion euro as FVTPL([10]) assets, and about 57 billion euro, for the insurance activity, as AFS financial assets.

For information on the risk associated with the exposure to sovereign debt, reference is made to page 480 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports). For the definition of rating and the terminology used by the rating agencies, reference is made to the Glossary attached to the Registration Document.

A.1.5 Risks associated with the ratings assigned to the Issuer and the ISP Group

The debt of the Issuer is subject to rating by several independent rating agencies and falls in the "investment grade" category. On 26 March 2020, Moody's downgraded the outlook on the rating of the senior unsecured bonds issued by ISP, reflecting the deterioration in the operating context caused by the COVID-19 (so-called coronavirus) pandemic and the associated risks for the Issuer's credit rating. On 12 May 2020, Fitch downgraded the ratings of ISP to "BBB-/F3" with stable outlook and DBRS lowered the trend on the long and short-term ratings of the senior unsecured bonds of ISP to "negative", after similar actions on the ratings of Italy. Another downgrade in the rating levels assigned to the Issuer might render it more difficult to obtain funding and increase costs, with consequent negative impacts on the profitability and capital adequacy of the Issuer, and on its opportunities to access the capital market. This in turn might cause a further increase in the costs of funding and/or need to post additional guarantees, with consequently negative effects on the activities, prospects, economic results, balance sheet and financial situation of the Issuer and the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a low probability of occurrence, could have negative impacts on the activities, prospects, economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium significance.

At the Date of the Registration Document, the Issuer has been assigned ratings by the international agencies Standard & Poor's, Moody's, Fitch Ratings and DBRS MORNINGSTAR (see Part B, Section 5, Paragraph 5.1.5, of the Registration Document for information concerning the main elements of concern and issues raised in the most recent ratings issued by the rating agencies). The ratings were confirmed by all the above agencies after announcement of the Public Exchange Offer in light of the fact that the transaction will not significantly alter the credit standing of ISP, while it will allow the ISP Group to strengthen its competitive position in the face of limited execution risk. Nevertheless, it cannot be ruled out that the ratings given to the Issuer by the aforementioned independent rating agencies may be downgraded if the financial position, earnings, liquidity and asset quality worsen due to the complexity and problems inherent in the Acquisition.

([9]) Taking into consideration on-balance sheet positions.

([10]) Taking into consideration on-balance sheet positions.

When they determine their ratings of the Issuer, the agencies consider and continue to monitor various indicators of the creditworthiness of the Intesa Sanpaolo Group, including its profitability, liquidity, asset quality and capacity to maintain its own capital ratios above certain levels. If the Issuer and/or one of the subsidiaries that is assigned a rating does not keep one or more of these indicators at adequate levels, the ratings assigned by the agencies might be downgraded.

A downgrade in the ratings assigned by the agencies might have an unfavourable effect on the opportunities of the ISP Group to access various liquidity instruments, and its capacity to compete on the capital market, with an increase in the costs of funding and, consequently, negative effects on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group. Moreover, the sovereign rating of Italy and macroeconomic trends have to be considered material factors. Therefore, any worsening in the sovereign rating of Italy and/or deterioration in operating conditions in Italy and the earnings performance mentioned hereinabove might cause a downgrade in one or more of the ratings given by the rating agencies to the Issuer and/or to one of the rated subsidiaries.

For the definition of “rating”, “investment grade” and the other terminology used by the rating agencies, reference is made to the Glossary attached to the Registration Document.

For more information about the ratings given by the rating agencies, see Part B, Section 5, Paragraph 5.1.5 of the Registration Document.

A.1.6 Risks associated with the impairment of goodwill

At 31 December 2019, the value of the goodwill of the ISP Group recognised as an intangible asset on the balance sheet was 4,055 million euro (down from 4,227 million euro at 31 December 2018) and represents 0.5% of the total assets of the Group and 7.2% of the shareholders' equity of the Group at the same date. The significant uncertainties characterising the domestic and global macroeconomic context, inter alia due to the public health and economic impact and developments of the COVID-19 (so-called coronavirus) pandemic, might have a negative, and even a significantly negative, impact on the estimate of assumed cash flows, and the principal financial assumptions considered, and might consequently entail the necessity of impairing the goodwill, even for significant amounts.

The Issuer considers the examined risk to have a medium probability of occurrence. The impairment in goodwill recognised in the financial statements would have a negative, and even a significantly negative, impact on the financial position and results of the ISP Group. Considering assessments of the likelihood that the risk in question does materialise, and the forecast magnitude of any negative impact, the Bank estimates that the risk in question is of medium significance.

The value of the goodwill of the Group is tested for impairment in accordance with IAS 36, for which the Issuer might have to recognise impairment if the overall macroeconomic trend and the trend of the Group’s results are worse than the estimates used for the impairment test. Also pursuant to IAS 36, goodwill has to be allocated to Cash Generating Units (CGU), which represent the groups of assets subject to impairment testing on goodwill in order to determine the recoverable amount. At 31 December 2019, the goodwill allocated to the CGUs of the ISP Group was as follows: 1,291 million euro to the Private Banking CGU, 1,060 million euro to the Asset Management CGU, 983 million euro to the Banca dei Territori CGU, 494 million euro to the Insurance CGU, 171 million euro to the Autostrade Lombarde CGU, and 56 million euro to the Corporate and Investment Banking CGU.

The book value of goodwill at 31 December 2019 was confirmed after the impairment test conducted during preparation of the 2019 Consolidated Financial Statements.

For the Interim Statement as at 31 March 2020, ISP only identified the general outlines of a scenario for the situation resulting from the COVID-19 pandemic, even if it is susceptible to unpredictable changes, given the significant uncertainties surrounding the extraordinary nature of the COVID-19 pandemic. This hypothetical scenario can be summarised in the forecasts for Italian GDP, which is expected to decrease in the range of 8%-10.5% in 2020 and rebound by around 4.5%-7% in 2021([11]).

The deterioration in the macroeconomic environment, as described above, and the consequent reduction in ISP Group earnings for the years 2020-2021 necessitated a sensitivity analysis of the recoverable amount of the CGUs and of the Banca dei Territori CGU in particular, which had the narrowest margin between recoverable amount and carrying amount as at 31 December 2019, however this did not identify any situations of impairment, even under stress conditions. Specifically, the sensitivity analysis was

([11]) Source: the GDP estimates shown here are the result of internal analysis performed by the Intesa Sanpaolo Research Department.

conducted by verifying the change in the recoverable amount of the CGUs based on the updated macroeconomic scenario underlying the estimates of future cash flows and current market rates. Consequently, the potential impacts on the future cash flows of the CGU were estimated on the assumption that the hypothetical macroeconomic scenario was also used to revise the targets of the Business Plan, considering an inertial drag on the cash flows after 2021 resulting from the forecasts embedded in the updated macroeconomic scenario.

The results of the performed sensitivity analysis, which are also summarised in the Interim Statement as at 31 March 2020, showed a positive margin of over 100 million euro for the Banca dei Territori CGU with respect to its carrying amount and therefore, even though the figure was lower than as at 31 December 2019, the update of the macroeconomic scenario presently ascribable to the COVID-19 pandemic is not an indicator of impairment for the purposes of the goodwill allocated to the Banca dei Territori CGU. With regard to the other CGUs which have been allocated goodwill, there were no indicators of impairment even after updating the macroeconomic scenario for the COVID-19 pandemic.

Considering the uncertainties characterising the general trends in the prospective macroeconomic scenario, as updated to account for the possible effects of the COVID-19 pandemic, if the future operating performance of the Group and the associated cash flows are different from the estimates used to perform the sensitivity test described hereinabove, the Group might have to recognise impairment for goodwill, particularly for the Banca dei Territori CGU, with consequently significant negative impacts on the economic results, balance sheet and financial situation of the ISP Group.

The main parameters used in the valuation model such as cash flows and the discount rate, can be influenced, even significantly, by developments in the overall macroeconomic scenario, especially in the present situation of market volatility and uncertainty over future economic prospects. In particular, the domestic and global macroeconomic context is characterised by significant uncertainties, inter alia due to the possible public health and economic impact and developments of the COVID-19 (*so-called* coronavirus) pandemic. The effect that those changes might have on the estimate of assumed cash flows, and on the principal financial assumptions considered, might consequently entail the necessity of impairing of goodwill, even for significant amounts.

For information on the impairment tests, reference is made to pages 298-310 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

The value of goodwill totalled 4,055 million euro in pro-forma terms at 31 December 2019, equal to the value of the goodwill of the ISP Group at the same date, since the goodwill reported in the consolidated financial statements of UBI Banca at 31 December 2019 (1,465 million) was eliminated as part of the pro-forma adjustments made to estimate the accounting effects connected with the Acquisition (see Part B, Section 11, Paragraph 11.5 of the Registration Document) and, according to the information available at the Date of the Registration Document, no new amounts for goodwill will arise after the Acquisition, but rather Negative goodwill to be recognised in the consolidated financial statements of ISP.

For more information, see Part B, Section 11, Paragraph 11.1 of the Registration Document.

A.1.7 Risks associated with deferred tax assets

At 31 December 2019, the ISP Group recognised deferred tax assets (DTA) totalling 13,751 million euro (13,938 million at 31 December 2018). Among these, 5,504 million euro (of which 521 million resulting from IRAP deductible temporary differences), equal to 40% of the total DTAs, relate to "DTAs not convertible" into a tax credit (at 31 December 2018, the DTAs not convertible into a tax credit amounted to 5,657 million euro, of which 530 million relating to IRAP). The recoverability of DTAs not convertible into a tax credit depends on the capacity of the ISP Group to generate sufficient positive taxable income in future years to guarantee use of those DTAs. The present domestic and global macroeconomic context is characterised by significant uncertainties, inter alia due to the possible public health and economic impact and developments of the COVID-19 (so-called coronavirus) pandemic. The deterioration in the overall economic context and the prospective results of the ISP Group, or any worsening in the current tax legislation that governs the recoverability of DTAs, might negatively impact the capacity to produce sufficient future taxable income to guarantee use of the non-convertible DTAs, with consequently negative effects on the operating results, capital and/or financial position of the ISP Group. The effect that changes in the domestic and global macroeconomic context might have on the estimate of taxable income over the next several years might, in particular, make it necessary to impair the DTAs recognised in the 2019 Consolidated Financial Statements.

The Issuer considers the examined risk to have a medium probability of occurrence. The impairment of the DTAs recognised in the financial statements would negatively impact the financial position and results of the ISP Group. Considering assessments of the likelihood that the risk in question does materialise, and the forecast magnitude of any negative impact, the Bank estimates that the risk in question is of medium-low significance. The medium-low summary valuation depends on a medium risk of occurrence for the IRAP DTAs, which are for particularly large amounts (521 million euro at 31 December 2019), and a low risk for the other DTAs (IRES DTAs on tax losses, IRES DTAs that can be used as part of the national fiscal consolidation scheme, and DTAs that can be used by foreign subsidiaries).

The probability test run during preparation of the 2019 Consolidated Financial Statements confirmed that the aforementioned DTAs could be recognised, with a 10-year period for their recovery, which is compatible with the recovery likelihood prerequisite prescribed by IAS 12. That period also reflects the multiyear calendar imposed by the rules governing application of the eligible DTAs for adjustments to loans and realignment of intangible assets.

More specifically, it is noted that the IRAP DTAs that are no longer eligible for recovery in each applicable year should be cancelled independently of the income prospects in the years after their prescribed year of use. This is due to the absence of any provision in the IRAP law allowing negative taxable income to be carried forward (the IRAP DTAs to be used in 2020 amount to about 115 million euro). The main parameters used to run the probability test referred to hereinabove can be influenced, even significantly, by developments in the overall economic scenario, especially in the present situation of market volatility and uncertainty over future economic prospects.

For information on deferred tax assets and the probability test, reference is made to pages 314-316 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.1.8 Risks associated with the assumptions and methods used to measure the Issuer's assets and liabilities

The preparation of the financial statements requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement. In particular, the valuations of level 2 (L2) and level 3 (L3) assets and liabilities at fair value that are not based on market prices require the selection of market information (including: interest rates, exchange rates, valuations of comparable instruments), if available, and/or the adoption of subjective valuations based partly on historic experience or internal valuation models, which by their very nature may vary from year to year. Changes in the present values recognised in the financial statements after changes in the principal factors considered and the subjective valuations used might negatively impact the profitability of the ISP Group. With regard to the assets measured at fair value([12]), the percentages of assets measured with L2 and L3 inputs amounted to 33% and 7%, respectively, at 31 March 2020, without considering the insurance segment([13]); those percentages are 3% and 1%, respectively, for the insurance segment. As for the liabilities, and excluding the insurance segment, the portion measured with L2 inputs amounted to 78%, and there were no liabilities measured with L3 inputs, while all the liabilities were measured with L2 inputs for the insurance segment.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a low probability of occurrence and expected to have a low possible impact, led the Bank to estimate that this risk is of low significance.

Excluding the insurance segment, the fair value measurement of financial assets at 31 December 2019([14]) was carried out as follows: approximately 63% using level 1 inputs, around 30% using level 2 inputs and only about 7% using level 3 inputs. As a percentage of total assets, the portions of these assets measured with level 2 and level 3 inputs represent 5% and 1%, respectively. The fair value measurement of assets in the insurance segment was carried out as follows: approximately 97% using level 1 (L1) inputs, around 2% using level 2 (L2) inputs and only about 1% using level 3 (L3) inputs. As a percentage of total assets, the presence of these assets measured with L2 and L3 inputs is almost negligible. Excluding the insurance segment, the financial liabilities measured at fair value accounted for approximately 34% using L1 inputs and 66% using L2 inputs. As a percentage of total liabilities, 4% of

([12]) Including Property and equipment measured at fair value.

([13]) Following the Group's decision to exercise the option of adopting the Deferral Approach, provided for by IFRS 9 "Financial Instruments" also for banking-led financial conglomerates, under which the financial assets and liabilities of subsidiary insurance companies continue to be recognised in the financial statements in accordance with IAS 39 and are thus commented on separately.

([14]) Including Property and equipment measured at fair value.

these liabilities were measured with L2 inputs. The liabilities measured at fair value in the insurance segment are measured entirely with L2 inputs and their weight as a percentage of total liabilities is 9%. At 31 March 2020, the Issuer did not recognise any significant changes in the aforementioned values in the scope of its activities. Among liabilities, those in the insurance segment continue to be measured entirely with L2 inputs, while 22% of the remaining liabilities are measured with L1 inputs and 78% using L2 inputs.

The L2 and L3 valuations imply the use of market information (including: interest rates, exchange rates, valuations of comparable instruments) and/or the adoption of subjective valuations based partly on historic experience or internal valuation models. By their very nature, the estimates and assumptions may vary from year to year, as a result of changes in the subjective valuations made, and hence it cannot be excluded that the current amounts carried in the financial statements may differ significantly in future financial years, with potential negative impacts on the profitability of the ISP Group.

In addition to reference to the use of valuation models for measurement of the fair value of financial instruments not listed on active markets and calculation of the fair value of property and equipment (real estate and valuable art assets), the preparation of financial reports requires the use of other estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement. The other main cases for which subjective valuations are required to be made by corporate management include:

- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the estimates and assumptions on the collectability of deferred tax assets;
- the measurement of personnel funds and allowances for risks and charges;
- the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) assumptions used to structure insurance products and define the basis for calculating integrative reserves provided for in insurance regulations, in addition to “shadow” reserves, and liability adequacy tests provided for in IFRS 4.

For information on valuation assumptions and methods, reference is made to pages 238-256 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.2. RISKS ASSOCIATED WITH THE TRANSACTION

A.2.1 Risks associated with completion of the Acquisition of UBI Banca, the consequent process of integration and failure to realise the expected synergies

If the Acquisition of UBI Banca is completed, the ISP Group will be exposed to risks (i) associated with the possible failure to obtain or partly obtaining realisation of the cost and revenue synergies expected from the Acquisition, and (ii) to assume unexpected liabilities and/or recognise lower asset values for the UBI Group as compared with those reported on the balance sheet of the UBI Group due to the incorrectness of the valuations made prior to the Acquisition (considering the lack of access to data and information about the UBI Group other than publicly available data) and/or due to the negative impact from the COVID-19 (so-called coronavirus) pandemic. Moreover, these risks stem from the fact that at the Date of the Registration Document, the period for acceptance of the Public Exchange Offer has not yet begun and the Acquisition has not yet been completed, and therefore the Issuer has not yet had access to data and information about the UBI Group other than publicly available data and has not begun the process of integration of the existing organisational structures, technologies and services of the ISP Group and those of the UBI Group. Moreover, realisation of the expected synergies by the ISP Group is characterised by great uncertainty, inter alia in light of the present macroeconomic context. If the expected synergies are not realised in whole or in part, the net income of the post-Merger Issuer from the 2023 financial year would be lower than expected and, consequently, negatively impact the market value of ISP Shares, the future dividend policy of the ISP Group and, therefore, the future return on ISP Shares.

The Issuer believes that the aforementioned events have a medium probability of occurrence. Considering the possible negative impacts, the Bank estimates that the risk in question is highly significant.

The Acquisition of UBI Banca through the Public Exchange Offer

First of all, it is noted that: (i) on 17 February 2020, the Issuer announced, pursuant to Article 102, paragraph 1, of the Consolidated Law on Finance, and Article 37, paragraph 1, of the Issuers' Regulation, that it had decided to launch a Public Exchange Offer for all UBI Shares; (ii) also on 17 February 2020, the Issuer and BPER signed the BPER Agreement, pursuant to which BPER undertook to acquire the Banking Business Unit (see Part B, Section 14, Paragraph 14.1.1 of the Registration Document). On that date, the Issuer and Unipol entered into the Unipol Agreement, pursuant to which Unipol undertook, directly or through its subsidiaries, to acquire the Insurance Business Units (see Part B, Section 14, Paragraph 14.1.2 of the Registration Document); (iii) on 6 March 2020, the Issuer submitted to Consob, pursuant to Article 102, paragraph 3, of the Consolidated Law on Finance and Article 37-*ter* of the Issuers' Regulation, a copy of the Offer Document for publication; (iv) on 27 April 2020, the shareholders' meeting of the Issuer was held in ordinary and extraordinary session, which decided, *inter alia*, to delegate authority to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital in one or more divisible tranches, without the option rights pursuant to Article 2441, paragraph 4, first line of the Italian Civil Code, issuing a maximum number of 1,945,284,755 New Shares to be paid for through contribution in kind to service the Public Exchange Offer; and (v) on 16 June 2020, the Board of Directors of the Issuer, exercising the authority granted it by the Shareholders' Meeting, decided that the Public Exchange Offer Share Capital Increase be executed for a nominal maximum of 1,011,548,072.60 euro, through the issuance of a maximum of 1,945,284,755 New Shares, to be paid up through the contribution in kind of UBI Shares tendered in acceptance of the Public Exchange Offer (see Part B, Section 12, Paragraph 12.1.2 of the Registration Document).

The objective of the Issuer is to acquire, through the Public Exchange Offer, the entire share capital of UBI Banca and then proceed to merger by incorporation of UBI Banca into the Issuer, furthering the goals of integration, creation of synergies and growth of the ISP Group, after – if the relevant legal prerequisites are met – fulfilling the squeeze-out commitment pursuant Article 108, paragraph 2, of the Consolidated Law on Finance, and/or the squeeze-out commitment pursuant to Article 108, paragraph 1, of the Consolidated Law on Finance, and exercising the right to squeeze-out pursuant to Article 111 of the Consolidated Law on Finance, with consequent delisting of the UBI Shares from trading on the MTA market (for more information, see the Offer Document that will be made available to the public – once it is approved by Consob – pursuant to the terms and conditions of law).

Completion of the Acquisition of UBI Banca

After completion of the Acquisition, the Issuer will be exposed both to the risks associated with the execution of an extraordinary acquisition of the entire share capital or the controlling stake in another bank (including, inter alia, any current or contingent liabilities that were unknown or, in any event, not found during pre-acquisition analysis) and to the specific risks resulting from the specific characteristics of UBI Banca and the Acquisition. In this regard, it is noted that: (i) the Issuer – given the structure of the transaction (i.e. acquisition through a public exchange offer) – does not benefit from any contractual guarantee and indemnity undertaking (e.g. representations and warranties and associated seller indemnity obligations); (ii) the Issuer has not conducted any due diligence on UBI Banca; (iii) the only pre-acquisition analyses carried out by the Issuer on UBI Banca have been performed exclusively on the basis of public available information and, consequently (iv) the Issuer might not be able to ascertain all the critical aspects concerning the target entity and the future risks that might derive from the Acquisition. Therefore, the ISP Group will be exposed to risks of assuming unexpected liabilities and/or recognising lower values for assets of the UBI Group than those recognised in the balance sheets of the UBI Group. Those risks might be accentuated by the negative impacts stemming from the COVID-19 (*so-called* coronavirus) pandemic, with possible impact, even significant, on the credit quality of the post-Acquisition ISP Group.

It cannot be ruled out that events may occur, which may also be beyond the control of the Issuer and the ISP Group (also as a consequence of initiatives taken by the management of UBI Banca or its shareholders hostile to the Offer), that wholly or partially prejudice the realisation of the objective of acquiring a controlling interest of at least 50% +1% share in the share capital of UBI Banca, which is a prerequisite and instrumental for the business combination of the ISP Group and the UBI Group and, as a consequence, for the realisation of the expected synergies.

Pursuant to the BPER Agreement, the finalisation of the transfer of the Banking Business Unit is subject to, inter alia, the completion of the Public Exchange Offer (and, thus, fulfilment of the Conditions Precedent of the Public Exchange Offer or to the waiver of all or part of these by Intesa Sanpaolo), the appointment of a new board of directors of UBI Banca composed by a majority of individuals drawn from the list that will be presented by Intesa Sanpaolo, and the accession by UBI Banca to the BPER Agreement in accordance with applicable regulations. Pursuant to the Unipol Agreement, completion of the acquisition by Unipol of the Insurance Business Units is also conditioned by the execution of the

BPER Agreement. For more information about the conditions of the BPER Agreement, see Part B, Section 14, Paragraph 14.1.1 of the Registration Document. Given that ISP deems that the sale of the abovementioned business units will take place at fair terms and conditions, in compliance with the applicable law and in accordance with the principles of sound and prudent management (in line with the authorisation granted), it is noted that any delays or obstacles in UBI Banca entering into the BPER Agreement (for reasons that cannot currently be identified to date, with ISP as the controlling shareholder intending, in compliance with the law, to exercise the rights arising from the law and from the articles of association) could mean that the sale of the business units to be transferred under the abovementioned agreements might take place according to different timescales or procedures/conditions from those envisaged by the Issuer. As a consequence, the timescales envisaged for the integration of UBI Banca's information systems and operating model with the ISP Group may be extended, with a potential delay in realisation of the related cost savings as expected and by the expected times, and with an impact on the net income of the Issuer after the Merger (based on 2023 as a reference), which could be lower than as forecasted. Please note that the BPER Agreement envisages the possibility of selling ISP Group branches, and not just former UBI Banca branches.

Nevertheless, the Issuer believes that the impacts on and risks to the business of the ISP Group deriving from the failure to execute or the delay in execution of the BPER Agreement and the Unipol Agreement are limited in view of (i) the business profile of ISP and the operations of its product factories, which will not experience any changes from the sale of the aforementioned business units to BPER and Unipol; (ii) the limited contribution of the sold business units to the entity resulting from the Merger (estimated at about 6% of the total net loans of the combined entity); with regard to the Unipol Agreement it should also be noted that the impact on the financial position and operating results of the ISP Group from the sale of the Insurance Business Units is not considered to be significant and, in any event, substantially neutral, given that the consideration for the sale of the Insurance Business Units will be determined on the basis of the same valuation criteria as those adopted for the determination of the price paid by UBI Banca for the possible reacquisition of control of Lombarda Vita S.p.A. and Aviva Vita S.p.A., and, with regard to the Insurance Business Unit of BancAssurance Popolari S.p.A., with reference to its equity value; and (iii) the fact that the current articles of association of UBI Banca grant the majority shareholder the right to submit a list of candidates and to appoint the majority of members of the Board of Directors (two thirds of whom must be independent).

Moreover, although the BPER Agreement has been signed to prevent the manifestation of potentially significant antitrust issues arising from the integration of the UBI Group into the ISP Group, it might not be adequate to realise that aim (for more information, see Part B, Section 14, Paragraph 14.1.1 of the Registration Document). At the Date of the Registration Document, the Issuer has not yet obtained unconditional approval of the Acquisition from the Italian Antitrust Authority (AGCM).

Any authorisation issued by the AGCM that prescribes corrective measures in addition to and/or different from those of the sales of bank branches covered by the BPER Agreement and the ISP Commitments (for example, the sale of additional bank branches) might – in the case of waiver by the Issuer of the relevant condition precedent of the Public Exchange Offer and if the transaction is completed notwithstanding the imposition of those additional and/or different corrective measures – negatively and significantly impact the process of integration of UBI Banca in the ISP Group and its timing and, therefore, the pursuit of the revenue growth prospects underlying the Strategic Targets of the Acquisition. These risks would be accentuated (with potential adverse effects on the ISP Group's future earnings performance) in the event that (for reasons that cannot be identified now) the BPER Agreement was not executed or was executed at times, terms and conditions different from those envisaged and the Issuer were required to take actions, possibly after the commencement of non-compliance proceedings before the AGCM, aimed at resolving the antitrust issues that the BPER Agreement seeks to prevent and/or resolve, at potentially worse terms and conditions than those envisaged in the BPER Agreement.

In the press releases dated 12 May 2020 (published on the website of UBI Banca, www.ubibanca.com), UBI Banca announced that (i) DBRS Morningstar had confirmed the Long Term Issuer Deposit Rating assigned to UBI Banca, changing the trend from stable to negative, and that (ii) Fitch Ratings had changed the Long Term Issuer Default Rating assigned to UBI Banca from "BBB-" to "BB+", with consequent loss of its status as lower investment grade and rating as speculative grade. Fitch Ratings, in particular, specified in its rating report that the change in rating was justified by the weakness of the credit quality profile of UBI Banca, when compared with its higher-rated domestic peers, which mainly arose from a less-diversified business model, weaker profitability and smaller capital buffers([15]) (see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document).

The integration process and synergies

The expected cost and revenue synergies resulting from completion of the integration of the UBI Group into the ISP Group have been estimated (i) for the year 2023, in the amount of 662 million euro before tax, and (ii) upon full implementation beginning in 2024 (inclusive), in the amount of 700 million euro before tax per year. Conversely, if the Merger is not carried out, the Issuer estimates that it could still realise annual synergies upon full implementation, from 2024 (inclusive), of 611 million euro (around 87% of the total synergies envisaged upon implementation in the case of Merger, totalling around 700 million euro fully phased in), of which 156 million euro with respect to revenues (equal to 100% of the synergies that may be assumed in the case of Merger) and 455 million euro with respect to costs (around 84% of the synergies that may be forecasted in the case of Merger, equal to 545 million euro)([16]), will be achieved. The loss of about 90 million euro in synergies has been prudently estimated for the higher costs of maintaining UBI Banca as a separate autonomous legal entity (see Part B, Section 7, Paragraph 7.4 of the Registration Document).

The Acquisition poses specific risks related, inter alia, to the coordination of management and staff, integration of the existing IT systems, structures and services of the UBI Group in the ISP Group. Achievement of the objectives of the Acquisition also depends on the capacity of the ISP Group to achieve, inter alia: (i) an increase in the critical mass and cost synergies; (ii) revenue synergies; (iii) up-selling and cross-selling of the product catalogue; (iv) reinforcement of its own position in the areas of environmental social governance and impact banking and (v) the capacity to attract new talent. The realisation of those objectives will depend in particular on the capacity of the ISP Group to integrate the UBI Group efficiently, while preserving the existing sales network and customer portfolio, improving productivity and simultaneously streamlining costs. Moreover, the risk connected with the possible failure to achieve synergies (estimated to amount before tax to 700 million euro per year upon full implementation in 2024) might assume significance if one considers the non-recurring costs of integration of the UBI Group into the ISP Group, which have been calculated at the Date of the Registration Document to be about 1.3 billion euro and which largely relate to the streamlining of product factories and the branch network, the migration and integration of information systems, and the charges for voluntary staff exits.

Moreover, the Issuer is exposed to the risk that certain shareholders of UBI Banca – hostile to the Public Exchange Offer – may take conflicting positions and/or engage in obstruction.

The integration and, in particular, migration of the IT systems, centralisation of the administrative structures of the UBI Group and the harmonisation of resources with ISP Group operating policy might occur at times and in ways different from those assumed. Even after events outside the control of the Issuer and/or the ISP Group arising from an increase in the expected charges for integration of the UBI Group in the ISP Group, the occurrence of unexpected problems, deviation in the results of the UBI Group from expected ones (both in terms of costs and in terms of revenue), the realisation of unexpected liabilities or the reduction of revenues, including those stemming from possible negative synergies, the integration process and synergies might not materialise to the extent and at the times expected and there might be negative effects on the activity, prospects and the economic results, balance sheet and financial situation of the Issuer and the ISP Group, and on its integrated operations and management. Please also note that if, upon conclusion of the Offer, the Issuer waives the condition that it holds a percentage at least equal to 66.67% of UBI Banca's share capital and agrees to acquire a percentage below this threshold, subject to the Minimum Threshold Condition (as defined below), the approval of the Merger may still be proposed to the shareholders' meeting (probably starting from 2021, although the Issuer has not yet taken any decision in this regard, even though the Merger is an objective of the Offer), which will not trigger the withdrawal right of the shareholders in accordance with the law.

([15]) The Fitch report of 12 May 2020 "*Fitch Downgrades Four Italian Banks Following Sovereign Downgrade*" states: "*UBI's lower Long-Term IDR and VR reflect the relative weakness of its credit profile compared with its higher-rated domestic peers, which mainly arises from a less-diversified business model, weaker profitability and smaller capital buffers.*"

([16]) Please note that for the year 2023 the cost and revenue synergies in the event the Merger is not carried out would correspond to 573 million euro of additional pre-tax profit, compared to around 662 million euro that could be achieved in the event of the Merger.

In this regard, it is noted that if the Merger is not approved for any reason by the respective extraordinary shareholders' meetings of the Issuer and/or UBI Banca (which require the favourable vote of at least two-thirds of the share capital represented at the shareholders' meeting), or if it is not carried out, the Issuer would not fully realise the synergies expected from the Merger. In particular, it is noted that the revenue synergies are expected to be achieved in their entirety, given that they derive from the distribution and service model of the ISP Group, regardless of whether the Merger is accomplished. Instead, the cost synergies are based on the centralised management of operating costs, which is also typical of Intesa Sanpaolo. In detail, the synergies for personnel expenses depend on the number of acceptances of the early retirement plan and the amount of the charges for integration that will permit the voluntary exit of 5,000 persons from the entity resulting from the integration of the UBI Group into the ISP Group (while also considering the 2,000 redundancies already budgeted in the business plan approved by UBI Banca, which Intesa Sanpaolo intends to carry out only on a voluntary basis and at the same time as the hiring of 2,500 new employees), which are also independent of the Merger, given the possibility of taking advantage of the greater dimensions and intragroup mobility, as now occurs for the legal entities of the ISP Group. Instead, with regard to the administrative expenses, it is assumed that synergies will be realised from the integration of the information systems and greater size of the group (as resulting from the integration of the UBI Group into the ISP Group) with consequent impact on discretionary expenses and improved efficiency of its territorial operations.

If (assuming partial waiver by the Issuer of the condition to hold an equity investment of at least 66.67% in the share capital of UBI Banca) the acceptances of the Public Exchange Offer are sufficient for the Issuer to achieve a 50% stake in the share capital + 1 UBI share, there is no certainty that the Merger will be approved by the extraordinary shareholders' meetings of the Issuer and/or UBI Banca (which require the favourable vote of at least two thirds of the share capital represented at the shareholders' meeting). If the Merger is not carried out, the Issuer estimates that it can realise annual synergies upon full implementation, from 2024 (inclusive), of 611 million euro (around 87% of the total synergies envisaged upon implementation in the case of Merger, totalling around 700 million euro fully phased in), of which 156 million euro with respect to revenues (equal to 100% of the synergies that may be assumed in the case of Merger) and 455 million euro with respect to costs (around 84% of the synergies that may be forecasted in the case of Merger, equal to 545 million euro)([17]). Moreover, it is noted that – regardless of the interested reached by the Issuer in UBI Banca at the conclusion of the Offer (in any case greater than 50%+1 of the share capital) – due to any delays and obstacles in relation to the occurrence of the conditions precedent of the BPER Agreement, including the appointment of a new Board of Directors of UBI Banca and/or UBI Banca's accession to the BPER Agreement (for reasons unknown at present), transfer of the Banking Business Unit (composed of 532 ISP Group bank branches, as integrated upon completion of the Offer, and which will be comprised by ISP Group branches after the integration of UBI Banca) might be completed at times or terms and conditions different from those envisaged by the Issuer. Even the Unipol Agreement, which is conditioned *inter alia* on completion of the BPER Agreement, might not be implemented during that period. If there is a delay in the execution of those agreements, it is plausible that the timelines envisaged for the integration of UBI Banca's information systems and operating model with the ISP Group may be extended, with a potential delay in realisation of the related cost savings as expected and by the expected times, and with an impact on the net income of the Issuer after the Merger (based on 2023 as a reference), which could be less than forecast.

Moreover, it is worth highlighting the impact on the UBI Group integration process deriving from performance of the BPER Agreement and the Unipol Agreement. For more information on the conditions of these agreements, see Part B, Section 14, Paragraph 14.1.1 of the Registration Document. Given that – as stated hereinabove – the sale of the abovementioned business units will take place at fair terms and conditions, in compliance with the applicable law and in accordance with the principles of sound and prudent management (in line with the authorisation granted), as a result of any delays or obstacles for UBI Banca in accepting the BPER Agreement (for reasons that cannot currently be identified to date, with ISP as the controlling shareholder intending, in compliance with the law, to exercise the rights arising from the law and from the articles of association), the sale of those business units might slow down the integration of the UBI Group and thus throw up a time obstacle to benefiting in as little technical time as possible from all the expected cost synergies, beginning from the settlement of the Public Exchange Offer (above all in regard to integration of the information and operating systems of UBI Banca into the ISP

([17]) Please note that for the year 2023 the cost and revenue synergies in the event the Merger is not carried out would correspond to 573 million euro of additional pre-tax profit, compared to around 662 million euro that could be achieved in the event of the Merger.

Group and thus timely completion of the integration plan). Please note that the BPER Agreement envisages the possibility of selling ISP Group branches, and not just former UBI Banca branches.

As mentioned above, the BPER Agreement and thus finalisation of the transfer of the Banking Business Unit are subject to, inter alia, the appointment of a new board of directors of UBI Banca composed by a majority of individuals drawn from the list that will be presented by ISP, and acceptance by UBI Banca of the BPER Agreement in accordance with applicable laws. It is noted that the current articles of association of UBI Banca grant the majority shareholder the right to submit a list of candidates and to appoint the majority of members of the Board of Directors (two thirds of whom must be independent).

Moreover, after completion of the Acquisition, the policies implemented by the Issuer will also have to be extended to the UBI Group. Nevertheless, it cannot be ruled out that any delays in execution of the processes for implementation or harmonisation of the ISP Group policies may negatively impact the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group in future.

Finally, it is noted that, at the Date of the Registration Document, the Issuer has not approved a consolidated business plan for the ISP Group that reflects completion of the Acquisition. In this regard, the Issuer expects that the business plan for the entity resulting from the integration of the UBI Group into the ISP Group after the possible completion of the Offer be approved in accordance with the timeline already set for approval of the (new) business plan of the Issuer after expiration of the current 2018-2021 Business Plan (i.e. by early 2022). That new business plan will consider the plans prepared by the Issuer for UBI Banca, which will be implemented upon completion of the Public Exchange Offer.

Failure to complete the Acquisition of UBI Banca

Differently from what has been stated hereinabove, if the Issuer fails to complete its Acquisition of the UBI Group for any reason, it will end up in investing resources for analysis and launch of the transaction. Accordingly, the Issuer estimates that it would bear costs ranging between 30% and 40% of the total estimated costs of the Acquisition through a Public Exchange Offer, which are estimated at the Date of the Registration Document to be about 75 million euro. It is noted that the total estimated costs of the transaction refer to miscellaneous advisory fees strictly related to the Offer (mainly expenses for financial, legal and other kinds of advice). In particular, the aforementioned range of about 30-40% of those costs only reflects the costs that would have to be borne irrespective of the success of the Offer itself.

It is noted that the enforceability of the Public Exchange Offer is subject to the fulfilment (or partial or full waiver, as applicable) of certain conditions and is also subject to various variables outside the Issuer's control, which determine risks and uncertainties in relation to execution of the Acquisition. In particular, the enforceability of the Offer is conditioned on fulfilment of each of the following conditions (the "**Conditions Precedent**" and each one a "**Condition Precedent**", with it being acknowledged that they are listed in a non-mandatory chronological sequence as follows; it is noted that only and exclusively in the text quoted in quotation marks hereunder, "Offeror" must be construed as Intesa Sanpaolo and "Issuer" must be construed as UBI Banca): "*(i) the acquisition of control of the Issuer [UBI Banca] by the Offeror [Intesa Sanpaolo] has obtained, by the second Trading Day prior to the Payment Date of the Consideration, unconditional approval by the AGCM (Italian Competition Authority) pursuant to Article 16 of Law 287 of 10 October 1990 or approval conditioned on execution of the sales in accordance with the provisions of the BPER Agreement and the ISP Commitments (as defined below), without the imposition of additional and/or different measures, even where relating to implementation only (the "Antitrust Condition"); (ii) that the Offeror [Intesa Sanpaolo] comes to possess, upon conclusion of the Offer — through the acceptances of the Offer and/or any acquisitions made outside of the Offer itself pursuant to applicable laws (including those made through Private Placement) — a total interest equal to at least 66.67% of the share capital of the Issuer [UBI Banca] (the "Percentage Threshold Condition"); (iii) that, between the Announcement Date and the Payment Date of the Consideration, the corporate bodies of the Issuer [UBI Banca] (and/or of one of its direct or indirect subsidiaries or associates) do not carry out or undertake to carry out (including through conditional agreements and/or partnerships with third parties) any acts or transactions: (x) that might cause a significant deterioration, even prospectively, in the capital, company assets liabilities, operating results and financial position of the Issuer [UBI Banca] as represented in the quarterly report of the Issuer [UBI Banca] at 31 March 2020 and/or the activity of the Issuer [UBI Banca] (and/or of one of its direct or indirect subsidiaries or associates), (y) that limit the free operations of the branches and networks in the sale of products to customers (including through the renewal, extension – inter alia in consequence of failure to cancel – or renegotiation of the relevant and outstanding and/or expiring agreements, including distribution agreements), or (z) that are in any event inconsistent with the Offer and with underlying business and commercial reasons, unless this is required in compliance with statutory obligations and/or on request by the supervisory authorities, and without* *prejudice in any case to what is required by the condition imposed at the following point (v) (the "Material Acts Condition"); (iv) that between the Announcement Date and the Payment Date of the Consideration, the Issuer [UBI Banca] and/or its direct or indirect subsidiaries and/or associates do not resolve and otherwise not execute (or undertake to execute) acts or transactions that might conflict with the realisation of the objectives of the Offer pursuant to Article 104 of the Consolidated Law on Finance, even if they have been authorised by the ordinary or extraordinary shareholders' meetings of the Issuer [UBI Banca] or are decided and implemented independently by the ordinary or extraordinary shareholders' meeting of the Issuer [UBI Banca] and/or by the management bodies of the subsidiaries and/or associates of the Issuer [UBI Banca] (the "Defensive Measures Condition); (v) that, by the Payment Date of the Consideration, (x) no extraordinary circumstances or events have occurred at the domestic and/or international level, involving or that may involve material adverse changes in the political, financial, economic, currency, regulatory (including accounting and supervisory regulations) or market situation having substantially prejudicial effects on the Offer and/or the capital, financial position, operating results or profits of the Issuer [UBI Banca] (and/or of its subsidiaries and/or associates) and of the Offeror [Intesa Sanpaolo] as represented in the quarterly reports of the Issuer [UBI Banca] and the Offeror [Intesa Sanpaolo], respectively, at 31 March 2020; and (y) no facts or situations have emerged involving the Issuer [UBI Banca] and/or companies of the UBI Group unknown to the market at the Announcement Date and having a prejudicial effect on the activity of the Issuer [UBI Banca] and/or the companies of the UBI Group and/or its capital, financial position, operating results or profits as represented in the quarterly report of the Issuer [UBI Banca] at 31 March 2020 (the "MAC/MAE Condition")*. For more information about the Conditions Precedent of the Public Exchange Offer, see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document. In accordance with article 43, paragraph 1 of the Issuers' Regulation, ISP reserves the right to amend and/or waive, entirely or in part, or to rely on the non-satisfaction of one or more of the Conditions Precedent, with notification to be given in the manners set out in article 36 of the Issuers' Regulation. Specifically with reference to the right of amendment, it is noted that, pursuant to Article 43, paragraph 1, of the Issuers' Regulation, (i) modifications to the offer are allowed until the day before the date scheduled for the end of the acceptance period and (ii) the offer may not expire in less than three days after the publication date of the change. The offer shall be extended if necessary. The Issuer will publish a supplement to this Registration Document according to the terms prescribed by applicable provisions if, after the Date of the Registration Document, it exercises its right to amend the Conditions Precedent of the Offer and those modifications – which are not known to the Issuer at the Date of the Registration Document – constitute a "*new material fact*" (pursuant to Article 23, paragraph 1, of the Prospectus Regulation).

At the Date of the Registration Document, the Issuer has not yet obtained unconditional approval of the Acquisition from the Italian Antitrust Authority (AGCM). With an order issued on 11 May 2020, the AGCM ordered the investigation prescribed in Article 16, paragraph 4, of Law no. 287/90 ("**Phase 2 Analysis**") be performed to determine in greater detail the effects of the announced concentration operation, holding that the operation could result in "*the creation or strengthening of a dominant position in certain provincial markets as regards the taking of deposits, loans to consumers, and loans to small family businesses […], in the markets of loans to medium-large enterprises and public entities, in the markets of the asset management sector […], in the assets under administration market, and in the insurance [products distribution] markets […], such as to eliminate or substantially reduce competition on those markets in a lasting manner".* On 5 June 2020, the AGCM sent ISP the "Notification of the Results of the Review" ("**NRR**") in which the Offices of AGCM, in line with the affirmation already made in the above-mentioned order initiating the investigation, held that, as things stand, the notified transaction could potentially fall within the prohibition set forth in Article 6 of Law no. 287/90. After having received the NRR, the Issuer, in order to remove the specific antitrust issues identified therein, negotiated and entered into an agreement with BPER, on 15 June 2020, supplementing the agreement signed on 17 February 2020 (and already supplemented on 19 March 2020), through which the number of branches to be transferred was increased to 532, with the precise identification of the addresses and consequent redefinition of the estimated amounts involved, as described in more detail in Part B, Section 14, Paragraph 14.1.1, of the Registration Document. The contents of this supplementary agreement were reported in a specific notice sent to the AGCM on 15 June 2020, within the process initiated by the latter pursuant to Article 16, paragraph 4, of Law no. 287/90. Moreover, in the event that the AGCM found any critical antitrust issues remaining in certain local areas (where there are no branches to be sold to BPER) even after the sale of the Banking Business Unit to BPER, Intesa Sanpaolo engaged to make structural commitments for the sale of Additional UBI Branches. In particular, again in the abovementioned notice sent to AGCM on 15 June 2020, ISP made the commitment to enter into contracts with one or more independent third parties, within 9 months after settlement of the Offer, for the sale of Additional UBI Branches (the "**ISP Commitments**"). ISP believes that the sale of those bank branches will remove the remaining antitrust issues identified by the NRR.

The AGCM will issue its final order at the end of the Phase 2 Analysis. If it finds that, notwithstanding the sales of the bank branches object of the BPER Agreement and the ISP Commitments, the abovementioned combination entails the creation or reinforcement of a dominant market position that eliminates or substantially reduces competition in a lasting manner, the AGCM could: (i) block the transaction, or (ii) authorise the transaction, prescribing additional and/or other corrective measures other than the sales of bank branches object of the BPER Agreement and ISP Commitments (e.g. the sale of additional bank branches), or (iii) where the transaction has already been finalised, order the measures deemed necessary to restore conditions of effective competition, eliminating the competition-distorting effects of the transaction. Issuance by the AGCM of one of the aforementioned orders might prevent completion of the Acquisition (if the transaction is blocked or the Issuer does not waive the relevant condition precedent of the Public Exchange Offer) or negatively impact, even significantly, the process of integration of UBI Banca into the ISP Group and its timing if the transaction is completed notwithstanding imposition of corrective measures in addition to and/or different from the BPER Agreement and the ISP Commitments. Pending the authorisation proceedings before the AGCM, the Issuer might still complete the Offer after waiving the Antitrust Condition. In that case, the AGCM might suspend execution of the concentration until the investigation is concluded. However, this would not prejudice the possibility that the Issuer complete the Offer on condition of not exercising the voting rights connected with the acquired shares until issuance of the authorisation (see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document). If an authorisation decision is issued on condition of the implementation of corrective measures in addition to and/or different from the sales of bank branches object of the BPER Agreement and the ISP Commitments (e.g. the sale of additional bank branches), Intesa Sanpaolo reserves the right to waive, in full or in part, the Antitrust Condition, which is included exclusively in its interest. In this regard, it is noted that any authorisation for the transaction issued by the AGCM that is not conditional only on the completion of only the sales envisaged in the BPER Agreement, and subject of the ISP Commitments, but prescribes additional and/or different corrective measures may – in the event of waiver of the Antitrust Condition by Intesa Sanpaolo and completion of the transaction notwithstanding the imposition of additional and/or different corrective measures – have a significant adverse effect on the process of integration of UBI Banca into the ISP Group and its timing and, therefore, on the pursuit of the earnings growth prospects underlying the Strategic Targets of the Transaction. If the AGCM issues an order authorising the concentration conditioned on performance of the ISP Commitments and the BPER Agreement (which provides for fair terms and conditions in compliance with applicable laws and in accordance with the principles of sound and prudent management, in line with the authorisation granted), and the latter is not subsequently carried out or is carried out with different timing, procedures and conditions than that envisaged (for reasons unknown at present, with ISP as the controlling shareholder intending, in compliance with the law, to exercise the rights arising from the law and from the articles of association), ISP might be found non-compliant with the authorisation conditions granted by the AGCM. In that event, the AGCM might launch proceedings for non-compliance with Law no. 287/90, in which the AGCM would be called on to assess whether the premises exist for the imposition of a monetary a fine against the Issuer, if the Issuer were to be found non-compliant, and the need to prescribe any measures as necessary to restore effectively competitive conditions, inter alia in light of any commitments that ISP might have presented during the proceedings. This might entail potential uncertainties over the timing, procedures and conditions of any corrective measures, potentially with consequently significant negative effects on the process of integration of UBI Banca into the ISP Group and its timing and, therefore, the pursuit of the revenue growth prospects underlying the Strategic Targets of the Transaction.

Finally, it is also observed that the Public Exchange Offer (and, therefore, the Acquisition) might be obstructed: (i) by a competing public offer and/or (ii) by the execution of acts or transactions by UBI Banca intended, inter alia pursuant to Article 104 Consolidated Law on Finance, to obstruct realisation of the objectives of the Public Exchange Offer and/or (iii) by initiatives taken by shareholders of UBI Banca hostile to the Offer.

On 26 May 2020, the board of directors of UBI Banca announced that it had resolved to "*pursue a declaratory action aimed at ascertaining that, due to the occurrence of the "material adverse change" (MAC) condition affecting the public exchange offer launched by Intesa Sanpaolo S.p.A. ("ISP") – determined by the "Covid-19" pandemic – and ISP's failure to waive that condition in a timely way, the effects of the Notice issued by ISP on 17th February 2020, pursuant to Art. 102 of the Italian Consolidated Finance Law, have ceased, with all the relative consequences, including the application of the "passivity rule" to UBI Banca*". Subsequently, with a writ of summons notified on 28 May 2020, the board of directors of UBI Banca initiated an ordinary action seeking a declaratory judgement before the Court of Milan, requesting that it find that the condition had been allegedly fulfilled and the announcement by the Issuer had allegedly become unenforceable. Although the Issuer believes that the initiative taken by the board of directors of UBI Banca is absolutely groundless, and was not authorised in advance by the shareholders of UBI Banca – and the Issuer will take relevant action in all appropriate venues to protect its own interests, and those of the market and the shareholders of UBI Banca to whom the Offer is made – there is the risk, as in any ordinary action seeking a declaratory judgement, of a court accepting the demands put forward by the board of directors of UBI Banca to ascertain that the condition was allegedly fulfilled and that the announcement of the Issuer has since been rendered unenforceable. For more information, see Part B, Section 11, Paragraph 11.3 of the Registration Document.

Moreover, in regard to the MAC/MAE Condition, reference is made to what has been illustrated in Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document. Instead, in regard to the COVID-19 pandemic and its relevant effects on the MAC/MAE Condition, reference is made to what the Issuer announced on 5 June 2020, *"following the authorisation received from the European Central Bank, Intesa Sanpaolo believes, although it does not currently have information on possible adverse effects of the COVID-19 pandemic on UBI Banca, that reasonably the pandemic should not bear such effects as to negatively affect the activity of UBI Banca and/or the financial, capital, economic and income situation of UBI Banca and/or the companies of the UBI Group (in addition to not bearing similar effects for both the Offer and Intesa Sanpaolo); consequently, Intesa Sanpaolo will not include the COVID-19 pandemic and its effects as indicated at point (v) of paragraph 1.5 of the announcement published by the Bank on 17 February 2020 pursuant to Article 102, paragraph 1, of the Consolidated Law on Finance, and Article 37 of the Issuers' Regulation among the conditions for enforceability of the Offer."*

For more information, see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document.

A.2.2 Risks associated with integration of the information systems of the UBI Group

As far as the Issuer is aware, the activities of the companies belonging to the UBI Group are managed through a set of integrated information systems that permit the coordinated execution of all operations and transactions (e.g. customer management, provision of services, support for corporate functions, management of human resources). Considering the dimensions and significant volumes of the activities involved in migration of the information systems of the UBI Group (in terms of the numbers of customers – about 3 million customers for UBI compared with 11.8 million customers for ISP – and branches – about 1,000 for UBI compared with about 3,700 for ISP), if the Intesa Sanpaolo Group is unable to integrate/migrate the UBI Group completely – and according to the scheduled timelines – to its own information system, problems might arise and/or events might occur that could create difficulties, suspension or interruption in ordinary operations, with the consequent possibility of negative and even significant impact on the image and reputation of the Intesa Sanpaolo Group, and on its activity, prospects and economic results, balance sheet and financial situation. The Intesa Sanpaolo Group is also exposed to the risks deriving from the additional and parallel migration in realisation of the sale of the Banking Business Unit to BPER and the sale of the Insurance Business Units to Unipol.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is highly significant.

The success of the Acquisition will also depend on the capacity to integrate the information systems of the UBI Group into the information systems of the ISP Group, an activity that poses security risks and guaranteed operational continuity risks. Security problems might be generated by the need to include – on the Intesa Sanpaolo information system – installations, offices, data networks and other elements of the UBI Group featuring lower (or different) levels of security than those applied by Intesa Sanpaolo, especially concerning the segregation of data networks or security settings of the devices that connect to the internet or third parties. Problems with continuity and operational efficiency of activities might also be caused by the need to standardise and harmonise the systems to permit more effective operational integration. Unless it is strictly planned, programmed and executed, this change might cause errors or delays in the handling of customer requests, the loss of full visibility of certain functions, planning and management errors for the ISP Group, and erroneous bookkeeping entries, with the consequent need for subsequent corrections and/or reconciliations.

At the Date of the Registration Document, it cannot be guaranteed that the aforementioned integration/migration will take place without impact on the ordinary operations of the ISP Group and that any delays in that process might negatively impact the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group itself.

Finally, if sale of the Banking Business Unit and the Insurance Business Units is completed, the Issuer would also be exposed to the risks stemming from parallel migration of those business units to BPER and Unipol, respectively.

For more information, see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document.

A.2.3 Risks associated with the information concerning the UBI Group contained in the Registration Document

The Registration Document contains information concerning the UBI Group that has been taken exclusively from public data and information (principally the separate and consolidated financial statements at 31 December 2019 approved by the competent bodies of UBI Banca, both of which have been audited, and the interim statement at 31 March 2020, which has not been audited). In this regard, the Issuer has not taken any additional and/or independent measures to review the data and information concerning the UBI Group. Therefore, the Issuer might not be aware of current, potential, contingent or prior liabilities, and/or operational issues affecting the UBI Group, and it is exposed to the risk that after the Acquisition, greater liabilities and/or lower asset values than those reported in the balance sheets of UBI Group will come to light, with negative impacts, including significant ones, on the Strategic Targets of the Acquisition.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts, including significant ones, on the economic results, balance sheet and financial situation economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is highly significant.

Due to the manifestation of those liabilities and/or problems, the Issuer might be asked to bear costs and expenses not foreseeable at the Date of the Registration Document and that might negatively impact the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group.

For information about the UBI Group, see Part B, Section 5, Paragraph 5.1.6 of the Registration Document.

A.2.4 Risks associated with the valuation methods used to determine the Consideration for the Public Exchange Offer

If the Conditions Precedent for the Public Exchange Offer are fulfilled (or, according to the case, they are entirely or partly waived by the Issuer), the Issuer will pay, for each UBI Share tendered in acceptance of the Public Exchange Offer, a Consideration represented by 1.7000 New Shares per unit that is not subject to adjustment. Since the market prices of the ordinary shares of the Issuer and UBI Banca have been and are subject to volatility and fluctuations in consequence of the general performance of the capital markets, even in the context of the COVID-19 pandemic, there is the risk that, while the Consideration remains fair (according to the methods used to determine it), the value of the Consideration upon completion of the Acquisition might be higher or lower than the market value that the ISP Shares and/or the UBI Shares had on the date when the value of the Consideration was determined.

The Issuer believes that the likelihood of occurrence of the events described for the risk in question is medium-high. Considering the magnitude of any negative impact, the Bank estimates that this risk is of medium significance.

The Consideration was set by the Board of Directors of the Issuer on 17 February 2020, after examining the valuations of its own financial advisor([18]). In this regard, it is noted that the valuations made to determine the Consideration highlighted the typical limitations and difficulties of valuation inherent in this type of analysis and, in particular, the fact that the Issuer did not have access to detailed forecast information and data that would have made it possible to prepare analytical financial valuations concerning the UBI Shares. To determine the exchange ratio, the Issuer used a valuation approach based on market methods, consistently with what is prescribed by best valuation practice at the domestic and international levels. In particular, the Board of Directors of the Issuer decided to use the following as its main valuation methods: (i) the Stock Market quoted price method, (ii) the method based on linear regression of Stock Market price multiples on the tangible equity of comparable listed companies and their respective prospective profitability levels expressed by the return on average tangible equity (RoATE) for the period, and (iii) the Stock Market multiples method, in the variant based on the market prices of comparable listed companies as multiples of their prospective earnings, while it decided to use

([18]) It is noted that on the basis of the official price of the ISP Shares recorded at the market close on 14 February 2020 (equal to Euro 2.502), the Consideration corresponds to a value equal to Euro 4.254 (rounded to the third decimal place) for each ordinary share of UBI Banca and, therefore, incorporates a premium of 27.6% with respect to the official price of the UBI Shares recorded at the market close on 14 February 2020 (equal to Euro 3.333).

the following control methods: (i) the method based on target prices set by research analysts and (ii) the dividend discount model method in the excess capital variant.

The following main limitations and difficulties are noted with regard to the valuation analyses performed on 17 February 2020 to determine the Consideration: (i) the Issuer only used public data and information for its analyses taken mainly from the consolidated financial statements UBI Banca, (ii) the Issuer has not performed any financial, legal, commercial, tax, industrial or any kind of due diligence on UBI Banca; (iii) the absence (a) for the Issuer of a medium-to-long-term stand-alone business plan updated at the Announcement Date and (b) for UBI Banca, of annual a detailed annual forecast of the main income and balance sheet items over the time horizon of the business plan entitled “2022 Business Plan” approved by the board of directors of UBI Banca on 17 February 2020. Accordingly, where relevant for the purposes of application of the valuation methods, the forecasts relating to the income and balance sheet items used for the Issuer and for UBI Banca have been based on the estimates provided by research analysts. In addition, it should be noted that it was only possible to take account of the forecast data published by UBI Banca after 17 February 2020; (iv) the absence of specific information concerning the Banking Business Unit to be sold to BPER; (v) the absence of specific information concerning the Insurance Business Units to be sold to Unipol; (vi) the limited information for identification and estimate of the synergies and restructuring costs and the additional adjustments to the non-performing loan portfolio of UBI Banca; (vii) the absence of recent, comparable previous transactions capable of expressing an applicable valuation parameter.

For more information, see Part B, Section 11, Paragraph 11.1 of the Registration Document.

A.2.5 Risks associated with capital adequacy and prudent capital requirements

In consequence of Acquisition of the UBI Group and failure to complete the sale of the Banking Business Unit and of the Insurance Business Units by 31 December 2020, the capital adequacy ratios of the ISP Group might fall below their levels at 31 December 2019. A reduction in the capital ratios might also be caused by the impact of the COVID-19 (so-called coronavirus) pandemic. The capital adequacy ratios, prepared on a pro-forma basis at 31 December 2019, to represent the expected effects of the Acquisition on the regulatory position of the ISP Group show a reduction from those of the ISP Group alone at 31 December 2019, due to the lower level of capital adequacy of the UBI Group(19), with the following values: Common Equity ratio 13.7%, Tier 1 ratio 14.8% and Total capital ratio 17.4% (“IFRS 9 Transitional” ratios). The IFRS 9 Fully Loaded ratios are as follows: Common Equity ratio 12.9%, Tier 1 ratio 14.0% and Total capital ratio 16.8%. It cannot be ruled out that, in future, the capital adequacy ratios might fall and/or it may become necessary to increase the capitalisation of the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts, including significant ones, on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium-high significance.

The Issuer, as an entity authorised to operate banking activity, is subject to Italian and European banking laws concerning the capital adequacy of banks. These are aimed, inter alia, at preserving the stability and soundness of the banking system, consequently limiting exposure to risks to determine the prudential levels of capital to be held, qualifying its quality and assessing any risk mitigation instruments. An inadequate level of capitalisation would not only impact the cost of funding, but also compromise the soundness of Intesa Sanpaolo and the ISP Group and, in the most extreme cases, might require extraordinary transactions with consequent impact on the operating results and financial position of Intesa Sanpaolo and the ISP Group and on their shareholder base.

The capital adequacy ratios of the ISP Group at 31 December 2019 have been calculated both in light of the transitional approach of the impact of IFRS 9 (IFRS 9 Transitional) and considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded). The IFRS 9 Transitional ratios had the following values: Common Equity ratio 13.9%, Tier 1 ratio 15.3% and Total capital ratio 17.7%; the IFRS 9 Fully Loaded ratios were as follows: Common Equity ratio 13.0%, Tier 1 ratio 14.3% and Total capital ratio 17.0%. The capital ratios of the ISP Group at 31 December 2019 were higher than required, and even more so considering allocation to reserves of the portion of net income for 2019 previously allocated to

(19) At 31 December 2019, the transitional capital ratios of ISP were: CET1 ratio at 13.9%, Tier1 ratio at 15.3% and Total capital ratio at 17.7%. At the same date, the UBI Group exhibited the following ratios, respectively: 12.3%, 12.3% and 15.9%.

dividends([20]). At 31 March 2020, the IFRS 9 Transitional ratios of the ISP Group had the following values: Common Equity ratio 14.2%, Tier 1 ratio 16.1% and Total capital ratio 18.5%; the IFRS 9 Fully Loaded ratios were as follows: Common Equity ratio 13.5%, Tier 1 ratio 15.3% and Total capital ratio 18.0%.

If the capital ratios fall from the situation existing at the Date of the Registration Document, it cannot be ruled out that the ISP Group might, inter alia in response to external factors and unforeseeable events outside of its control, have to consider appropriate actions and/or measures to raise its own capital ratios to a higher and more appropriate level, while remembering that the capital ratios of the ISP Group at 31 December 2019 were higher than required, and even more so considering the allocation to reserves of the portion of net income previously allocated to dividends.

Any deterioration in the level of the ISP Group capital ratios might also impact the capacity of the Issuer to distribute dividends and the capacity of the ISP Group to access the capital market, with a consequent and even significant increase in its cost of funding, with possibly negative effects on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group. Moreover, if the Supervisory Authorities are asked to take action, the Intesa Sanpaolo Group might suffer possible reputational harm, with consequent and even significant negative effects on the activities, prospects, economic results, balance sheet and financial situation of the Issuer and the ISP Group. Moreover, one or more rating agencies might downgrade the ratings of the Bank, with a consequent increase in its cost of funding.

Moreover, consider that the Supervisory Review and Evaluation Process ("**SREP**") is performed by the ECB at least once annually (without prejudice in any event to the supervisory powers and prerogatives of the ECB that can be exercised on an ongoing basis during the year). In this regard, the Issuer received the ECB's final decision on 26 November 2019 concerning the capital requirement that the Bank has to meet, as of 1 January 2020. The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 9.06% under the transitional arrangements for 2020 and 9.25% on a fully loaded basis([21]). At 31 March 2020, after intervening regulatory changes([22]), the overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio was 8.46% under the transitional arrangements for 2020 and 8.65% on a fully loaded basis.

Moreover, there is the risk that after future SREPs – inter alia upon completion of the Acquisition of UBI Banca – the Supervisory Authority will require the Issuer, among other things, to maintain higher capital adequacy ratios than those applicable at the Date of the Registration Document. Moreover, after future SREPs, the ECB might require the Issuer to implement specific corrective measures, which might impact management of the ISP Group, including (i) the requirement to hold capital in excess of the regulatory level; (ii) actions to reinforce the systems, procedures and processes involved in risk management, control mechanisms and assessment of capital adequacy; (iii) imposition of limits on the distribution of profits or other elements of capital and, in regard to financial instruments eligible for inclusion among own funds, the prohibition to pay interest and (iv) the prohibition to carry out certain transactions, even corporate transactions, in order to contain risk levels.

([20]) The capital adequacy ratios indicated hereinabove, which were published in the 2019 Consolidated Financial Statements and the Pillar 3 document of the Issuer at 31 December 2019, were the object of a prudential reporting ("COREP") in February 2020, and were calculated on the basis of the net income for 2019, net of the component that the Board of Directors of the Issuer proposed at its 25 February 2020 meeting to allocate for a dividend totalling 3,362 million euro. Subsequently, after ECB Recommendation 2020/19 of 27 March 2020 regarding dividend policies in the situation resulting from the COVID-19 epidemic, on 31 March 2020 the Board of Directors of ISP amended the proposal to the Shareholders' Meeting for the allocation of the net income reported in the Financial Statements as at 31 December 2019, adopting ECB Recommendation 2020/19 not to distribute dividends in view of the economic environment created by the epidemic, and instead proposing that the share of the net income allocated to dividends in the previous resolution dated 25 February 2020 be assigned to reserves.

([21]) This is the result of: (a) the SREP requirement in terms of Total Capital ratio of 9.5%, comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is Common Equity Tier 1 ratio, and a 1.5% additional Pillar 2 capital requirement, entirely in terms of Common Equity Tier 1 ratio; and (b) the additional requirement relating to a Capital Conservation Buffer of 2.5% already on a fully loaded basis in 2019, and the additional O-SII Buffer (Other Systemically Important Institutions Buffer) requirement of 0.56% under the transitional arrangements for 2020 and 0.75% on a fully loaded basis in 2021. Considering the additional requirement consisting of the Institution-Specific Countercyclical Capital Buffer, the Common Equity Tier 1 ratio to be met is 9.18% under the transitional arrangements in force for 2020 and 9.38% on a fully loaded basis.

([22]) In particular, after the regulatory amendment introduced by the ECB beginning 12 March 2020, the Pillar 2 requirement to be met in terms of Common Equity Tier 1 is 0.84%.

Finally, it is noted that, after 31 December 2019, ISP issued Additional Tier 1 capital instruments on 20 February 2020 for a nominal 1.5 billion euro.

For more information, see Part B, Section 11, Paragraph 11.1 of the Registration Document.

A.2.6 Risks associated with the addition of details at 31 December 2019 relating to the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units

The Issuer does not possess detailed information or accounting data relating to the Banking Business Unit, Additional UBI Branches and the Insurance Business Units that allow it to determine their exact quantitative composition. The Issuer has used public information to determine certain details at 31 December 2019 relating to the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units, and has made general estimates of certain possible theoretical effects of the sale of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units on certain pro-forma balance sheet and income statement figures of the Intesa Sanpaolo Group as at 31 December 2019 / for the year 2019, based on the general principles of the BPER Agreement and the Unipol Agreement, on publicly available information and on assumptions formulated by the Issuer (inter alia in relation to any sale of Additional UBI Branches). These details do not constitute pro-forma financial information. Examination by investors of details relating to the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units and estimates relating to the aforementioned possible theoretical effects without considering the aforementioned peculiarities might mislead them when assessing the capital, operating results and/or financial position of the ISP Group and, more generally, the effects resulting from completion of the Acquisition, the sale of the Banking Business Unit and the Insurance Business Units and the possible sale of the Additional UBI Branches, and result in incorrect, inappropriate or inadequate investment decisions for those investors.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium significance.

The information about the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units contained in the Registration Document has been prepared by the Issuer merely for illustrative purposes, on the basis of public information, and has not been certified by the Independent Auditors of the Issuer. Moreover, Intesa Sanpaolo has not conducted any analysis, verification or due diligence on that information.

At the Date of the Registration Document, the Issuer does not possess detailed information or accounting figures or objective elements for the Banking Business Unit in its entirety and Insurance Business Units (the subject of the BPER Agreement and the Unipol Agreement, respectively) and the Additional UBI Branches (the subject of the ISP Commitments) that would permit the determination of the quantitative composition thereof, the accounting reconstruction of the balance sheet and income statement of the Banking Business Unit, the Insurance Business Units and the Additional UBI Branches, or the calculation of their amounts analytically and in such a way as to permit the preparation and presentation of pro-forma consolidated financial statements designed to give a retroactive view of the effects of the proposed sale of the Banking Business Unit and the Insurance Business Units, as well as of the potential sale of the Additional UBI Branches. The only data available to ISP are those concerning its own 31 branches, included in the Banking Business Unit pursuant to the supplemental agreement to the BPER Agreement of 15 June 2020 in order to optimise the local coverage, which represent a non-significant part of the Banking Business Unit as a whole, which is composed of a total of 532 branches, of which 501 branches owned by UBI Banca. As previously mentioned, the Issuer does not have detailed information or accounting figures or objective and verifiable elements that would permit the preparation and presentation of Pro-Forma Consolidated Financial Statements designed to give a retroactive view of the effects of the proposed sale of the Banking Business Unit (See Part B, Section 11, Paragraph 11.5 of the Registration Document).

Please note that the information relating to the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units and the simulations regarding the abovementioned possible theoretical effects that might result from sale of the Banking Business Unit, the Insurance Business Units and the Additional UBI Branches on several pro-forma balance sheet figures of the ISP Group at 31 December 2019 and pro-forma income statement figures of ISP Group for the year 2019 and contained in the Registration Document do not constitute and cannot be construed in any way as pro-forma financial information as provided in Regulation (EU) 2017/1129 and Delegated Regulation (EU) 2019/980. Moreover, these do not represent, and are not intended to represent in any way, a forecast of the future results of the ISP Group, and thus, shall not be used in such a manner. Therefore, potential investors are recommended to consider that this information: (i) is the result of independent operational processing by the ISP Group; (ii) does not constitute pro-forma consolidated statement and, consequently, (iii) has not been examined by the Independent Auditors, who have not issued any report in this regard.

For more information, see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document.

A.2.7 Risks associated with the inclusion of pro-forma financial information

The Pro-Forma Consolidated Financial Statements contained in the Registration Document have been prepared solely for illustrative purposes, and do not represent the financial position and actual results of the Intesa Sanpaolo Group, and they must not be considered as forecasts of future results. Therefore, investors must not rely exclusively on them when making their own investment decisions. Moreover, the Pro-Forma Consolidated Financial Statements do not reflect the effects of sale of the Banking Business Unit and the Insurance Business Units and the possible sale of the Additional UBI Branches.

The Registration Document contains the Pro-Forma Consolidated Financial Statements, comprised of the pro-forma consolidated balance sheet and the pro-forma consolidated income statement for the year ended 31 December 2019, and the explanatory notes of the ISP Group prepared to illustrate the retroactive effects of the proposed Acquisition of UBI Banca, to be carried out through the Public Exchange Offer. The information contained in the Pro-Forma Consolidated Financial Statements represents a simulation, provided merely for illustrative purposes, of the possible effects that might result from the Acquisition. Moreover, the Pro-Forma Consolidated Financial Statements were prepared without the support or collaboration of the UBI Group. The Issuer relied exclusively on information and data published by the UBI Group, which have consequently not been verified by the Issuer.

The Pro-Forma Consolidated Financial Statements, prepared in compliance with the provisions of Consob notice no. DEM/1052803 of 5 July 2001, were drawn up in order to simulate, according to measurement criteria consistent with the historical data and compliant with reference regulations, the effects of the Acquisition on the financial position and results of the ISP Group, as if the Acquisition had virtually taken place on 31 December 2019 in relation to the effects on the balance sheet and on 1 January 2019 in relation to those on the pro-forma consolidated income statement.

Correct interpretation of the information provided by the Pro-Forma Consolidated Financial Statements entails consideration of the following aspects: (i) as they constitute representations constructed on the basis of hypotheses, the same results represented in the Pro-Forma Consolidated Financial Statements would not necessarily have been achieved if the Acquisition had actually been carried out at the stated reference dates used to prepare the Pro-Forma Consolidated Financial Statements; (ii) the pro-forma figures do not in any way intend to represent a forecast of future results and thus must not be interpreted in that sense; (iii) the pro-forma representations reflect a hypothetical situation and thus do not in any way intend to represent the current or prospective balance sheet and income statement effects of the Acquisition and Public Exchange Offer Share Capital Increase; and (iv) in consideration of the different purposes of the pro-forma figures with respect to those of normal financial statements, the effects of the Acquisition and the Public Exchange Offer Share Capital Increase have been calculated in a different way in reference to the pro-forma consolidated balance sheet and the pro-forma consolidated income statement, which must thus be read and interpreted separately, without seeking accounting links between them. Inter alia, it must be noted that the Pro-Forma Consolidated Financial Statements and, in particular, the pro-forma adjustments related to the Public Exchange Offer Share Capital Increase, and thus to the Negative goodwill, were determined on the basis of the official closing price of the ISP Shares on 14 February 2020 (2.502 euro), i.e. the date corresponding to the last Trading Day prior to the date on which ISP announced the Public Exchange Offer (i.e. 17 February 2020). In contrast, consistently with the provisions of IFRS 3, which regulates inter alia the accounting treatment of business combinations, such as the Acquisition of the UBI Group by the Issuer, ISP will have to recognise the New Shares issued in execution of the Public Exchange Offer Share Capital Increase at fair value, corresponding to the stock market price of the ISP Shares at the trading date immediately preceding the settlement date of the Public Exchange Offer. Therefore, the increase in the shareholders' equity of ISP after issuance of the New Shares and, therefore, the Acquisition cost will be known only on the day when control of UBI Banca is acquired by ISP. The final value of the Negative goodwill will be known only after the completion of the Purchase Price Allocation (PPA) required by IFRS 3.

Therefore, investors are requested not to rely exclusively on the Pro-Forma Consolidated Financial Statements when making their own investment decisions.

The Pro-Forma Consolidated Financial Statements included in the Registration Document have been examined by the Independent Auditors, who issued their own report on 19 June 2020.

For more information, see Part B, Section 11, Paragraph 11.5 of the Registration Document.

A.2.8 Risks associated with the relative non-comparability of future results after 31 December 2019

Investors should consider that, in the event of the completion of the Acquisition of UBI Banca, there will be limits to the comparability of the ISP Group's post-Acquisition annual and interim reports with the ISP Group's financial information as at 31 December 2019.

The Issuer believes that there is a medium probability that the events underlying the aforementioned risk will occur. In light of any negative impact, the Bank estimates that this risk is of low significance.

The possible completion of the Acquisition of the UBI Group will cause a change in the scope of consolidation of the ISP Group. In light of that circumstances, the 2019 Consolidated Financial Statements, which have been incorporated through reference in the Registration Document, will be only partially comparable to the future annual and interim financial reports of the ISP Group, and will thus exhibit discontinuity.

Moreover, at the level of the income statement, the figures at 31 December 2020 will reflect management of the UBI Group only beginning from the Acquisition date after settlement of the Public Exchange Offer (and thus only partially), while the balance sheet of the annual report at 31 December 2020 will fully reflect the effects of the Acquisition.

Consequently, investors are requested to take these circumstances into due account when making their own investment decisions and consider the risks associated with the limited fitness of the financial information of Intesa Sanpaolo included in the Registration Document to provide guidance on the future results of the ISP Group.

For more information, see Part B, Section 11, Paragraph 11.1 of the Registration Document.

A.3 RISKS ASSOCIATED WITH THE OPERATIONS OF THE BANK AND THE ISP GROUP AND THE SECTOR IN WHICH THEY OPERATE

A.3.1 Risks associated with the macroeconomic performance of the different markets on which the ISP Group operates and the present situation of the financial markets

The performance of the Issuer and the ISP Group is influenced by the macroeconomic performance of the different markets on which it operates and the situation of the financial markets at the Date of the Registration Document, the ISP Group operates mainly in Italy (which accounted for about 79% of operating income at 31 December 2019, 82% of loans to customers and 83% of direct deposits from banking business). The domestic and global macroeconomic context is characterised by significant uncertainties, inter alia due to the possible public health and economic impact and developments of the COVID-19 (so-called coronavirus) pandemic. The Italian economy is forecast to contract sharply in 2020 (with Italian GDP falling by 8-10.5%) and might deteriorate even further. This might cause a reduction in demand for loans and a contraction in the amount of funding for the ISP Group, a slowdown in ordinary activity, a substantial increase in the cost of funding, a reduction in the value of assets due to lower stock and bond prices, and also trigger a deterioration in the loan portfolio with an increase in the stock of non-performing loans and insolvencies, and additional costs deriving from the impairment and depreciation of assets, with significantly negative impacts on the activity, prospects and economic results, balance sheet and financial situation *of the Issuer and the ISP Group.*

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a high probability of occurrence, could have major negative impacts on the activities, prospects, capital, financial position and operating results of the ISP Group. Considering the above, the Bank estimates that the risk in question is highly significant.

The global macroeconomic scenario is fraught with various uncertainties, especially related to the public health and economic impacts and developments caused by the COVID-19 pandemic. In this regard, the World Health Organisation declared an international emergency, in response to which the nations affected by cases of contagion (including Italy) implemented specific measures to contain the pandemic, with major negative impacts on the economy and the financial markets. The intense uncertainties and fears over the social and economic repercussions of the health emergency will also depend on the success of the monetary and fiscal measures implemented in support of the most exposed sectors and operators that are being approved and implemented by the governments and authorities of the European Union and the Member States of the European Union, and by the timeliness of additional monetary and fiscal measures to be taken and their effectiveness. The Issuer believes that the information currently available makes it possible to identify merely general trends of a macroeconomic scenario in the aftermath of the COVID-19 pandemic, even if unpredictable developments are likely in consideration of the significant uncertainties surrounding the extraordinary nature of the COVID-19 pandemic.

On the basis of the information concerning UBI Banca that was available to the Issuer at the Date of the Registration Document, it is estimated that the Acquisition of UBI Banca does not significantly alter the impact of operations in Italy (considering the pro-forma figures at 31 December 2019, the entity resulting from the integration of the UBI Group into the ISP Group would derive about 84% of its loans to customers and about 86% of its direct deposits from banking business from Italy), and thus would not cause substantial changes for it in terms of exposure of the ISP Group to the macroeconomic performance and financial markets in Italy.

The macroeconomic scenario is also influenced by (a) trade policies, marked by the protectionism and isolationism announced by the Administration of the President of the United States of America, Donald J. Trump (especially against China), which are negatively impacting international trade and global economic growth, especially in certain areas highly exposed to export trade (e.g. the European Union and China (b) global geopolitical risks; (c) the protracted uncertainty surrounding Brexit, especially after the end of the transition period on 31 December 2020 stipulated by the withdrawal agreement that came into force between the United Kingdom and the European Union on 1 February 2020; (d) possible "side effects" that the zero and/or negative interest rate policy might have on the global economic and financial system.

Abroad, the ISP Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania), in the Russian Federation, Ukraine, Moldova and in the Mediterranean area (Egypt). The nature and intensity of the risks and uncertainties to which the ISP Group is exposed vary from country to country, and the membership of those countries in the European Union is only one of the principal factors to be considered in assessing those risks and uncertainties. Especially in regard to Central and South-Eastern Europe countries, which historically have been beset by volatility on the capital markets, and by a certain degree of political, economic and financial instability, the risk of political or economic events that might impact the operations of one or more ISP Group companies with consequently negative impacts on the economic results, balance sheet and financial situation of the Issuer and/or the ISP Group cannot be ruled out.

For more information on the geographic areas of operations, reference is made to page 139 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports). In this regard, note is made that these aggregations into geographic areas are made in relation to the location of ISP Group entities, while the figures reported in the table in Part B, Paragraph 5.1.2. of the Registration Document (and taken from page 110 of the 2019 Consolidated Financial Statements) refer to sectors of activity and cannot be directly associated with a geographic area, given that the activity carried out outside Italy does not coincide with the area of the International Subsidiary Banks Division, since the Corporate and Investment Banking Division in particular operates both inside and outside Italy.

A.3.2 Credit risk and risk of deterioration in credit quality

At 31 March 2020, the ISP Group reported that the deteriorated credits to total loan ratio was 7.1% gross of adjustments (with bad loans accounting for 4.4%, unlikely-to-pay loans for 2.6% and past-due loans for 0.2%), while at 31 December 2019, it reported deteriorated credits to total loan ratio gross of value adjustments of 7.6% (8.8% at 31 December 2018) (with bad loans accounting for 4.7%, unlikely-to-pay loans for 2.7% and past-due loans for 0.2%). The credit institutions that reported a gross NPL ratio higher than 5% are required – pursuant to the "Guidelines on management of non-performing and forborne exposures" issued by the EBA – to prepare specific strategic and operational plans for management of these specific exposures. In this regard, during preparation of the 2018-2021 Business Plan in late 2017, Intesa Sanpaolo prepared an "NPL Plan" sent to the ECB that envisages both the reinforcement of activities aimed at internal recovery of the positions and sale of non-performing loans. The worsening in credit quality exposes the ISP Group to the risk of an increase in "net adjustments to non-performing exposures", with consequent reduction of the profits that the Issuer can distribute and negative impacts on the economic results, balance sheet and financial situation of the ISP Group. That risk might be negatively influenced by the public health and economic impacts of the COVID-19 (so-called coronavirus) pandemic, which might trigger a deterioration in the loan portfolio with an increase in the stock of non-performing loans and insolvencies, and additional costs deriving from the impairment and depreciation of assets, with significantly negative impacts on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group.

Considering the likelihood that the risk in question (deemed high) will actually materialise and the forecast magnitude of any negative impact, Intesa Sanpaolo estimates that the risk associated with credit quality is of high significance.

At 31 March 2020, the value of loans to customers was 404,900 million euro (395,229 million euro at 31 December 2019) and represented 47.8% of the total assets of the ISP Group (48.4% at 31 December 2019). At the same date, gross non-performing loans totalled 30,178 million euro and the respective adjustments totalled 16,177 million euro, with a coverage ratio (represented by the ratio of adjustments to gross exposures) of 53.6% (down from 54.6% at 31 December 2019 due to write-offs on bad loans with high coverage). In particular, the coverage ratio of bad loans at 31 March 2020 was 64.4%, the coverage ratio for unlikely-to-pay loans was 38.7%, and the coverage ratio for past-due loans was 15.9%. The overall coverage ratio of performing loans was 0.4%. For a detailed illustration of the specific guidelines issued by the Authorities for the classification and measurement of credit exposures in the context of the COVID-19 pandemic and the consistent choices made by the ISP Group in preparing the Interim Statement at 31 March 2020, reference is made to pages 28-33 of the interim statement itself. Also on 31 March 2020, the ratio of gross and net non-performing loans to the total of loans to customers of the ISP Group (i.e. gross and net non-performing exposure [NPE] ratio) and the coverage ratio of non-performing loans were respectively lower (both for the gross and the net NPE ratios) and higher than the average values reported by major Italian banks([23]), respectively 8.0%, 4.1% and 52.2%. In detail, the ratio of gross bad loans to the total of loans to ISP customers (4.4%) was higher than the average value reported by major Italian banks in the indicated sampling (4.0%), while the ratio of unlikely-to-pay loans (2.6%) and past-due loans (0.23%) was less than the average values reported by Italian banks (3.8% and 0.24%, respectively). The coverage ratio of ISP for the individual categories of bad loans (64.4%), unlikely-to-pay loans (38.7%) and past-due loans (15.9%) was lower than the average values reported by the main Italian banks (66.3%, 39.9% and 22.5%, respectively).

At 31 December 2019, the value of loans to customers was 395,229 million euro (393,550 million euro at 31 December 2018) and represented 48.4% of the total assets of the ISP Group (50% at 31 December 2018). At the same date, gross non-performing loans totalled 31,299 million euro and the respective adjustments totalled 17,077 million euro, with a coverage ratio of 54.6% (down from 54.5% at 31 December 2018). In particular, the coverage ratio of bad loans at 31 December 2019 was 65.3%, the coverage ratio of unlikely-to-pay loans was 38.7% and the coverage ratio of past-due loans was 16.0%. The activity and the economic and financial soundness of the Issuer and the ISP Group depend on the level of creditworthiness of its own customers. Therefore, default by customers on the agreements they have entered into and their own obligations or any missing or incorrect information provided by them in

([23]) Source: analysis by the Issuer on the basis of the consolidated financial statements at 31 March 2020 of the following sampling of banks, in addition to Intesa Sanpaolo itself: Banca Popolare di Sondrio, Banco BPM, BPER Banca, Credito Emiliano, Credito Valtellinese, Mediobanca (excluding the non-performing loans of its subsidiary MBCredit Solutions S.p.A., active in the management of non-performing loans), Banca Monte dei Paschi di Siena, UBI Banca and Unicredit.

regard to their financial standing and credit rating might negatively impact the economic results, balance sheet and financial situation of the Issuer and/or the ISP Group. Moreover, at 31 December 2019, the ratio of gross and net non-performing loans to total loans to customers of the ISP Group (i.e. the gross and net NPE ratio) and the coverage ratio (represented by the ratio of adjustments to gross exposures) of the non-performing loans were, respectively, lower (for the gross and net NPE ratio) and higher than the average values reported by major Italian banks, respectively 8.1%, 4.1% and 52.0%. In detail, the ratio of gross bad loans to the total of loans to ISP customers (4.7%) was higher than the average value reported by major Italian banks in the indicated sampling (4.1%), while the ratio of unlikely-to-pay loans (2.7%) and past-due loans (0.21%) was less than the average values reported by Italian banks (3.8% and 0.23%, respectively). The coverage ratio of ISP for the individual categories of bad loans (65.3%), unlikely-to-pay loans (38.7%) and past-due loans (16.0%) was lower than the average values reported by the main Italian banks (66.4%, 39.4% and 21.5%, respectively[24]).

Moreover, it cannot be ruled out that new provisions will be necessary in consequence of further worsening in the economic situation. In this regard, every significant increase in provisions for bad loans and other non-performing loans, every change in the estimates of credit risk, and every accrued loss that exceeds the level of provisions made might have negative impacts, including significant ones, on the economic results, balance sheet and financial situation of the ISP Group.

Moreover, exposures in the banking book to counterparties, groups of interrelated counterparties, and counterparties in the same economic sector or that operate the same activity or belonging to the same geographic area might engender a concentration risk for the Issuer. With regard to the concentration of credit by counterparty, there were 8 risk positions at 31 December 2019 (7 at 31 December 2018) whose on- or off-balance sheet assets were equal to or greater than 10% of the entity's eligible capital ("large exposures"). They amounted to 137,898 million euro at 31 December 2019 (142,047 million at 31 December 2018) and represented, in terms of risk-weighted assets, 8.4% of the total of assets weighted for credit and counterparty risk (4.6% at 31 December 2018).

As prescribed by the "*Guidelines on management of non-performing and forborne exposures*" prepared by the EBA, Intesa Sanpaolo submitted a plan to the ECB in 2017 for the reduction of its non-performing loans, mainly focused on recovery through internal management. Towards the end of 2017 – following the regulatory developments, with the publication, in October, of the draft Addendum to the "*NPL Guidance*" ([25]) aimed at establishing minimum levels of prudential provisioning for non-performing loans, and the guidance provided by the Supervisory Authority to banks with above-average levels of non-performing exposures on the need to more effectively implement the process of reducing non-performing loans – Intesa Sanpaolo, in its Business Plan, approved by the Board of Directors, identified significant de-risking as one of its key priorities, also by selling a portfolio of bad loans (completed at the end of 2018). For additional information on the de-risking activities, reference is made to pages 408-411 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

At 31 March 2020, the NPL reduction, before adjustments, was 1.1 billion euro (-3.6% from 31 December 2019); while it was 5.2 billion euro at 31 December 2019 (-14.2% from 31 December 2018). At the Date of the Registration Document, the ISP Group still has to realise about 12%([26]) of its reduction target for the whole four-year period covered by the 2018-2021 Business Plan.

Finally, it is noted that at 31 March 2020, the leverage ratio of the ISP Group (calculated as the ratio between the consolidated Tier 1 Capital and the total exposure of the ISP Group) was 6.6%([27]) (6.7% at 31 December 2019 and 6.3% at 31 December 2018).

([24]) Source: analysis by the Issuer on the basis of the consolidated financial statements at 31 December 2019 of the following sampling of banks, in addition to Intesa Sanpaolo itself: Banca Popolare di Sondrio, Banco BPM, BPER Banca, Credito Emiliano, Credito Valtellinese, Mediobanca (excluding the non-performing loans of its subsidiary MBCredit Solutions S.p.A., active in the management of non-performing loans), Banca Monte dei Paschi di Siena, UBI Banca and Unicredit.

([25]) The final version of the "*Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures*" was published in March 2018, as mentioned hereinafter.

([26]) Excluding the new definition of default adopted in November 2019.

([27]) Ratio calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional).

For additional information on the management of credit risk, reference is made to pages 400-408 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.3.3 Market risk

Market risk is measured by the Issuer with different metrics – including, in particular, the Value at Risk (VaR), which averaged 175 million euro at the Group level during the first quarter of 2020 ([28]) – and might be particularly significant due to the public health and economic impacts and developments of the COVID-19 (so-called coronavirus) pandemic. The Issuer and the ISP Group are exposed to the risk of impairment of the financial instruments, including government bonds, held by the Issuer and/or the ISP Group, due to changes in market variables (for example but not limited to the following: interest rates, bond prices, exchange rates) that might cause a significant deterioration in the financial soundness of the Issuer and/or the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the capital, financial position and operating results of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium-high significance.

The Issuer is exposed to potential changes in the value of the financial instruments, including government bonds, due to fluctuations in interest rates, exchange rates, the prices of listed securities, commodities, credit spreads and/or other risks. These fluctuations might be generated by changes in general economic performance, investor confidence, monetary and fiscal policies, global market liquidity, the availability and cost of capital, actions by rating agencies, political events at the local and international levels and armed conflicts, acts of terrorism, and the spread of epidemics and/or pandemics impacting public health and/or the economy. Market risk arises both in connection with the trading book, which includes financial instruments held for trading and the derivative instruments linked to them, and with the banking book, which includes the financial assets and liabilities other than those comprising the banking book.

The Group's average VaR on the trading component alone amounted to 41 million euro in the first quarter of 2020. The average figure for the managerial VaR of the Group during the first three months of 2020, which was 175 million euro as mentioned hereinabove, was up from the last quarter of 2019, when it was 120 million euro (while the trading component alone was stable at 41 million euro).

With regard to the banking book, the principal measures of interest rate risk assess and describe the effect of changes in interest rates on economic value (shift sensitivity of economic value ("ΔEVE")) and net interest income (shift sensitivity of net interest income ("ΔNII")). The shift sensitivity of the economic value (or shift sensitivity of the fair value) is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet).

At 31 March 2020, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity, averaged 58 million euro, with a maximum value of 297 million euro and a minimum value of -272 million euro, a figure that coincides with that at the end of March 2020. The sensitivity of net interest income – assuming a +100 basis point change in interest rates – amounted to 1,681 million euro at the end of March 2020. With regard to the interest rate, the average amount measured in terms of VaR was 404 million euro during the first three months of 2020.

At 31 December 2019, the shift sensitivity of the economic value (in the event of an instantaneous and parallel shock of +100 basis points) was 394 million euro (1,143 million at 31 December 2018). The shift sensitivity of net interest income quantifies the impact on short-term interest income of a parallel, instantaneous and permanent, shock to the interest rate curve. The sensitivity of net interest income (in the event of a +100 basis point change in interest rates) amounted to 1,837 million euro at the end of 2019, marking a 1,759 million euro increase from the value at 31 December 2018.

With regard to the interest rate, the amount measured in terms of VaR at 31 December 2019 was 172 million euro (average value), marking an increase of 119 million euro from the average value at 31 December 2018.

([28]) The managerial VaR of the trading component includes the HTCS portfolio for Banca IMI.

For additional information on market risks, reference is made to pages 446-456 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.3.4 Risks associated with leveraged transactions

The Group is exposed to certain market segments, such as for example the leveraged transactions segment, which are especially sensitive to deterioration in the general macroeconomic context, inter alia in light of the possible impacts of the COVID-19 (so-called coronavirus) pandemic. At 31 March 2020, the transactions of the ISP Group that met the definition of "leveraged transactions" given in the ECB Guidance amounted to 23.4 billion euro, relating to approximately 1,900 credit lines. The deterioration in the present macroeconomic situation and economic conditions and the reduced operating capacity of borrowers might cause, through an increase in the default rates of different counterparties, a deterioration in the capacity of borrowers to repay debt, with consequent negative effects on the overall performance of the loan portfolio of the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium-low significance.

At 31 December 2019, the transactions of the ISP Group that met the definition of "leveraged transactions" given in the ECB Guidance amounted to 20.8 billion euro, relating to approximately 1,900 credit lines (at 31 December 2018, they totalled 22.4 billion euro, relating to approximately 2,900 credit lines). The scope of those transactions essentially includes – consistently with what is dictated in the ECB Guidance of 2017 ("*Guidance on Leveraged Transactions*") – exposures to parties whose majority of capital is held by one or more financial sponsors, and exposures in which the borrower's level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4. In accordance with the requirements of the ECB Guidance, a specific limit for the outstanding stock of leveraged transactions is submitted for approval to the Board of Directors every year, within the framework of the assessments of Credit Risk Appetite.

For information on leveraged transactions, reference is made to page 482 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.3.5 Liquidity risk

The ISP Group is exposed to the risk of not being able to fulfil its own payment obligations when they fall due, both due to its incapacity to raise funds on the market and difficulty in unwinding its own assets, prejudicing its core business and the financial position of the Issuer and/or the ISP Group. In this regard, the capacity of the Issuer and/or the ISP Group to obtain the necessary resources also depends on the possibility of accessing the monetary policy operations of the Eurosystem. At 31 December 2019, both the regulatory indicators (Liquidity Coverage Ratio – LCR – and Net Stable Funding Ratio – NSFR) were well above fully phased-in minimum requirements. In particular, the LCR figure, measured in accordance with Commission Delegated Regulation (EU) 2015/61, amounted, on average, to 152.8% at 31 March 2020 (160.6%([29]) at 31 December 2019). Although these indicators are at higher levels than the fully phased-in minimum requirements, if the sale of the Banking Business Unit and the Insurance Business Units is not completed by 31 December 2020 or after any negative change in the market situation and general economic context and/or creditworthiness of the Issuer or any unfavourable change in ECB financing policies, the aforementioned indicators might fall from those reported at 31 December 2019, which might make it necessary to bring the liquidity situation of the Issuer into compliance with the regulatory requirements periodically introduced in implementation of European regulations. This might have a significantly negative impact on the solvency and, therefore, on the economic results, balance sheet and financial situation of the Issuer and/or the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium-high significance.

([29]) The average is determined by using the values for the 12 months preceding the reference date (in this case, the reference date is 31 December 2019).

Any negative change in the market situation and general economic context and/or creditworthiness of the Issuer, and any unfavourable change in ECB financing policies, which might make it necessary to bring the liquidity situation of the Issuer and/or the ISP Group into compliance with the regulatory requirements periodically introduced in implementation of European regulations, might have a negative impact on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and/or the ISP Group.

The liquidity of the Issuer and/or the ISP Group might also be compromised by the temporary impossibility to access capital markets through the issuance of (secured or unsecured) debt securities, the incapacity to receive funds from external counterparties or the ISP Group, the incapacity to sell specific assets or redeem their own investments, and unexpected negative cash flows or the obligation to provide additional guarantees. This situation might arise due to circumstances out of the control of the Issuer and the ISP Group, such as general market disturbance or an operational problem impacting the Issuer and/or the ISP Group or third parties, or also due to the perception among market participants that the Issuer and/or the ISP Group or other market participants are experiencing greater liquidity risk. A liquidity crisis and loss of confidence in financial institutions can increase the borrowing costs of the Issuer and/or the ISP Group and limit access to certain traditional sources of liquidity.

The participation of the ISP Group in TLTROs with the ECB at 31 December 2019 amounted to about 49 billion euro. In particular, beginning 29 June 2016, the ISP Group participated in 7 TLTROs. Refinancing operations with the ECB at 31 March 2020 amounted to about 68.4 billion euro, consisting of about 53.9 billion euro for TLTROs, 7 billion euro for LTROs, and 7.5 billion euro for US dollar financing. The participation of the ISP Group in the TLTRO financing programme at the Date of the Registration Document amounted to about 70.9 billion euro.

For more information, reference is made to pages 472-476 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.3.6 Operational risk

The ISP Group is exposed to different types of operational risks inherent in its activities, which include, for example, legal and compliance risk, defects and malfunctions in the information or telecommunication systems, fraud, swindles or losses due to employee misconduct and/or violation of control procedures, operational errors, fraud by outside parties, computer virus attacks, default by suppliers on their contractual obligations, terrorist attacks and natural disasters. In reference to the operational losses recognised during 2019, the most significant type of event was classified as "Customers, Products and Operating Practices" (representing 52.4% of recognised operational losses), which includes the losses connected with defaults on professional obligations to customers, suppliers or outsourcers and with improperly or negligently executed provision of services and supply of products to customers. Any occurrence of one or more of the aforementioned operational risks might have a significantly negative impact on the activity, operating results and capital, financial position and/or operating results and reputation of the ISP Group. The use of capital to cover operational risks was calculated to be 1,697 million euro at 31 December 2019 (1,414 million euro at 31 December 2018) and represented 7.1% of the total capital requirements of the ISP Group. That value was unchanged at 31 March 2020.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the activities, prospects and economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium significance.

Among the various types of operational risk, major importance is assigned to cyber risk, which includes, inter alia, not only the risks generically connected with defects or malfunctions in information systems but also risks related to the availability and continuity of systems, security construed in terms of the possibility of logic and physical intrusions, the integrity of the processed data, the realisation of system updates and the use of services or systems provided by outsourcers. Moreover, it is emphasised that the complexity of any process to integrate the existing systems and services of the UBI Group with the ISP Group might increase the exposure of the ISP Group to those kinds of risks.

The ISP Group already has an established framework for the management of operational risks, which is broken down into the following phases: (i) "identification", which comprises the activities of survey, collection and classification of quantitative and qualitative information about operational risks; (ii) "measurement and analysis", which consists of determining the exposure of the Bank and the other companies of the ISP Group to operational risks, carried out on the basis of the information collected during the "identification" phase; (iii) "monitoring and control", which consists of monitoring operational risks (including IT risk and cyber risk) and exposures to major risks by using adequate reporting to promote active management of the risk itself; (iv) “management (or mitigation)”, which consists of the activities aimed at containment of the operational risks and is implemented by acting on significant risk factors or through their transfer by using insurance coverage or other instruments; (v) “communication”, which includes the information flows associated with the management of operational risks among the various parties involved, designed to allow monitoring of the process and adequate awareness of the exposure to those risks.

Although the ISP Group constantly monitors its own operational risks, unexpected events and/or risks that are entirely or partly out of the control of the Issuer and the other ISP Group companies might occur, with potentially negative impacts on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group, and repercussions on its reputation.

For information on operational risk, reference is made to pages 483-486 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.3.7 Reputational risk

In accordance with applicable laws and regulations, the ISP Group defines reputational risk as the current or prospective risk of a decline in profits or capital deriving from a negative perception of its image by customers, employees, counterparties, shareholders or investors. The Bank believes that events can naturally occur (e.g. related to the management of relations with its own employees or customers or due to the social and environmental impact of its own operations) which, due to the visibility and perception of different stakeholders, may have negative consequences on its own reputation, and it does not rule out the possibility that any negative perception of the Bank and/or the ISP Group can cause a loss of customers, with possible negative impacts on revenues, or an increase in sales of its stock, with possible negative impacts on the performance of ISP Shares.

The Issuer believes that there is a medium-low probability that the events underlying the aforementioned risk will occur. Considering its own governance structure, the Bank estimates that the risk in question is of medium-low significance.

Reputational risk is monitored mainly by governing the primary risks (e.g. operational risks or compliance risks) and promoting a risk culture based on widely practiced responsible behaviour, in compliance with ethical and behavioural standards and the internalisation of rules of conduct, with the awareness that they contribute to the lasting sustainability of business initiatives and constitute the most robust defence in preventing incidents that might harm the Bank’s reputation. Notwithstanding the aforementioned protections implemented by the ISP Group, any manifestation of the risk in question might negatively impact the economic results, balance sheet and financial situation of the ISP Group.

That said, during the period referred to by the financial information included in the Registration Document, no cases and/or events occurred which could have major negative consequences on the reputation of the Bank and/or the ISP Group.

Finally, the applicable regulations do not prescribe the calculation of a Pillar 1 compliance capital requirement for reputational risk.

For more information, reference is made to pages 385-386 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.3.8 Risks associated with the uncertainty surrounding the results of future stress tests or future asset quality reviews

As part of the “comprehensive assessment” performed by the ECB (in cooperation with the EBA and other competent Supervisory Authorities), it is not possible to guarantee that the Issuer will continue to meet the requirements imposed in those tests. Consequently, if the tests are not passed, the ECB would take measures against it, with possible negative impacts on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group, and on its reputation.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium-low probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium-low significance.

Under the European Single Supervisory Mechanism, the ECB is assigned specific duties for prudential supervision of credit institutions including, inter alia, the possibility for it to perform stress tests, in coordination with the EBA as appropriate, to ascertain whether the tools, strategies, processes and mechanisms set up by the credit institutions and the own funds held by them permit sound management and coverage of risks in the face of future adverse events. Based on the results of those stress tests, the ECB is also granted the right to impose specific obligations on credit institutions concerning additional own funds, specific disclosure and liquidity requirements, and other measures. By their very nature, stress test results are uncertain and only partially foreseeable by the financial institutions involved, since the valuation methods and stress scenarios adopted by the ECB can change over time. Additionally, these tests often prescribe a simplified approach aimed at improving the comparability of the results for the various participating banks. However, this approach is not always able to grasp the specific nature or capacity of the individual credit institutions involved to react to adverse situations.

In regard to the EU-wide stress test that was to be performed in 2020, the ECB announced on 12 March 2020 that, in response to the impacts of the COVID-19 (*so-called* coronavirus) pandemic, it was postponing the stress test until 2021.

For more information, see Part B, Section 5, Paragraph 5.1 of the Registration Document.

A.3.9 Counterparty risk

Trading in derivative contracts and repos exposes the ISP Group to counterparty default risk and to the risk that the associated guarantees that might be offered are not or cannot be effectively realised or paid, with possible negative impacts on the activities, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group. At 31 March 2020, the total exposure to counterparty risk, as measured in terms of risk-weighted assets, was 7,625 million euro, equivalent to 2.6% of total risk-weighted assets of the ISP Group (7,136 million euro at 31 December 2019, equivalent to 2.4% of the total risk-weighted assets of the ISP Group).

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium-low probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium-low significance.

Counterparty risk arises when the counterparty to a transaction involving specific financial instruments (derivatives and repurchase agreements) defaults or becomes insolvent before final settlement of the cash flows of the transaction. This risk also includes the case where any collateral guarantees offered in favour of the Bank (or in favour of another ISP Group company) are not or cannot be realised or paid at the times, in the ways and in the amounts sufficient to hedge the exposure to counterparty risk. The occurrence of such events might cause capital losses with possible negative effects on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group.

The positive fair value of ISP Group derivative trades at 31 December 2019 totalled 29,431 million euro (excluding insurance undertakings, accounting for 248 million euro), of which 26,402 million euro in trading derivatives and 3,029 million euro in hedging derivatives.

The negative fair value at the same date totalled 41,086 million euro (excluding insurance undertakings, accounting for 49 million euro), of which 31,798 million euro in trading derivatives and 9,288 million euro in hedging derivatives.

The derivatives classified at level 3 of the fair value hierarchy amounted to 0.6% of the total positive fair value and 0.3% of the total negative fair value.

With reference to ISP Group repo trades, a total of 38,429 million euro in funding transactions were outstanding at 31 December 2019, of which 4,505 million euro were with customers, in addition to outstanding lending transactions totalling 36,828 million euro at the same date, of which 29,531 million euro with customers.

For more information, reference is made to page 403 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.3.10 Risks deriving from the insurance business

The Issuer is exposed to risks driving from the insurance business operated in the context of the business of the ISP Group, including the risks connected with the adequacy of pricing and, therefore, connected with setting the rates for insurance products, the risks connected with fluctuations in the number and value of requests for claims settlement and the risks connected with the calculation of technical reserves and their inadequacy to cover the obligations deriving from the insurance policies with which they are associated. At 31 December 2019, the "insurance division" of the ISP Group reported gross premium *income for life policies totalling 17,937.4 million euro (19,276.3 million at 31 December 2018) and corresponding premium income net of settlements totalling 4,975 million euro (4,379 million euro at 31 December 2018). Moreover, also at 31 December 2019, the non-life business reported premium income of 671.6 million euro (507.1 million euro at 31 December 2018) and settlements for claims in that segment totalling 127 million euro (96.0 million euro at 31 December 2018). The contribution made by the insurance division in 2019 accounted for 6% of Group revenues and 16% of the net income of the ISP Group.*

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium significance.

The results deriving from the insurance business and the financial position of the Issuer and the ISP Group depend on an adequate selection of insurable risks and, in particular, adequate pricing of the different insurance products, the determination of adequate technical reserves to cover the risks covered by insurance, the performance of obligations to the insured parties and, specifically in reference to life policies and pension funds, the capacity to make correct statistical and actuarial projections according to life expectancy and the factors connected with the accrual of pension benefits.

The adequate determination of insurance premiums may be compromised by different factors, including the inadequate availability of reliable data, incomplete or imprecise analysis of available data, the uncertainties associated with the prior assessments and forecasts made (especially in regard to fluctuation in the number and value of claims that the relevant premiums are required to cover), the application of imprecise or inappropriate formulas or methods, any unforeseeable changes in applicable laws or regulations or prevailing trends in case law, and the procedures for settling disputes.

The ISP Group employs all of its experience in the insurance sector and all information available on the market to estimate the revenues associated with the execution of insurance policies. Nevertheless, the number and amount of future claims could considerably exceed the forecasts made during the insurance product pricing process, with consequent negative effects on the activity and results of the insurance business and on the economic results, balance sheet and financial situation of the Issuer and the ISP Group.

Every insurance company belonging to the ISP Group accrues specific technical reserves covered by appropriate assets selected according to the specific insurance category and type of risk covered.

In particular, the amount of technical reserves for the non-life business is adjusted quarterly and at the end of every financial year, and reflects the results of transactions made during the relevant period. If the aforementioned reserves turn out to be insufficient for the losses during the period, or for future projections, their amount will be adjusted accordingly. The circumstance that the reserves might be insufficient in future, inter alia in consequence of any changes in applicable laws or regulations, might have a negative impact on the activity and results of the insurance business and on the economic results, balance sheet and financial situation of the Issuer and the ISP Group.

In regard to the reserves allocated to cover life insurance policies and, in particular, the insurance policies that require payment of a minimum guaranteed return on the invested principal (pursuant to applicable laws and regulations), the Issuer is subject to the financial risk associated with the performance of the assets associated with the aforementioned insurance policies. If the assets do not achieve the performance levels needed to cover payment of the minimum guaranteed return on the paid capital, the return of the ISP Group might be compromised, with a negative impact on its activity, results and financial position.

The insurance premiums for the life policies are calculated on the basis of statistical and actuarial projections tied to life expectancy. If these statistical data are unreliable, the reserves allocated to cover this type of insurance policies might turn out to be insufficient, negatively impacting the activity, prospects, and economic results, balance sheet and financial situation of the Issuer and the ISP Group.

Moreover, in reference to the insurance plans, the Issuer allocates technical reserves based on forecasts of: (i) death rates; (ii) disability rates; (iii) early retirement rates; (iv) long-term investment interest rates. These parameters may also vary according to, inter alia, changes in economic conditions due to fluctuations in the life expectancy of insured individuals. In future years, every change might impact the amount of retirement benefits and all related costs, and might render the technical reserves insufficient to cover the payment of a minimum guaranteed return on the invested principal, negatively impacting the activity, prospects and results of the insurance business and the economic results, balance sheet and financial situation of the Issuer and the ISP Group.

For more information, reference is made to pages 496-497 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.3.11 Risks connected with related-party transactions

The ISP Group has executed transactions with Related Parties in the course of operating its own business. The weight of pending transactions with Related Parties of the ISP Group on the financial statements was limited at 31 December 2019 (1.2% of both total financial assets and total financial liabilities). However, the ISP Group remains exposed to the risk that, if the transactions executed with Related Parties had been made between or with unrelated third parties, the latter would have negotiated and executed the related agreements, or executed the transactions themselves, at more advantageous conditions and/or terms and conditions for the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a low probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of low significance.

The ISP Group has executed transactions with Related Parties in the course of its ordinary activities, entered into at market conditions and based on considerations of mutual economic interest, in compliance with the Procedures on Related-Party Transactions adopted by the ISP Group in compliance with applicable laws and regulations.

Nevertheless, it cannot be ruled out that the transactions with Related Parties may involve inefficiencies in the resource allocation process and/or expose the ISP Group to unforeseen risks, with possible negative impacts on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and the ISP Group.

For more information, see Part B, Section 10, of the Registration Document.

A.3.12 Risks associated with statements of dominant position and information about its competitive position

The Registration Document contains certain statements of dominant position related to the activity of the Issuer and the ISP Group and their position on the reference market made by the Issuer on the basis of its specific knowledge of its own sector, available information and its own experience. Those statements – including those related to the competitive position, performance of the ISP Group in the sectors of activity and/or geographic areas where it operates – might change or no longer be confirmed in future due to known and unknown risks and additional factors of uncertainty, inter alia in light of the impact of the COVID-19 pandemic, or might differ, even significantly, from any data produced by third parties.

The Issuer believes that there is a medium probability that the events underlying the aforementioned risk will occur. In light of the magnitude of any negative impacts, the Bank estimates that this risk is of medium significance.

This risk affects the information that is contained in the description of the activities of the ISP Group, the markets and its competitive position, future programs and strategies. Moreover, the results, competitive position and performance of the Issuer and/or the ISP Group in their various sectors of activity and various geographic areas might change in future, even significantly, from what is assumed in those statements due to known and unknown risks, uncertainties and other factors, inter alia in light of the impact of the COVID-19 pandemic on the reference markets.

Therefore, investors are advised not to rely exclusively on those statements of dominance, estimates and valuations, and to evaluate the entire contents of the Registration Document.

For more information, see Part B, Section 5, Paragraph 5.1.4 of the Registration Document.

A.3.13 Alternative Performance Measures (APM)

The Registration Document contains several Alternative Performance Measures to facilitate comprehension of the operating and financial performance of the Bank and the ISP Group. Moreover, these measures represent the instruments that assist the Issuer itself in identifying operating trends and in making investment, resource allocation and other operational decisions. Since these indicators are not measures whose determination is regulated by the accounting and financial reporting standards used to prepare the separate and consolidated financial statements, and are not subject to audit, the standard applied by the Issuer to determine them might not be consistent with the standard adopted by other *groups (both banking and non-banking groups). Therefore, those figures might not be comparable with those that might be presented by those groups.*

According to the ESMA Guidelines of 5 October 2015 (which entered into force on 3 July 2016), Alternative Performance Measures shall mean measures of historical or future financial performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial reporting framework. These are usually taken from or based on the financial statements drawn up in compliance with the regulations applicable to financial reporting, mainly through adding or subtracting amounts from the figures in the financial statements.

The reader's attention is called to the following in regard to interpretation of those APM:

- these indicators are formed exclusively on the basis of historic figures of the ISP Group and do not indicate its future performance;
- the APM are not prescribed by the IAS/IFRS and, although they are derived from the consolidated financial statements, they are not subject to audit;
- the APM must not be considered replacements for the measures prescribed by the IAS/IFRS;
- the APM must be interpreted together with the financial information of the ISP Group taken from the consolidated financial statements;
- since the definitions of the measures used by the ISP Group do not come from IAS/IFRS, they might not be consistent with those adopted by other companies/groups and thus might not be comparable;
- the APM used by the ISP Group are elaborated with continuous and consistent definitions and representations in all periods for which financial information is included in the Registration Document.

Therefore, examination by investors of the APM of the Issuer without considering the aforementioned peculiarities might mislead them when assessing the economic results, balance sheet and financial situation of the Bank and result in incorrect, inappropriate or inadequate investment decisions for those investors.

For more information, reference is made to pages 25-27 and 163-166 of the 2019 Consolidated Financial Statements, which are included through reference pursuant to Article 19, paragraph 1, of the Prospectus Regulation (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports).

A.4 RISKS ASSOCIATED WITH THE LEGAL AND REGULATORY FRAMEWORK

A.4.1 Risk associated with changes in the regulations of the banking sector and in the supervisory practices adopted by the relevant authorities

The ISP Group is subject to a complex and strict regulatory framework and to the supervisory activities of the relevant authorities (in particular, the European Central Bank, the Bank of Italy and Consob). Both the regulatory framework and the supervisory activities are subject, respectively, to continuous updates and changes to practices. In addition, as a listed issuer, the Bank is required to comply with other provisions issued by Consob. Failure to comply with the regulations or the assessments of the Supervisory Authorities, or the Bank's failure to satisfy any request made by the ECB in the context of its own supervisory activities, could lead to administrative or judicial proceedings being brought against the ISP Group, which might result, inter alia, in the suspension or revocation of authorisations, in warning notices, fines, civil and criminal sanctions or other strong disciplinary measures and in limitations on the distribution of profits, with possible significantly negative impacts on the economic results, balance sheet and financial situation of the Issuer and/or the ISP Group and on their reputation.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a high probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is highly significant.

As a "significant bank", Intesa Sanpaolo is subject to direct supervision by the ECB, which, inter alia, and after the SREP, annually issues its final decision on the capital requirements that the Bank must fulfil at the consolidated level. In this regard, there is the risk that after future SREPs, the Supervisory Authority, in light of the possible Acquisition, will also require the Issuer to maintain higher capital adequacy standards than those applicable at the Date of the Registration Document. Moreover, it cannot be ruled out that after future SREPs, the ECB might require the Issuer to implement specific corrective measures, which might impact management of the ISP Group, including (i) the requirement to hold capital in excess of the regulatory level; (ii) actions to reinforce the systems, procedures and processes involved in risk management, control mechanisms and assessment of capital adequacy; (iii) imposition of limits on the distribution of profits or other elements of capital and, in regard to financial instruments that can be counted toward own funds, the prohibition to pay interest and (iv) prohibitions on executing certain transactions, even corporate transactions, in order to contain risk levels.

The ISP Group is also subject to the guidelines received from the Single Resolution Board (SRB) and from the Bank of Italy, as the national resolution authority. Both the regulatory framework and the supervisory activities are subject, respectively, to continuous updates and changes to practices. In addition to the supranational and national primary law or regulatory provisions governing financial and banking activities, the Issuer is subject to specific anti-money laundering, usury and consumer protection laws and regulations. The primary law is complemented by regulatory technical and implementation standards, which are drafted by the EBA. The intense and prolonged market crisis has also led to the adoption of stricter rules by the international authorities, inter alia concerning the prudential requirements applicable to banks.

Finally, with regard to the principal statutory and regulatory changes whose implementation might generate significant compliance costs for the Issuer and/or the ISP Group, and impact on their operations, reference is made to approval of the "*EU Banking Reform Package*" by the European Parliament and Council of the European Union. In particular, the following were published in the Official Journal of the European Union on 7 June 2019: *(i)* Directive (EU) 2019/878 ("CRD V"), amending CRD IV, as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures; *(ii)* il Regulation (EU) 2019/876 ("CRR II"), amending the CRR, as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 648/2012; *(iii)* Directive (EU) 2019/879 ("BRRD II"), amending the BRRD, as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, and Directive 98/26/EC; *(iv)* Regulation (EU) 2019/877, amending Regulation (EU) 806/2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation, again concerning the loss-absorbing and recapitalisation capacity of credit institutions and investment firms. The CRD V and BRRD II must be transposed by 28 December 2020, the deadline by which the amendments to the SRM will also enter into force. Except as expressly envisaged by it, the CRR II will apply from 28 June 2021. In light of the change in the law governing the adoption of internal models, it might be necessary for the Issuer to revise certain models to render them fully compliant with the new regulatory requirements.

Although the Issuer and the ISP Group undertake to comply with the complex system of applicable laws and regulations, failure to comply with them or any regulatory changes and/or changes in their interpretation and/or application by the competent Supervisory Authorities might result in negative effects (including the launch of administrative and judicial proceedings against the Issuer and/or other ISP Group companies, which could result, in the most serious cases, in the suspension or revocation of authorisations, in warning notices, fines, civil or criminal sanctions or other strong disciplinary measures) on the economic results, balance sheet and financial situation of the Issuer and/or the ISP Group.

A.4.2 Risks associated with pending legal proceedings

At the Date of the Registration Document, certain ISP Group companies are involved in several legal proceedings (including tax proceedings). The total provisions for legal and tax disputes at 31 December 2019 amounted to 770 million euro. The provisions for legal disputes totalled 588 million euro at 31 December 2019, against claims totalling 5,635 million euro([30]). It cannot be ruled out that the legal proceedings pending at the Date of the Registration Document and/or any other proceedings that might be lodged in future might end with judgements against the Issuer and/or the ISP Group, with consequent negative effects on the economic results, balance sheet and financial situation of the Issuer and/or the ISP Group. Specifically in regard to the pending legal proceedings – concerning, in most cases, actions

([30]) The figures for the remedy sought do not include claims of indeterminate value, i.e. those that do not contain a specific financial claim when the dispute is initiated. The value of these disputes will be determined during the course of the proceedings when sufficient information emerges for the valuation.

for nullity, annulment, unenforceability or compensation of damage consequent to transactions related to ordinary banking and financial activities – the ISP Group is exposed to the risk of having to bear liabilities, if it is found wholly or partially liable, for compensation of damage or return of amounts of money.

Considering all the pending proceedings, the Issuer considers there is a medium risk of unfavourable judgements. The expected amount of the possible negative impact leads the Bank to estimate that the risk in question is of low significance.

It cannot be ruled out that in future the ISP Group might sustain additional liabilities, including major ones – not only for any additional proceedings that might be established, but also – for existing lawsuits due to: (i) uncertainty over the outcome of each action; (ii) the occurrence of additional developments that management might not have considered when it assessed the likely outcome of the litigation; and (iii) the emergence of new evidence and information found to be in conflict with the decision (made by management when it prepared the 2019 Consolidated Financial Statements on the basis of information known at the time) to accrue specific provisions on the balance sheet.

For more information, see Part B, Section 11, Paragraph 11.3 of the Registration Document.

A.4.3 Risks associated with ordinary and extraordinary contribution obligations to funds established pursuant to banking crisis resolution regulations

The ISP Group is required to comply with the contribution obligations imposed by the regulations governing the resolution of banking crises. At 31 December 2019, the charges aimed at maintaining the stability of the banking industry – essentially represented by ordinary and additional contributions to the resolution fund and to the deposit guarantee schemes and the taxes borne by the foreign subsidiaries – totalled, after tax, 360 million euro (378 million euro at 31 December 2018), corresponding to 513 million euro before tax. If the amount of ordinary contributions requested from the ISP Group were to increase, its profitability would diminish and the level of financial resources of the Bank and the ISP Group would be significantly impacted. If extraordinary contributions were to be requested from the ISP Group, that might have a negative impact on the balance sheet and income statement of the Issuer and/or the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium significance.

After the crisis that struck different financial institutions beginning in 2008, different systems were introduced at the European and national levels to contain the risk of banking crises, whose implementation entails outlays, including significant ones, by the credit institutions (including the ISP Group) in favour of the banking system as a whole. It cannot be ruled out that the level of ordinary contributions requested from the ISP Group might be increased in future, inter alia in consequence of the Acquisition of UBI Banca, both in connection with the change in the internal variables of the ISP Group (such as the amount of its own protected deposits) and the change in external variables (such as the amount of contributions paid by other system banks). The occurrence of this circumstance would reduce the profitability of the ISP Group and negatively impact its capitalisation.

Moreover, it cannot be ruled out that, in future, due to ungovernable and unpredictable events, the Interbank Deposit Protection Fund - Voluntary Scheme, DGS and/or SRF will have to request new and additional extraordinary contributions. The occurrence of this circumstance would make it necessary to bear additional costs with impacts, even significant ones, on the balance sheet and income statement of the Issuer and/or the ISP Group.

A.4.4 Risks associated with privacy, information security and personal data protection regulations

The ISP Group must comply with the provisions of personal data protection legislation. Failure to comply with the aforementioned legislation might produce consequences, including serious ones, with the risk of penalties being levied on the Issuer, amounting to up to a maximum of 20 million euro or 4% of the total annual global revenue for the year prior to the one in which the violation was ascertained, with consequent negative effects on the reputation and the economic results, balance sheet and financial situation of the Issuer and/or the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium significance.

The activity performed by the ISP Group is subject to the application of personal data protection and processing regulations. The processing of personal data, i.e. the collection, storage and any form of use of those data until their deletion are activities regulated and protected by statutory provisions (Regulation (EU) 2016/679) and the mandatory regulations of the Autorità Garante per la Protezione dei Dati Personali ("Garante della Privacy" – Italian Data Protection Authority). While the ISP Group has launched a project (which is in the course of implementation) to bring its own internal procedures into compliance with applicable laws and the consequent adoption of the technical and organisational measures necessary to comply with applicable statutory provisions governing the access to and processing of banking data, it is still exposed to the risk that the data is damaged or lost, or stolen, disclosed or processed for purposes other than those authorised by customers, inter alia by unauthorised parties (both third parties and employees of the ISP Group).

This possibility could negatively impact the activity of the ISP Group, including its reputation, and might lead to the imposition of sanctions by the competent authorities, with consequent negative impacts on the activity, prospects and economic results, balance sheet and financial situation of the Issuer and/or the ISP Group.

A.4.5 Risks associated with the administrative liability of legal entities and any inadequacy of the organisation and management model of the Issuer pursuant to Italian Legislative Decree 231/2001

Although the Issuer has adopted an organisational, management and control model pursuant to Legislative Decree 231/2001, the Bank and the ISP Group are exposed to the risk of sanctions deriving from the possible finding that its adopted models are inadequate. In particular, at the Date of the Registration Document, the Bank has been charged with the administrative offence of self money laundering pursuant to Legislative Decree 231/2001, for acts related to its partnership with Diamond Private Investment concerning the offer of diamonds by the latter to customers of Intesa Sanpaolo. In connection with that matter, the Bank was served with an order in February 2019 for preventive criminal seizure of 11.1 million euro (an amount largely corresponding to the commissions paid by Diamond Private Investment to Intesa Sanpaolo). Moreover, upon completion of the Acquisition of UBI Banca, the Issuer will have to manage the process of updating the compliance procedures and internal control systems adopted by the UBI Group companies. In that circumstance, problems connected with integration of the models and procedures of the UBI Group with those of the ISP Group might have a negative impact on the economic results, balance sheet and financial situation and on the image and reputation of the Issuer and/or of the ISP Group.

The occurrence of events underlying the aforementioned risk, which are classed by the Issuer as having a medium probability of occurrence, could have negative impacts on the economic results, balance sheet and financial situation of the ISP Group. Considering the above, the Bank estimates that the risk in question is of medium-low significance.

In October 2019, the Public Prosecutor's Office of Milan served notice of the conclusion of its preliminary investigation to two branch managers of Intesa Sanpaolo in relation to the alleged offences of aggravated fraud and self money laundering in the context of the partnership with Diamond Private Investment concerning the offering of diamonds by the latter to the customers of Intesa Sanpaolo and of the banks of the Banca dei Territori Division. The Bank was also charged with the administrative offence of self money laundering pursuant to the provisions of Legislative Decree 231/2001. At the Date of the Registration Document, additional parties still had to be identified both in regard to the aforementioned allegation of fraud and the allegation of self money laundering.

Legislative Decree 231/2001 prescribes the administrative liability of entities in consequence of certain offences committed by directors, senior managers and employees on behalf and to the benefit of the entity. Nevertheless, this law prescribes that the entity be exempted from that liability if it proves that it had adopted and effectively implemented an adequate organisational, management and control model to prevent commission of the said offences. The adoption of organisational, management and control models does not exclude by itself the applicability of penalties as prescribed in Legislative Decree 231/2001. In fact, if an offence that has been committed triggers the administrative liability of the entity, the judicial authorities have to evaluate those models and their actual implementation. If the judicial authorities find that the adopted models are unfit to prevent offences of the sort that occurred or those models were not effectively implemented, or if they find that the monitoring of their operation and compliance by the body specifically delegated to do so was inadequate, the entity would still be subject to sanctions.

The Issuer adopted its own organisational, management and control model pursuant to Legislative Decree 231/2001, as most recently amended by the Board of Directors on 22 October 2019. In reference to the other ISP Group companies, without prejudice to the independent liability of each one of them in regard to the adoption and effective implementation of their own organisational, management and control model pursuant to Legislative Decree 231/2001, the Bank has the power, in exercise of its own special function as parent company, to issue general criteria and directives and to use its own internal functions to verify compliance by the models of the companies belonging to the ISP Group with those criteria and directives.

For more information, see Part B, Section 11, Paragraph 11.3 of the Registration Document.

PART B

1. PERSONS RESPONSIBLE, THIRD PARTY INFORMATION, EXPERT REPORTS, AND APPROVAL BY THE COMPETENT AUTHORITIES

1.1 Persons responsible for the Registration Document

The persons listed in the following table assume responsibility for the completeness and truthfulness of the data and information contained in the Registration Document.

Responsible person	Title	Registered office	Parts under its responsibility
Intesa Sanpaolo S.p.A.	Issuer	Turin, Piazza San Carlo, 156	Entire Registration Document

1.2 Declaration of Responsibility

The Issuer declares that, having exercised all reasonable diligence for this purpose, the information contained in the Registration Document is, to the extent of its knowledge, consistent with the facts and do not contain omissions that would alter its meaning.

1.3 Expert reports and opinions

No expert reports or opinions were used to prepare the Registration Document.

1.4 Third-party information

The Registration Document contains third-party information that has been accurately reproduced and, as far as the Issuer is aware or able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In particular, the following table presents the third-party information contained in the Registration Document:

Source	Topic
DBRS MORNINGSTAR	Rating of the Issuer
Fitch Ratings	Rating of the Issuer
Moody's	Rating of the Issuer
S&P Global Ratings	Rating of the Issuer
Bank of Italy	Market shares
Assogestioni	Market shares
Consolidated financial statements of UBI Banca at 31 December 2018	Information on the UBI Group
Consolidated financial statements of UBI Banca at 31 December 2019	Information on the UBI Group
Consolidated interim statement of UBI Banca as at 31 March 2020.	Information on the UBI Group
UBI Banca Press Release of 11 May 2017 "Update of UBI Business Plan to include the 3 Bridge Banks (Nuova Banca Marche, Nuova Banca Etruria and Nuova Carichieti)"	Information on the UBI Group
Fitch Ratings	Rating of the UBI Group
Solvency Financial Condition Report at 31 December 2019 of RBM Assicurazione Salute S.p.A.	Net income of RBM Assicurazione Salute S.p.A.

1.5 Issuer Statement

The Issuer declares that:

(a) the Registration Document was approved by Consob in its capacity as competent authority pursuant to Regulation (EU) 2017/1129;

(b) Consob approves this Registration Document only to the extent that it fulfils the requirements of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129;

(c) that approval must not be considered an endorsement of the Issuer covered by the Registration Document; and

(d) the Registration Document has been prepared as part of a simplified prospectus in compliance with Article 14 of Regulation (EU) 2017/1129.

2. STATUTORY AUDITORS

2.1 Statutory auditors of the Issuer

On 10 May 2011, the Shareholders' Meeting of the Issuer resolved to give the mandate for statutory audits of the financial statements of the Issuer and the consolidated financial statements of the Group, and for the limited review of the consolidated half-yearly report of the Group for the years from 2012 to 2020 to KPMG S.p.A., with registered office in Milan, Via Vittor Pisani 25, entered in the Special Register of Independent Auditors kept by the Ministry of Economy and Finance pursuant to Article 161 of the Consolidated Law on Finance and entered in the Register of Statutory Auditors pursuant to Articles 6 et seq. of Legislative Decree 39/2010 (sequential number 70623).

With regard to expiry of the abovementioned audit engagement, on 30 April 2019 the Shareholders' Meeting gave the mandate for statutory audits of the accounts for the years from 2021 to 2029 to EY S.p.A., with registered office in Rome, Via Po 32, entered in the Special Register of Independent Auditors kept by the Ministry of Economy and Finance pursuant to Article 161 of the Consolidated Law on Finance and entered in the Register of Statutory Auditors pursuant to Articles 6 et seq. of Legislative Decree 39/2010 (sequential number 70945).

The 2019 Consolidated financial statements, prepared in compliance with the IAS/IFRS endorsed by the European Union, and the measures issued in implementation of Article 9 of Legislative Decree 38/05 and Article 43 of Legislative Decree 136/15, underwent a complete audit by the Independent Auditors, which issued their own unqualified audit report on 18 March 2020.

The Independent Auditors did not express any qualifications, refusals of attestation or emphasis of matter concerning the audited financial statements of the Issuer and/or the consolidated financial statements of the Group during the period to which the financial information included in the Registration Document refers.

With regard to the communications issued to the persons in charge of governance, the Independent Auditors did not find any significant deficiencies in the internal control system during its audit of the 2019 Consolidated financial statements.

3. RISK FACTORS

Reference is made to Part A of the Registration Document for a description of the Risk Factors affecting the Issuer.

4. INFORMATION ABOUT THE ISSUER

4.1 The legal and commercial name of the Issuer;

The legal name of the Issuer is Intesa Sanpaolo S.p.A. The commercial name of the Issuer is the same as its legal name.

4.2 The domicile and legal form of the Issuer, identifier (LEI), the legislation under which it operates, its country of registration, the address and telephone number of its registered office, and its website address

The Issuer is incorporated in Italy as a “Società per Azioni” (joint-stock company) and operates under Italian law.

The Issuer is entered in the Turin Company Register at no. 00799960158. The identifier of the Issuer (LEI) is: 2W8N8UU78PMDQKZENC08.

The registered office of the Issuer is located in Turin, Piazza San Carlo, 156; the secondary registered office of the Issuer is in Milan, Via Monte di Pietà, 8.

Its telephone number is 0039 0115551. The website of the Issuer is: group.intesasanpaolo.com. The information contained in the website of the Issuer is not a part of this Registration Document, except for the information that is specifically referenced in the Registration Document.

5. BUSINESS OVERVIEW

5.1 Activities of the Issuer and the Group

5.1.1 Introduction

The Issuer is incorporated and operates pursuant to Italian law and is authorised by the Bank of Italy to perform the banking activities regulated by the Consolidated Law on Banking and provide the investment services regulated by the Consolidated Law on Finance.

Pursuant to Article 4 of its Articles of Association, the purpose of the Issuer is to take deposits and perform all forms of lending activities, both directly and through its subsidiaries. To this end, the Issuer may, in compliance with applicable regulations and subject to being granted the required authorisations, directly and also through its subsidiaries, carry out all the banking and financial transactions and provide all the banking and financial services, including the establishment and management of open-end and closed-end pension schemes, as well as carry out any other transactions that are instrumental for, or related to, the achievement of its corporate purpose.

In particular, the activities of the Group include private banking, asset management, asset gathering, bancassurance, industrial credit, leasing, factoring, instant banking, M&A, structured finance, capital markets, merchant banking and public finance.

The Issuer offers its own services in Italy to about 11.8 million customers through a network of about 3,800 branches throughout the country at 31 December 2019 (about 3,700 at 31 March 2020).

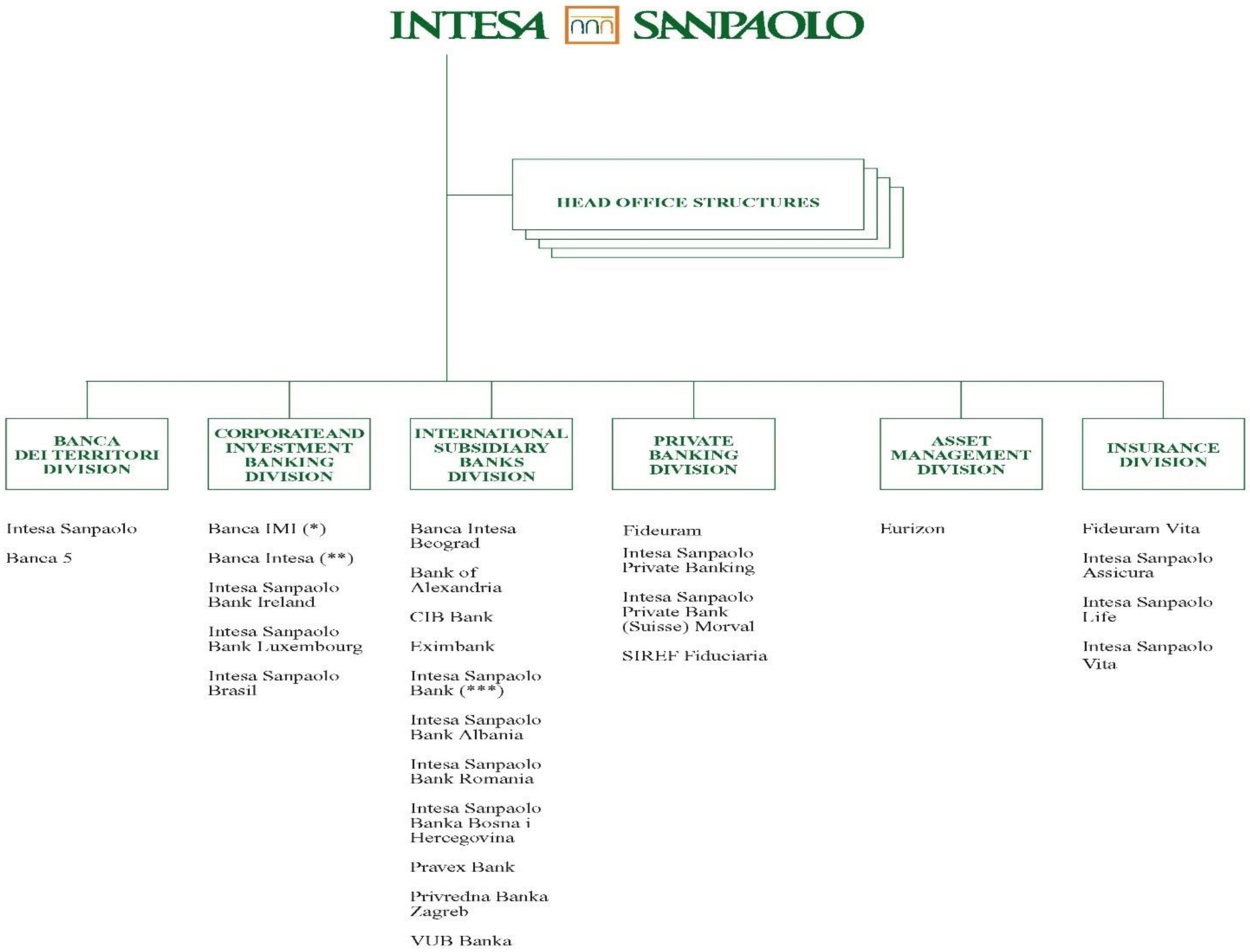
The Bank has a strategic international presence, with about 1,000 branches and 7.2 million customers, including subsidiary banks operating in the commercial banking sector in 12 central and eastern European countries, in the Middle East and North Africa, and an international network specialised in providing support to corporate customers in 25 countries, especially in the Middle East, North Africa, and in those areas where Italian companies operate most actively, such as the United States, Brazil, Russia, India and China.

The Group had a total of 89,102 employees at 31 December 2019 (88,130 at 31 March 2020).

5.1.2 Structure of the Group and description of its principal activities

The Issuer is the parent company of the Intesa Sanpaolo Group and performs not only banking activities but also guidance, coordination, governance and unified control of its subsidiary financial and instrumental companies. In particular, the Issuer performs – pursuant to Article 61, paragraph 4, of the Consolidated Law on Banking – management and coordination of the companies belonging to the Banking Group, issuing specific directives to that end, inter alia for implementation of the instructions issued by the Supervisory Authority and in the interest of Group stability.

The organisation chart of the main Intesa Sanpaolo Group companies at the Date of the Registration Document is illustrated below.



(*) Note that, by resolution of the Board of Directors of 5 May 2020, ISP approved the merger of Banca IMI S.p.A. into Intesa Sanpaolo, in accordance with Article 2505, paragraph 2, of the Italian Civil Code, as permitted by Article 18.2.2. letter m) of the Articles of Association. On 6 May 2020, the merger was also approved by the extraordinary shareholders' meeting of Banca IMI S.p.A. The completion of the merger, with the consequent assumption by ISP of the role of intermediary appointed to coordinate the acceptances, is expected by 20 July 2020.

(**) Russian Federation

(***) Slovenia

The Intesa Sanpaolo Group's activities are structured into six business divisions:

- the **Banca dei Territori Division** is focused on the market and the central role of the territory in strengthening relationships with individuals, small and medium enterprises (SME) and non-profit entities. The Division includes industrial credit, leasing and factoring, and instant banking activities (carried out through Banca 5 S.p.A.) and served 11.7 million retail and SME customers in Italy through about 3,500 branches at 31 December 2019 (about 3,400 at 31 March 2020);
- the **Corporate and Investment Banking Division** is the global partner for the balanced and sustainable development of enterprises and financial institutions from a medium/long-term perspective, at the domestic and international level. It includes capital markets and investment banking activities (carried out through Banca IMI S.p.A.) and operates in 25 countries in support of the cross-border operations of its 16,000 customers in Italy (at 31 December 2019; about 15,000 at 31 March 2020) through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity. The Division operates in Public Finance as a global partner for the public administration.
- the **International Subsidiary Banks Division** includes subsidiary banks performing commercial banking activities in the following countries: Albania (Intesa Sanpaolo Bank Albania), Bosnia-Herzegovina (Intesa Sanpaolo Banka Bosna i Hercegovina), Croatia (Privredna Banka Zagreb), Egypt (Bank of Alexandria), Moldova (Eximbank), Czech Republic (the Prague branch of VUB Banka), Romania (Intesa Sanpaolo Bank Romania), Serbia (Banca Intesa Beograd), Slovakia (VUB Banka), Slovenia (Intesa Sanpaolo Bank), Ukraine (Pravex Bank) and Hungary (CIB Bank), with a network of about 1,000 branches and 7 million customers. Moreover, the division also has a presence in China through its minority stake (13.9%) in Bank of Qingdao and Yi Tsai (100% owned by the Issuer), which is active in the distribution of financial products and financial advice to local High Net Worth Individual customers;
- the **Private Banking Division** serves about 93,000 customers in the Private and High Net Worth Individuals segment by offering targeted products and services. The Division includes Fideuram – Intesa Sanpaolo Private Banking, with 5,834 Personal Financial Advisers and 234 branches at 31 December 2019 (5,811 Personal Financial Advisers and 232 branches at 31 March 2020);
- the **Asset Management Division** develops asset management solutions aimed at the Group's customers, non-Group distribution networks and institutional customers. The Division includes Eurizon Capital SGR, with 266 billion euro in assets under management at 31 December 2019 (248 billion euro at 31 March 2020);
- the **Insurance Division** develops insurance and pension products targeted at Group customers. The Division includes Intesa Sanpaolo Vita S.p.A., Intesa Sanpaolo Life DAC, Fideuram Vita S.p.A and Intesa Sanpaolo Assicura S.p.A., with direct deposits and technical reserves of 166 billion euro at 31 December 2019 (156 billion euro at 31 March 2020).

Summary figures by business area at 31 December 2019

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income	8,473	4,162	1,998	1,971	840	1,132	-493	18,083
Operating costs	-5,034	-1,088	-991	-613	-157	-204	-1,203	-9,290
Operating margin	3,439	3,074	1,007	1,358	683	928	-1,696	8,793
Net income (loss)	1,551	1,932	723	919	518	661	-2,122	4,182
Loans to customers	186,354	131,543	34,038	9,329	435	-	33,530	395,229
Direct deposits from banking business	199,256	96,550	43,420	38,737	10	-	47,539	425,512

5.1.3 Principal target markets

The Bank had a network of about 3,800 branches in Italy at 31 December 2019 (about 3,700 at 31 March 2020), where it produces about 79% of its own operating income, while the remaining 21% is produced in other countries, through the subsidiary banks operating in the commercial banking sector in 12 central and eastern European countries, in the Middle East and North Africa, and an international network specialised in providing support to corporate customers in 25 countries, especially in the Middle East, North Africa, and in those areas where Italian companies operate most actively, such as the United States, Brazil, Russia, India and China.

The following table summarises the subsidiary banks operating in the commercial banking segment outside Italy at 31 December 2019.

Country	**Banca**	**Total assets (€/mln)**	**Branches (#)**	**Customers (#)**
Albania	Intesa Sanpaolo Bank (Albania)	1,455	35	234,000
Bosnia – Herzegovina	Intesa Sanpaolo Banka (Bosna i Hercegovina)	1,192	48	173,000
Croatia	Privredna Banka Zagreb	11,969	181	1,678,000
Egypt	Alexbank	5,945	175	1,573,000
Moldova	Eximbank	224	17	105,000
Romania	Intesa Sanpaolo Bank (Romania)	1,381	33	64,000
Serbia	Banca Intesa (Beograd)	5,674	155	1,342,000
Slovakia	VUB Banka	17,650	193	1,149,000
Slovenia	Intesa Sanpaolo Bank	2,684	49	184,000
Ukraine	Pravex Bank	214	45	88,000
Hungary	CIB Bank	6,083	64	414,000

In Italy, the Corporate and Investment Banking Division has a total of 27 branches dedicated to corporate customers and the public administration. At the international level, it operates in 25 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity.

The following table illustrates the international network of the Issuer specialising in corporate customers.

Country	**Subsidiary Bank**
Ireland	Intesa Sanpaolo Bank Ireland
Brazil	Intesa Sanpaolo Brasil SA
Luxembourg	Intesa Sanpaolo Bank Luxembourg
Russia	Banca Intesa (Russian Federation)

..*

Hub Branch	**Branches**	**Representative Offices *(including European Regulatory & Public Affairs in Brussels)***
Dubai Hub Branch	Abu Dhabi Doha Dubai Istanbul	Beirut
Hong Kong Hub Branch	Hong Kong Shanghai Singapore	Ho Chi Minh City Jakarta Mumbai

	Tokyo	
London Hub Branch	Frankfurt London Madrid Paris Warsaw	Moscow
New York Hub Branch	New York	Washington D.C.

5.1.4 Declaration of national competitive position and market shares

In Italy, the Issuer has a market share of 18.3%([31]) in deposits, 17.1%([32]) in loans and 21.6%([33]) in assets under management.

The Issuer had about 3,800 branches at 31 December 2019 with:

- a market share of 14.9%([34]);
- a market share of over 12%([35]) in 17 regions out of 20;
- a high level of local market penetration, with market share of over 5%([36]) in 106 provinces of Italy out of 107.

5.1.5 Ratings of the Bank

At the Date of the Registration Document, the Issuer had ratings from the international agencies DBRS MORNINGSTAR, Fitch Ratings, Moody's and S&P Global Ratings.

ISP's Long Term Issuer ratings and the main elements of concern and problems contained in the most recent ratings issued by the rating agencies are summarised as follows.

DBRS MORNINGSTAR

Long-term	BBB (high)
Short-term	R-1 (low)
Long-term trend	Negative
Short-term trend	Negative

Note. Last rating action date: 12 May 2020.

The ratings of ISP are closely correlated to those of Italy due to its exposure to Italian government securities and its concentration on the domestic market. Given the negative ratings trend, its rating is unlikely to improve over the short term and would require an analogous change in the rating of Italy and evidence that the impact of the present economic situation is manageable. On the contrary, its rating could be lowered if the sovereign rating is lowered or in the event of significant deterioration in the risk profile of the bank and its equity position.

Fitch Ratings

Long-term	BBB-

([31]) Source: Bank of Italy – Intesa Sanpaolo Group figures at 31 December 2019.

([32]) Source: Bank of Italy – Intesa Sanpaolo Group figures at 31 December 2019.

([33]) Source: mutual funds – Assogestioni – Intesa Sanpaolo Group (Eurizon and Fideuram) figures at 31 December 2019.

([34]) Source: the market share is calculated for the Intesa Sanpaolo Group branches authorised by the Bank of Italy – figures at 31 December 2019.

([35]) Source: the market share is calculated for the Intesa Sanpaolo Group branches authorised by the Bank of Italy – figures at 31 December 2019.

([36]) Source: the market share is calculated for the Intesa Sanpaolo Group branches authorised by the Bank of Italy – figures at 31 December 2019.

Short-term	F3
Viability	bbb-
Outlook	Stable

Note. Last rating action date: 12 May 2020.

The ratings of ISP have been impacted by the deterioration in the domestic operating context (due to the impact on credit quality, profits and capitalisation) and the rating of Italy, due to its own position on the domestic market and its direct exposure to sovereign debt. More precisely, a downgrading in the sovereign rating would probably lead to a similar action on the rating of ISP. The ratings have also been impacted by the depth and duration of the economic crisis caused by the COVID-19 pandemic, given their impact on the financial profile of the Bank. Finally, the ratings might be downgraded if the CET1 ratio falls below 13%, in the absence of prospects for recovery over the short-term. This scenario might materialise due to delays in the economic recovery that might cause a prolonged deterioration in credit quality, profitability and thus capital. The ratings might be improved in the event of a similar action on sovereign ratings and if the pressures on asset quality and profitability caused by the current economic crisis were to lessen.

Moody's

Long-term	Baa1
Short-term	P-2
Outlook	Negative

Note. Last rating action date: 26 March 2020.

The "Baa1" rating on the senior unsecured debt and deposits might be lowered if the sovereign rating is lowered, the "bail-in-able" debt buffer is reduced, and the rating of the intrinsic soundness of ISP is reduced. That event might occur in the case of a significant increase in problem loans (due to a deeper and longer recession) and weaker than expected profitability.

S&P Global Ratings

Long-term	BBB
Short-term	A-2
Outlook	Negative

Note. Last rating action date: 29 April 2020.

The "BBB/negative/A-2" ratings of ISP are aligned with those of Italy. The negative outlook reflects the negative outlook for Italy and implies a possible reduction in the rating of ISP if the sovereign rating is downgraded over the next 12-24 months, since the agency holds that it is unlikely the Issuer would manage to avoid default on its own senior notes in the hypothetical case of default by Italy. The ratings might also be downgraded in the event of an additional significant deterioration in operating and economic conditions in Italy worse than what was expected by the agency (e.g. due to a deeper and longer recession or a weaker recovery).

Likewise, if the outlook for Italy is revised to stable, the outlook for ISP would also be improved. Although it is presently unlikely, S&P might improve its outlook for ISP if it believes that the Issuer is capable of overcoming the effects of a hypothetical sovereign default without defaulting on its own senior debt. This possibility would derive from a reduction in its exposure to Italian sovereign risk and the issuance of sufficient loss-absorbing instruments to help the bank in absorbing the effect of this adverse scenario on its own balance sheet.

5.1.6 Significant changes impacting the operations and principal activities of the Issuer since the end of period covered by the latest audited and published financial statements

Except as indicated hereunder, the Issuer certifies that no significant changes have occurred, including substantial changes in the regulatory context in which the Issuer and/or Group operate, impacting the operations and principal activities of the Issuer from the end of period covered by the latest audited and published financial statements until the Date of the Registration Document. Moreover, the Issuer declares that: (i) it has not introduced significant new products and/or services; and that (ii) no new products and/or services are being developed.

The beginning of 2020 was dominated by a new disturbing factor, i.e. the COVID-19 ("coronavirus") pandemic, with its implications for public health, economic activity and commerce, capable of exerting a significant negative effect on global growth. The World Health Organisation declared an international emergency, in response to which the nations affected by cases of contagion (including Italy) implemented specific measures to contain the pandemic, with major impacts on the general economy and the financial markets.

In its press release published on 5 May 2020, the Issuer stated its belief that currently available information only permits outlining the general trends of a scenario in the aftermath of the COVID-19 epidemic, even if it is susceptible to unpredictable changes, given the significant uncertainties surrounding the extraordinary nature of the COVID-19 pandemic.

This hypothetical scenario can be summarised in the forecasts for Italian GDP, which is expected to decrease in the range of 8%-10.5% in 2020 and rebound by around 4.5%-7% in 2021([37]).

In this scenario, in which the soundness of the strategic actions envisaged in the Intesa Sanpaolo 2018-2021 Business Plan is confirmed, the Group will be able to continue to count on its strengths, which consist of its resilient and well-diversified business model, focused on wealth management & protection services and in particular on the development of non-motor P&C insurance products, in addition to strategic flexibility in managing operating costs and proactive management of non-performing loans.

Furthermore, in 2020, the Intesa Sanpaolo Group can count on a buffer, to be used against the possible negative economic impacts stemming from the COVID-19 pandemic, consisting of 300 million euro of provisions set aside in the first quarter and the capital gain on the Nexi transaction over the year. This would make it possible to use a total of around 1.5 billion euro of pre-tax adjustments to loans for the full year.

Considerations relating to the possible macroeconomic scenario and Intesa Sanpaolo's inherent strengths, together with the envisaged use of the aforementioned buffer, lead to an estimated net income for the Group that may be no lower than around 3 billion euro in 2020 and no lower than around 3.5 billion in 2021, assuming a potential cost of risk of up to around 90 basis points in 2020 and up to around 70 basis points in 2021.

The dividend policy indicated in the 2018-2021 Business Plan, envisaging the distribution of cash dividends corresponding to a payout ratio of 75% of net income for 2020 and 70% for 2021, is confirmed. This is subject to ECB indications in respect of dividend distribution after 1 October 2020, the term of the recommendation of 27 March 2020.

The Business Plan projection of a pro-forma fully loaded Common Equity Tier 1 ratio above 13%([38]) in 2021 is also confirmed, even taking into account the potential distribution of the 2019 suspended dividend, subject to ECB guidance concerning the distribution of dividends after 1 October 2020.

For more information, see Part B, Section 7, of the Registration Document.

5.1.6.1 Voluntary Public Exchange Offer

The potential Acquisition of UBI Banca through the Public Exchange Offer

On 17 February 2020, the Board of Directors of the Issuer took the decision to make the Public Exchange Offer for the Acquisition of UBI Banca, and the Offer was announced to CONSOB and the market by means of the announcement published in accordance with Article 102, paragraph 1, of the Consolidated Law on Finance and Article 37, paragraph 1, of the Issuers' Regulation.

The Public Exchange Offer is made for a maximum total of no. 1,144,285,146 UBI Shares – including the treasury shares held by UBI Banca – representing the entire share capital of UBI Banca and prescribes that for each UBI Share tendered in acceptance of the Offer, the Issuer will pay a Consideration consisting of no. 1.7000 newly-issued ordinary ISP Shares, with no nominal value, regular dividend

([37]) Source: the GDP estimates shown here are the result of internal analysis performed by the Intesa Sanpaolo Research Department.

([38]) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward. Above 12% when excluding the aforementioned DTA absorptions.

entitlement and the same characteristics as the ordinary ISP shares already outstanding on the issue date, which will be listed on the Mercato Telematico Azionario.

The ISP Shares tendered as Consideration will be issued through a share capital increase without the pre-emption rights of ISP pursuant to Article 2441, paragraph 4, of the Italian Civil Code, reserved to the acceptors of the Offer, to be executed through (and in compensation of) the contribution in kind of the UBI Shares tendered in acceptance of the Offer, by issuing a maximum of no. 1,945,284,755 New Shares, with regular entitlement to dividends and having the same characteristics as the ordinary shares already outstanding at the date of issuance.

Also on 17 February 2020, the Issuer and BPER signed the BPER Agreement, which provides for BPER's commitment to acquire a business unit composed of bank branches of the ISP Group, as integrated upon completion of the Offer (that will consist of branches of the ISP Group after its integration with UBI Banca and not represented only by branches of the former UBI Banca) and related staff and customer relationships. On the same date, the Issuer and Unipol signed the Unipol Agreement, which provides for a commitment by Unipol to acquire, directly or through subsidiaries, the business units referring to the insurance companies currently held by UBI Banca (i.e. BancAssurance Popolari S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A.), composed of the "life" insurance policies taken out by the customers of the Banking Business Unit and the related assets, liabilities and legal relationships. On 19 March 2020 – for the purpose of reviewing the mechanism for calculating the consideration for the Banking Business Unit, making it variable based on the market conditions existing on the date of completion of the Public Exchange Offer – the parties signed a supplementary agreement to the BPER Agreement. Then, on 15 June 2020, the Issuer, in order to remove the specific critical antitrust issues identified by AGCM (the Italian Antitrust Authority) in the Notification of the Results of the Review served on 5 June 2020, negotiated and signed an agreement supplementing the BPER Agreement, through which the number of branches to be transferred was increased (from 400-500 to 532), with precise identification of the addresses and consequent redefinition of the estimate of the quantities involved (see Part B, Section 14, Paragraphs 14.1.1 and 14.1.2 of the Registration Document). For more information about the Banking Business Unit and the Insurance Business Units, reference is made to the following sub-paragraph *"Information on the Banking Business Unit (BPER Agreement), the Additional UBI Branches (ISP Commitments) and the Insurance Business Units (Unipol Agreement)".*

<u>Main objectives of the Acquisition and future plans relating to UBI Banca</u>

The Issuer has decided to launch the Public Exchange Offer in order to further consolidate, through the contribution of UBI Banca's customers and network, its position in the Italian banking sector. The Public Exchange Offer represents a market transaction directly addressed to all the shareholders of UBI Banca and has the purpose of realising the integration of UBI Banca into ISP, that will enable full exploitation of the potential of the two groups through the creation of an entity capable of:

- strengthening the position of the stakeholders of the two groups on the European banking scene;
- creating value for the shareholders through the distribution of dividend flows that are sustainable over time also by means of the synergies deriving from the aggregation;
- integrating UBI Banca's management into the first lines of management of a company of primary standing in Italy, of European dimensions;
- providing strong support to the real economy of local communities, with particular focus also on social impacts, achieved also by entering into agreements that benefit the local communities.

The objective of the Offer is to acquire the entire share capital of UBI Banca and complete the merger by incorporation of UBI Banca into the Issuer (the "**Merger**"), fostering the objectives of integration, creation of synergies and growth of the ISP Group. Note that the Merger may be completed in both cases in which, upon completion of the Public Exchange Offer, the UBI Shares are delisted from being traded on the MTA market or where such delisting does not occur.

The effectiveness of the Offer is subject, *inter alia*, to the condition that upon completion of the Offer, the Issuer holds an interest at least equal to 66.67% of UBI Banca's share capital: this will allow the Issuer to hold an absolute majority at the extraordinary shareholders' meeting of UBI Banca and therefore, subject to the necessary authorisations from the competent authorities and in compliance with the applicable corporate governance rules and procedures, to resolve upon and execute the Merger by incorporation of UBI Banca into the Issuer (probably not before 2021). At the Date of the Registration Document, the Issuer has not yet taken any decision on the possible Merger, or on the manner of its execution, even though it is an objective of the Offer in line with the reasons underlying the Offer.

Please also note that, if the Issuer waives the condition that it must hold a percentage at least equal to 66.67% of UBI Banca's share capital and agrees to acquire a percentage below this threshold, subject to the Minimum Threshold Condition (as defined herein), thus finding itself holding a total interest in UBI Banca's share capital of at least 50% plus 1 (one) UBI Share, the approval of the Merger may still be proposed to the shareholders' meeting (probably starting from 2021). In such case, the Issuer's interest in the share capital of UBI Banca would give - taking into account any changes in the ownership structure of UBI Banca at that date, also in terms of the number of shareholders holding significant equity investments - a sufficient number of voting rights to approve the Merger (on condition that the deliberative quorum of 2/3 of the voting shares represented at the shareholders' meeting is fulfilled).

Whether approved, the Merger mentioned above will take place based on an exchange ratio determined in accordance with Article 2501-ter of the Italian Civil Code, using, as is customary, uniform methodologies and assumptions in the valuation of the companies involved, without the minority shareholders of the absorbed company being entitled to any premium.

In the interests of completeness, please note that, if for any reason the Merger is not approved by the respective extraordinary shareholders' meetings of ISP and/or UBI Banca or the Merger is not carried out – a scenario in which ISP could still achieve around 87% of the total synergies envisaged in the event of the Merger and a large part of the objectives subject of the future plans drawn up by the Issuer in relation to UBI Banca – ISP does not exclude the possibility that, even in the absence of the Merger, transactions are carried out, in compliance with the applicable regulations, that are deemed necessary (also to comply with the legal, regulatory or supervisory provisions) and/or in line with the objectives of and reasons for the Offer. These transactions could, for example, involve the de-risking of UBI Banca's assets and the adoption of all the actions that enable the entity resulting from the integration of the UBI Group into the ISP Group to still benefit from the synergies and value creation resulting from the completion of the Offer.

In particular, it is noted that the revenue synergies are expected to be achieved in their entirety, given that they derive from the distribution and service model of the ISP Group, regardless of whether the Merger is accomplished. Instead, the cost synergies are based on the centralised management of operating costs, in accordance with standard practice at Intesa Sanpaolo. In detail, the synergies for personnel expenses depend on the number of acceptances of the early retirement plan and the amount of the charges for integration that will permit the voluntary exit of 5,000 persons from the entity resulting from the integration of the UBI Group into the ISP Group (while also considering the 2,000 redundancies already budgeted in the business plan approved by UBI Banca, which Intesa Sanpaolo intends to carry out only on a voluntary basis and at the same time as the hiring of 2,500 new employees), which are also independent of the Merger, given the possibility of taking advantage of the greater dimensions and intragroup mobility, as now occurs for the legal entities of the ISP Group. Instead, with regard to the other administrative expenses, it is assumed that synergies will be realised from the integration of the information systems and greater size of the group (as resulting from the integration of the UBI Group into the ISP Group) with consequent impact on discretionary expenses and improved efficiency of its territorial operations.

Please note that the expected cost and revenue synergies resulting from completion of the integration of the UBI Group into the ISP Group have been estimated (i) for the year 2023, in the amount of 662 million euro before tax, and (ii) upon full implementation beginning in 2024 (inclusive), in the amount of 700 million euro before tax per year. This latter amount represents the overall estimate of the annual contribution to pre-tax profits of the synergies (of both cost and revenues) when fully phased in. If the Merger is not carried out, the Issuer estimates that it could still realise annual synergies upon full implementation, from 2024 (inclusive), of 611 million euro (around 87% of the synergies envisaged upon full implementation in the event of Merger, totalling around 700 million euro), of which 156 million euro in revenues (equal to 100% of the synergies that may be assumed in the case of Merger) and 455 million euro in costs (around 84% of the synergies that may be assumed in the case of Merger, equal to 545 million euro)([39]), will be achieved. The loss of about 90 million euro in synergies has been prudently estimated for the higher costs of maintaining UBI Banca as a separate autonomous legal entity (see Part B, Section 7, Paragraph 7.4 of the Registration Document).

Regardless of whether or not the Merger is carried out, and in line with the main objectives and terms of the future plans drawn up by the Issuer in relation to UBI Banca, the Issuer expects to implement measures for the de-risking of UBI Banca assets during 2021, and specifically the sale of about 4 billion euro in non-performing loans of UBI Banca at a price in line with their carrying amount at the date of

([39]) Please note that for the year 2023 the cost and revenue synergies in the event the Merger is not carried out would correspond to 573 million euro of additional pre-tax profit, compared to around 662 million euro that could be achieved in the event of the Merger.

transfer, in order to reduce the level of the ISP Group's gross non-performing loans (resulting from the integration of the UBI Group, upon eventual completion of the Public Exchange Offer).

For more information on the objectives of the Acquisition and on future plans in relation to UBI Banca, see the Offer Document, which will be made available to the public – once approved by Consob – in accordance with the terms and methods set out by law.

Summary of the authorisation process connected with the Acquisition of UBI Banca through the Public Exchange Offer

On 6 march 2020, the Issuer submitted the Offer Document for the Public Exchange Offer and for publication to Consob, pursuant to and in accordance with Article 102, paragraph 3, of the Consolidated Law on Finance, and Article 37-*ter* of the Issuers' Regulation. Please note that, at the Date of the Registration Document, Consob has not yet approved the Offer Document pursuant to article 102, paragraph 4, of the Consolidated Law on Finance. This document will be published in the ways and at the times prescribed by applicable law.

The ordinary and extraordinary shareholders' meeting of the Issuer was held on 27 April 2020, which resolved, inter alia, to grant authority to the Board of Directors, pursuant to Article 2443 Italian Civil Code, to increase the share capital of the Bank.

Subsequently, on 16 June 2020, the Issuer's Board of Directors exercised said delegation and approved the Public Exchange Offer Share Capital Increase, against payment and to be carried out on one or more tranches, with exclusion of the option right pursuant to article 2441, paragraph 4, of the Italian Civil Code, for a maximum nominal amount of no. 1,011,548,072.60 euro, to be carried out by issuing a maximum number of no. 1,945,284,755 New Shares without nominal value, bearing regular dividend rights and having the same characteristics as the Shares already outstanding at the issue date, to be paid for through contribution in kind of the UBI Shares tendered in acceptance of the Public Exchange Offer. For more information about the resolutions and authorisations pursuant to which the New Shares will be issued, see the Securities Note.

It is clarified that prior to the Date of the Registration Document, the Issuer obtained the following authorisations regarding the purchase of (direct and/or indirect) qualified equity investments in entities subject to banking, financial and insurance supervision, which were required in view of the acquisition by the Issuer of the UBI Shares as a consequence of the Public Exchange Offer, if and to the extent it is finalised and, therefore, the resulting indirect acquisition by the Issuer of qualified equity investments held by UBI Banca in the share capital of certain supervised entities belonging to the UBI Group:

- decision no. ECB-SSM-2020-ITISP-18 (QLF-2020-0018 and QLF-2020-0024) of 5 June 2020, according to which the ECB, on the proposal of the Bank of Italy, granted Intesa Sanpaolo authorisation for the direct acquisition of a controlling interest in the UBI Banca, as well as for the indirect acquisition of a controlling interest in IW Bank S.p.A., pursuant to Articles 22 and 23 of CRD IV and Articles 19 and 22 of the Consolidated Law on Banking;
- decision no. ECB-SSM-2020-ITISP-19 of 5 June 2020, according to which the ECB, in concert with the Bank of Italy, granted Intesa Sanpaolo authorisation for the indirect purchase of a 25% interest in Zhong Ou Asset Management Company Ltd China, a financial company based in the People's Republic of China, pursuant to Articles 53 and 67 of the Consolidated Law on Banking, and pursuant to Part III, Chapter 1, Section V, of Circular 285;
- decision no. n. 746125/20 of 5 June 2020, according to which the Bank of Italy granted ISP authorisation for the indirect purchase of the 100% interests in UBI Leasing S.p.A., UBI Factor S.p.A. and Prestitalia S.p.A. pursuant to Articles 19 and 110 of the Consolidated Law on Banking and Title II, Chapter I, of Bank of Italy Circular 288 of 3 April 2015;
- decision no. 750343/20 of 8 June 2020, according to which the Bank of Italy granted ISP authorisation for the indirect purchase of a controlling interest (65% of the share capital) in Pramerica SGR S.p.A. and qualifying interest (19.6%) in Polis Fondi SGR S.p.A. pursuant to Article 15 of the Consolidated Law on Finance and Title IV, Chapter I, of the Collective Asset Management Regulations;
- decision no. OPC.20/34372-DRJ/SAW 676 GFI-OT of 10 June 2020, according to which the *Commission de Surveillance du Secteur Financier* granted Intesa Sanpaolo authorisation for the indirect purchase of a controlling interest in Pramerica Management Company S.A., based in Luxembourg (Grand Duchy of Luxembourg), in accordance with the relevant applicable legislation;

- decision no. 126133/20 of 17 June 2020, according to which IVASS (the Insurance Supervisory Authority) granted ISP authorisation for the indirect purchase of (a) a controlling interest in BancAssurance Popolari S.p.A. (100% of the share capital) and (b) qualifying interests in Aviva Vita S.p.A. (20% of the share capital) and Lombarda Vita S.p.A. (40% of the share capital) pursuant to Article 68 of Legislative Decree 209 of 7 September 2005;

In addition, prior to the Date of the Registration Document, the Issuer obtained the following authorisation, which was required in respect of the Public Exchange Offer Share Capital Increase and, therefore, (a) the consequent amendment of the articles of association arising from the execution of the Public Exchange Offer Share Capital Increase and (b) the eligibility of the New Shares to be issued by virtue of the Public Exchange Offer Share Capital Increase for inclusion in the Common Equity Tier 1 Capital:

- decision no. ECB-SSM-2020-ITISP-17 of 2 June 2020, according to which the ECB authorised: (a) the amendment of Intesa Sanpaolo's Articles of Association in connection with the Public Exchange Offer Share Capital Increase and its execution pursuant to Articles 56 and 61 of the Consolidated Law on Banking; and (b) the eligibility for inclusion in Common Equity Tier 1 Capital of the New Shares to be issued in execution of the Public Exchange Offer Share Capital Increase pursuant to Articles 26, paragraph 3, and 28 of the CRR.

With regard to the antitrust issues, it is noted that the antitrust authorities of Serbia (Republic of Serbia – Commission for Protection of Competition) and Albania (Competition Authority of Albania) have already decided to authorise the Acquisition of UBI Banca by the Issuer with orders issued before the Date of the Registration Document, i.e. on 3 April 2020 and 6 May 2020, respectively. With reference instead to the proceedings before the Italian Antitrust Authority (AGCM) pursuant to Article 16, paragraph 4, of Law no. 287/90 for the approval of the acquisition of control of UBI Banca by the Issuer, at the Date of the Registration Document these proceedings had not yet concluded.

In particular, with an order issued on 11 May 2020, the AGCM ordered the investigation prescribed in Article 16, paragraph 4, of Law 287/90 be performed to determine in greater detail the effects of the announced concentration operation, holding that the operation could result in "*the creation or strengthening of a dominant position in certain provincial markets as regards the taking of deposits, loans to consumers, and loans to small family businesses […], in the markets of loans to medium-large enterprises and public entities, in the markets of the asset management sector […], in the assets under administration market, and in the insurance [products distribution] markets […], such as to eliminate or substantially reduce competition on those markets in a lasting manner".* On 5 June 2020, the AGCM sent ISP the "*Notification of the Results of the Review*" ("**NRR**") in which the Offices of AGCM, in line with the affirmation already made in the above-mentioned order initiating the investigation, held that, as things stand, the notified transaction could potentially fall within the prohibition set forth in Article 6 of Law no. 287/90.

After having received the NRR, the Issuer, in order to remove the specific antitrust issues identified therein, negotiated and entered into an agreement with BPER, on 15 June 2020, supplementing the agreement signed on 17 February 2020 (and already supplemented on 19 March 2020), through which the number of branches to be transferred was increased to 532, with the precise identification of the addresses and consequent redefinition of the estimated amounts involved, as described in more detail in Part B, Section 14, Paragraph 14.1.1, of the Registration Document. The contents of this supplementary agreement were reported in a specific notice sent to the AGCM on 15 June 2020, within the procedure initiated by the latter pursuant to Article 16, paragraph 4, of Law no. 287/90. Moreover, in the event that the AGCM found any critical antitrust issues remaining in certain local areas (where there are no branches to be sold to BPER) even after the sale of the Banking Business Unit to BPER, Intesa Sanpaolo engaded to make structural commitments for the sale of Additional UBI Branches. In particular, again in the abovementioned notifice sent to AGCM on 15 June 2020, ISP made the commitment to enter into contracts with one or more independent third parties, within 9 months after the payment date of the Offer, for the sale of Additional UBI Branches (the "**ISP Commitments**"). ISP believes that the sale of those bank branches is adequate to remove the remaining antitrust issues identified by the NRR.

After the Issuer's announcement of 17 February 2020, with which the Issuer announced its decision to make the Offer, Article 15 of Law Decree 23/2020 extended the notification obligations prescribed in Decree Law 21/2012, converted with amendments by Law 56/2012, substituting Article 4-bis*,* paragraph 3, of Decree Law 105/2019, converted with amendments by Law 133/2019 (constituting a part of the "golden power" statutes). In the spirit of full transparency and as a precautionary measure – in view of the recent issuance of the Law Decree no. 23/2020 – ISP notified the Offer to the Office of the President of the Council of Ministers on 3 June 2020. In response to the notification submitted by Intesa Sanpaolo, on

17 June 2020 the Office of the President of the Council of Ministers sent Intesa Sanpaolo a note confirming that the proposed transaction does not fall within the scope of the golden power rules.

<u>*Conditions Precedent of the Public Exchange Offer*</u>

The Offer Document - which will be made available to the public, once approved by Consob, in accordance with the terms and method set out by law - includes the Conditions Precedent of the Public Exchange Offer. For informational purposes, the aforesaid conditions are copied hereunder (note that in the text quoted in quotation marks below, "Offeror" must be construed as Intesa Sanpaolo and "Issuer" as UBI Banca).

"The enforceability of the Offer is conditioned on fulfilment of each of the following conditions (the "Conditions Precedent" and each one a "Condition Precedent", with it being acknowledged that they are listed in a non-mandatory chronological sequence as follows:

(i) *the acquisition of control of the Issuer [UBI Banca] by the Offeror [Intesa Sanpaolo] has obtained, by the second Trading Day prior to the Payment Date of the Consideration, unconditional approval by AGCM (Italian Competition Authority) pursuant to Article 16 of Law 287 of 10 October 1990 or the approval conditional on the execution of the sales in accordance with the provisions of the BPER Agreement and the ISP Commitments (as defined below) without the imposition of additional and/or different measures, even where relating to implementation only (the "**Antitrust Condition**");*

(ii) *that the Offeror [Intesa Sanpaolo] comes to possess, upon conclusion of the Offer — through the acceptances of the Offer and/or any acquisitions made outside of the Offer itself pursuant to applicable laws (including through Private Placement) — a total interest equal to at least 66.67% of the share capital of the Issuer [UBI Banca] (the "**Percentage Threshold Condition"**);*

(iii) *that, between the Announcement Date and the Payment Date of the Consideration, the corporate bodies of the Issuer [UBI Banca] (and/or of one of its direct or indirect subsidiaries or associates) do not carry out or undertake to carry out (including through conditional agreements and/or partnerships with third parties) any acts or transactions: (x) that might cause a significant deterioration, even prospectively, in the capital, company assets, operating results and financial position of the Issuer [UBI Banca] as represented in the quarterly report of the Issuer [UBI Banca] at 31 March 2020 and/or the activity of the Issuer [UBI Banca] (and/or of one of its direct or indirect subsidiaries or associates), (y) that limit the free operations of the branches and networks in the sale of products to customers (including through the renewal, extension – inter alia in consequence of failure to cancel – or renegotiation of the relevant and outstanding and/or expiring agreements, including distribution agreements), or (z) that are in any event inconsistent with the Offer and with underlying business and commercial reasons, unless this is required in compliance with statutory obligations and/or on request by the supervisory authorities, and without prejudice in any case to what is required by the condition imposed at the following point (v) (the "**Material Acts Condition**");*

(iv) *that between the Announcement Date and the Payment Date of the Consideration, the Issuer [UBI Banca] and/or its direct or indirect subsidiaries and/or associates do not resolve and otherwise not execute (or undertake to execute) acts or transactions that might conflict with the realisation of the objectives of the Offer pursuant to Article 104 of the Consolidated Law on Finance, even if they have been authorised by the ordinary or extraordinary shareholders' meetings of the Issuer [UBI Banca] or are decided and implemented independently by the ordinary or extraordinary shareholders' meeting and/or by the management bodies of the subsidiaries and/or associates of the Issuer [UBI Banca] (the "**Defensive Measures Condition**");*

(v) *that, by the Payment Date of the Consideration, (x) no extraordinary circumstances or events have occurred at the domestic and/or international level, involving or that may involve material adverse changes in the political, financial, economic, currency, regulatory (including accounting and supervisory regulations) or market situation having substantially prejudicial effects on the Offer and/or the capital, financial position, operating results or profits of the Issuer [UBI Banca] (and/or of its subsidiaries and/or associates) and of the Offeror [Intesa Sanpaolo], as represented in the quarterly reports of the Issuer [UBI Banca] and the Offeror [Intesa Sanpaolo], respectively, at 31 March 2020; and (y) no facts or situations have occurred involving the Issuer [UBI Banca] and/or companies of the UBI Group unknown to the market at the Announcement Date and having a prejudicial effect on the activity of the Issuer [UBI Banca] and/or the companies of the UBI Group and/or its capital, financial position, operating results or profits as represented in the quarterly report of the Issuer [UBI Banca] at 31 March 2020 ("**MAC/MAE Condition**").*

With regard to the Antitrust Condition, it is noted first of all that the antitrust authorities of Serbia (Republic of Serbia – Commission for Protection of Competition) and Albania (Competition Authority of Albania) have already decided to authorise the Acquisition of UBI Banca by the Issuer with orders issued before the Date of the Registration Document, i.e. on 3 April 2020 and 6 May 2020, respectively. With reference instead to the proceedings before the Italian Antitrust Authority (AGCM) pursuant to Article 16, paragraph 4, of Law no. 287/90 for the approval of the acquisition of control of UBI Banca by the Issuer, at the Date of the Registration Document these proceedings had not yet concluded. With regard to the above, please note that, pursuant to Law no. 287/1990, the fact that the procedure is pending before AGCM does not preclude the completion of the Offer, and in particular the purchase by the Issuer of the UBI Shares tendered in acceptance of the Offer. Accordingly, the Issuer reserves the right, even if the above procedure is not concluded by the second Trading Day prior to the payment date of the Consideration, to waive the Antitrust Condition or to invoke it and not carry out the Offer. If the Antitrust Condition is waived, please note that the AGCM, pursuant to Article 17, paragraph 1, of Law no. 287/90, could order the suspension of the execution of the concentration until the investigation is concluded. Were this to occur, it would still be possible, pursuant to Article 17, paragraph 2, of Law no. 287/90, to finalise the Offer, provided that Intesa Sanpaolo does not exercise the voting rights associated with the shares of UBI Banca purchased until the authorisation decision is issued.

Furthermore, it is possible that the AGCM may issue a decision prohibiting the transaction or an authorisation decision conditional on the execution of corrective measures in addition to and/or different from the sales of bank branches prescribed in the BPER Agreement and the ISP Commitments (such as, for example, the sale of additional bank branches). If an authorisation decision is issued conditional upon the execution of additional and/or different measures with respect to the disposals envisaged by the BPER Agreement and ISP Commitments, Intesa Sanpaolo reserves the right to waive the Antitrust Condition, in whole or in part, which has been included exclusively in its interest. In this regard, it is noted that any authorisation for the transaction issued by the AGCM that is not conditional only on completion of the sales envisaged in the BPER Agreement, and subject of the ISP Commitments, but prescribes additional and/or different corrective measures may – in the event of waiver of the Antitrust Condition by Intesa Sanpaolo and completion of the transaction notwithstanding the imposition of additional and/or different corrective measures – have a significant adverse effect on the process of integration of UBI Banca into the ISP Group and its timing and, therefore, on the pursuit of the revenue growth prospects underlying the Strategic Targets of the Transaction.

Moreover, given the objectives of the Offer and the future plans of the Issuer for UBI Banca, and the present ownership structure of UBI Banca, if the Percentage Threshold Condition is not fulfilled, ISP reserves the right to waive such Condition Precedent entirely or in part and to proceed with the acquisition of all UBI Shares tendered in acceptance of the Offer, even if it involves a quantity of UBI Shares that is less than what is indicated hereinabove. Any waiver of such Condition Precedent will be decided by the Issuer only if, upon conclusion of the Offer – through the acceptances of the Offer and/or any acquisitions made outside of the Offer itself pursuant to applicable laws (including through private placement) — it comes to hold a total interest equal to at least 50% plus 1 (one) UBI Share of the share capital of UBI Banca (the "**Minimum Threshold Condition"**), with it being noted that this condition is set in the exclusive interest of the Issuer. For information on the deadline by which this waiver may be made, see the sub-paragraph "*Amendment or waiver of the Conditions Precedent and related terms*" set out hereunder.

In reference to the MAC/MAE Condition, it is noted that this Condition Precedent generally includes "*extraordinary circumstances or events… that involve or may involve material adverse changes… and that have substantially prejudicial effects on the Offer and/or on the capital, financial position, operating results or net income of the Issuer [UBI Banca] (and/or of its subsidiaries and/or associates) and of the Offeror [Intesa Sanpaolo]*". Therefore, any failure to satisfy the MAC/MAE Condition concerns the occurrence of a circumstance or an extraordinary event and its substantially prejudicial effects, if any.

That said, it is noted, for example but not limited to the following, that among the extraordinary circumstances and events and their effects whose occurrence might be invoked by ISP as failure to fulfil the MAC/MAE Condition, may include a major credit crisis or financial market crisis, inter alia due to the possible consequences of the withdrawal of Great Britain from the European Union in the "no–deal Brexit" scenario; the withdrawal of one or more European countries from the "eurozone"; acts of war, terrorism or individual calamities (other than the COVID-19 pandemic); significant distortions in the banking system, suspensions or serious limitations in general or sharp fluctuations in the trading of financial instruments on major financial markets; significant changes (inter alia in interpretation) in laws and regulations, including accounting and supervisory regulations, moratoria in the bank payments system declared by the competent authorities; any prejudicial public health and economic impacts, inter alia considered prospectively, by any epidemic or pandemic situation (other than COVID-19).

Moreover, for illustrative and non-exhaustive purpose only, an example of what might be the possible "*substantially prejudicial effects*" that, if they occurred in consequence of an extraordinary circumstance or event (including an epidemic pandemic emergency other than the COVID-19 pandemic), might cause the failure to fulfil the MAC/MAE Condition, we note that the following events might be considered by ISP:

(a) in reference to the financial, economic, currency or market situation of Italy, a spread in the return on 10-year Italian government bonds and 10-year German government bonds exceeding 350 bps recorded for more than five consecutive trading days during the acceptance period; and/or

(b) in reference to the capital, financial position, operating results or net income of UBI Banca (and/or of its subsidiaries and/or associates), reduction by the UBI Group of its fully loaded CET1 ratio below 9.25%.

This example is merely illustrative and not exhaustive, and the aforementioned indicators must be assessed as a whole in reference to any and all circumstances and/or possible extraordinary events that might contribute to determining any substantially prejudicial effects indicated in the MAC/MAE Condition.

Instead, in regard to the COVID-19 pandemic and its relevant effects on the MAC/MAE Condition, reference is made to what the Issuer announced on 5 June 2020, *"following the authorisation received from the European Central Bank, Intesa Sanpaolo believes, although it does not currently have information on possible adverse effects of the COVID-19 pandemic on UBI Banca, that reasonably the pandemic should not bear such effects as to negatively affect the activity of UBI Banca and/or the financial, capital, economic and income situation of UBI Banca and/or the companies of the UBI Group (in addition to not bearing similar effects for both the Offer and Intesa Sanpaolo); consequently, Intesa Sanpaolo will not include the COVID-19 pandemic and its effects as indicated at point (v) of paragraph 1.5 of the announcement published by the Bank on 17 February 2020 pursuant to Article 102, paragraph 1, of the Consolidated Law on Finance, and Article 37 of the Issuers' Regulation among the conditions for enforceability of the Offer."*

Notwithstanding the foregoing, with reference to any epidemic (other than the COVID-19 pandemic) and any prejudicial effects that might be produced by such an epidemic (other than the COVID-19 pandemic), it is noted that — similarly to any event or circumstance that is relevant for the MAC/MAE Condition — any failure to fulfil such Condition Precedent requires both the occurrence of the epidemic and manifestation of the effects of the epidemic, that are *"substantially prejudicial to the Offer and/or to the capital, financial position, operating results or net income of the Issuer [UBI Banca] (and/or of its subsidiaries and/or associates) and of the Offeror [Intesa Sanpaolo]*".

As stated in the Offer Document, the MAC/MAE Condition is established as a Condition Precedent that may be amended, invoked or waived only by ISP (therefore, set in the exclusive interests of ISP) when the "*extraordinary circumstances or events*" cause any effects considered for the purposes of the MAC/MAE Condition, and therefore, have caused it not to be fulfilled "*by 07:59 on the Trading Day before the Payment Date of the Consideration (…), in the absence of any extension of the Acceptance Period (…)*".

Finally, with regard to material acts or transactions (or the omission of material acts and/or transactions) which are considered to be included in the Material Acts Condition, these include in general and merely by way of non-limiting example, capital increases or capital reductions, distributions of reserves, extraordinary dividend payments (i.e., dividends in excess of the profit reported in the last approved financial statements at the time of distribution), utilisation of own funds, purchases or acts involving own shares for any purpose, mergers, demergers, transformations, amendments to the by-laws in general, disposals, acquisitions, contributions or transfers, even on a temporary basis, of strategic assets, equity investments (or related rights), companies or business units.

In addition, with specific regard to acts or transactions that might cause – or the omission of which may prevent the occurrence of – "*a significant deterioration, even prospectively, in the capital, company assets, operating results and financial position of the Issuer [UBI Banca] (and/or of one of its direct or indirect subsidiaries or associates)",* ISP specifies – again by way of non-limiting example only – that the Material Acts Condition must be considered to include acts and/or transactions that are not part of normal day-to-day operations and that comply with the rules of sound and prudent management, which are not considered normal and are not envisaged by UBI Banca's current business plan called "2022 Business Plan" from a stand-alone perspective and which may result in a decrease or increase in the scope and/or operations of the distribution network, the scope of the UBI Group, the organisational and control structure of UBI Banca and its subsidiaries, and/or the procedures for the exercise of management and coordination within the UBI Group, even if such acts and/or transactions are not subject to the provisions of Article 104 of the Consolidated Law on Finance and are therefore not included in the Defensive

Measures Condition.

With regard to acts and/or transactions "*that limit the free operations of the branches and networks in the sale of products to customers or [...] which are in any case inconsistent with the Offer and the underlying industrial and commercial reasons",* the ISP specifies – again and only by way of non-limiting example – that the Material Acts Condition must be considered to include the assumption of commitments, the signing of agreements (also as a result of renegotiations, extensions or non-cancellation) or the termination of existing and/or expiring agreements, of whatever content, that:

(a) are intended to (or in any case may) prejudice or in any case have a significant negative impact on the full achievement of the revenue synergies envisaged by ISP in relation to the integration of the UBI Group into the ISP Group. Nevertheless, in regard to the existing "bancassurance" agreements with Cattolica Assicurazioni Group and Aviva Italia Group, in light of what UBI Banca announced to the market on 5 June 2020, ISP does not consider the Material Acts Condition applicable to the mere postponement to 30 June 2021 of the expiration of the existing distribution agreements and to 31 March 2021 of the deadline for one of the parties to give notice of cancellation of the agreements, with consequent postponement of the deadline for notification of any exercise of call and put options in consequence of termination of the agreements ; and/or

(b) impose long-term restrictions on UBI Banca and/or its subsidiaries (including for servicing, insourcing or outsourcing agreements) and/or are likely to significantly alter the type, composition and/or amount of the costs connected with the operations of UBI Banca and/or the UBI Group; as a further specification, again solely by way of example, these also include agreements relating to the IT system of the UBI Group or the credit recovery platform, the signing, amendment and/or termination of which may have a negative and significant impact on the cost synergies envisaged by ISP in relation to the integration of the UBI Group into the ISP Group or which may compromise the integration of said IT system with that of ISP; and/or

(c) involve, also as part of the transfer of business units, the transfer or closure of a significant number of branches (not provided for in UBI Banca's current business plan called "2022 Business Plan"), the termination or renegotiation of the related lease agreements (including finance leases), as well as the transfer and establishment of rights *in rem* on one or more properties where the branch operations are currently carried out.

Please note that the above examples are provided for illustrative purposes only and are not exhaustive and are based on the information publicly available regarding UBI Banca and/or the UBI Group as at the Date of the Registration Document. Please also note that in the event of the performance of one or more of the acts (including omissions) or transactions given as examples above (as well as any other act falling under the Material Acts Condition), ISP shall have the right to amend, invoke or waive, at its discretion, all or part of such Condition Precedent as further specified in the following sub-paragraph *Amendment or waiver of the Conditions Precedent and related terms*" (which is included in the exclusive interest of ISP).

With regard to the press release issued on 11 June 2020 by UBI Banca in relation to the agreements entered into, between UBI Banca, Coima SGR and a number of leading institutional investors, for the implementation of the project for the logistical-organisational reorganisation of the UBI Group in Milan, ISP notes that UBI Banca has not disclosed sufficient information to enable the Issuer to assess whether, as at the Date of the Registration Document, the above transaction constitutes a material act included in the Material Acts Condition or in the Defensive Measures Condition. ISP reserves the right to carry out all necessary assessments, giving appropriate and timely notice of such in accordance with the law, once UBI Banca has provided the information required to enable a proper understanding of this transaction. As at the Date of the Registration Document, UBI Banca has not issued any other press releases concerning acts or transactions that may be relevant for the purposes of the Material Acts Condition (and/or the Defensive Measures Condition).

Amendment or waiver of the Conditions Precedent and related terms

In accordance with article 43, paragraph 1 of the Issuers' Regulation, ISP reserves the right to amend and/or to waive, entirely or in part, or to rely on the non-satisfaction of one or more of the Conditions Precedent, with notification to be given in the manners set out in article 36 of the Issuers' Regulation. Specifically in reference to the right of amendment, it is noted that, pursuant to Article 43, paragraph 1, of the Issuers' Regulation, (i) modifications to the offer are allowed until the day before the date scheduled for the end of the acceptance period and (ii) the offer may not expire in less than three days after the publication date of the change. The offer shall be extended if necessary. The Issuer will publish a supplement to this Registration Document according to the terms prescribed by applicable provisions if, after the Date of the Registration Document, it exercises its right to amend the Conditions Precedent of the Offer and those modifications – which are not known to the Issuer at the Date of the Registration Document – constitute a "*new material fact*" (pursuant to Article 23, paragraph 1, of the Prospectus Regulation).

ISP shall give notice of the fulfilment or non-fulfilment, as applicable, of the individual Condition Precedent – or of any total or partial waiver thereof – by giving notice in the forms provided for in Article 36 of the Issuers' Regulation, within the following deadlines, as applicable:

(i) with reference to the Percentage Threshold Condition (and the Minimum Threshold Condition) with the notification of the provisional results of the Offer to be published by the evening of the last trading day of the acceptance period and, in any case, by 7:59 a.m. on the first trading day after the end of the acceptance period (i.e., 29 July 2020, unless the acceptance period is extended in accordance with the applicable regulations), and confirmed by the notification of the final results of the Offer to be issued by 7:59 a.m. on the trading day prior to the payment date of the Consideration (i.e., 31 July 2020, unless the acceptance period is extended in accordance with the applicable regulations);

(ii) with regard to the Antitrust Condition and the MAC/MAE Condition, by 7:59 a.m. on the trading day prior to the payment date of the Consideration (i.e., 31 July 2020, unless the acceptance period is extended in accordance with the applicable regulations);

(iii) with regard to all the other Conditions Precedent, by means of the notification of the final results of the Offer, which will be published by 7:59 a.m. on the trading day prior to the payment date of the Consideration (i.e., 31 July 2020, unless the acceptance period is extended in accordance with the applicable regulations).

Possible impacts on the Issuer connected with the failure to fulfil or waiver one or more of the Conditions Precedent of the Public Exchange Offer

As represented hereinabove, the Public Exchange Offer is subject to fulfilment, or waiver (also partial, in the case of the Percentage Threshold Condition), of the Conditions Precedent of the Public Exchange Offer.

The Acquisition cannot be completed if one or more of the Conditions Precedent of the Public Exchange Offer are not fulfilled or not waived. Specifically in regard to the Percentage Threshold Condition, if upon completion of the Public Exchange Offer – as a result of the acceptances of the Public Exchange Offer and/or any purchases made outside of the Public Exchange Offer pursuant to applicable law during the acceptance period of the Public Exchange Offer – the total shareholding that ISP acquires is less than 66.67% of the UBI Banca's share capital, thus the Percentage Threshold Condition is not fulfilled, ISP might partially waive the Percentage Threshold Condition, provided that the shareholding that the Issuer comes to own upon completion of the Offer – as a result of the acceptances of the Offer, and/or any purchases made outside of the Offer in accordance with applicable law during the acceptance period – is in any case equal to at least 50% of the share capital plus 1 (one) ordinary share of UBI Banca (this last threshold cannot be waived in the opinion of the Issuer).

If the Acquisition is completed after waiver of the Percentage Threshold Condition, the following table shows a summary of the estimates made by ISP in regard to certain parameters (i) in the scenario where ISP owns a shareholding equal to al 100% of the share capital of UBI Banca and proceeds with the merger of UBI Banca into ISP and (ii) in the scenario where ISP obtains the minimum stake of 50% + 1 share in the share capital of UBI Banca.

(*billions of euro*)	**Fully achieved synergies**	**Negative goodwill**(1)	**Dilution(%)** (2)	**Minorities**	**Choice of Targets for the Acquisition**
Scenario 1 **100% shareholding in UBI Banca and completion of the Merger**	0.7	4.6	10%	0.1 (3)	Corporate merger Integration of IT systems Sale of branches De-risking
Scenario 2 **50% + 1 share stake in UBI Banca and failure to complete the Merger**	0.6	4.6	5.3%	1.6 (4)	Integration of IT systems Sale of branches De-risking Integration of the activities of the two banking groups

(1) Value rounded to 4,629 million euro, calculated based on the price of the ISP Share as at 15 June 2020, before the allocation to the Banking Business Unit.

(2) Percentage of dilution of present shareholders in the share capital of the Issuer.

(3) Equal to the Minority interest in shareholders' equity reported in the Consolidated Financial Statements of UBI Banca at 31 December 2019.

(4) Minority interest in shareholders' equity of UBI Banca, representing the UBI Shares not exchanged for the ISP Shares, stated at fair value, as allowed by IFRS 3, on the basis of stock market prices at 15 June 2020 plus the Minority interest in shareholders' equity reported in the Consolidated Financial Statements of UBI at 31 December 2019.

In reference to the Negative goodwill, it is noted that even if the Public Exchange Offer is not fully subscribed, without prejudice to the Conditions Precedent of the Offer, given the possibility allowed by IFRS 3 to measure at fair value any minority interest in the acquired entity, and in the specific case representing any remaining UBI Shares that were not exchanged for the ISP Shares, the amount of Negative goodwill recognised in the Consolidated Financial Statements of ISP would nonetheless be determined in reference to all of the UBI Shares, with it thus being the same amount as the one in the hypothesis that the Public Exchange Offer be fully subscribed.

Moreover, it is noted for the sake of thoroughness that, if the Merger is not carried out, the Issuer estimates that it could still realise annual synergies upon full implementation, from 2024 (inclusive), of 611 million euro (around 87% of the synergies envisaged upon full implementation in the event of Merger, totalling around 700 million euro), of which 156 million euro in revenues (equal to 100% of the synergies that may be assumed in the case of Merger) and 455 million euro in costs (around 84% of the synergies that may be assumed in the case of Merger, equal to 545 million euro)([40]), will be achieved. The loss of about 90 million euro in synergies has been prudently estimated for the higher costs of maintaining UBI Banca as a separate autonomous legal entity (see Part B, Section 7, Paragraph 7.4 of the Registration Document).

It is also noted that the Issuer believes that most of the value creation will be attainable even if ISP acquires only 50% of the share capital + 1 share of UBI Banca. In that scenario, ISP intends to proceed with the initiatives planned to support value creation (i.e. integration of the IT systems, sale of branches, de-risking and integration of the activities of the two banking groups).

Moreover, it is noted that in Scenario 2, the Merger might still be realised on condition that the quorum of 2/3 of the voting shares represented at the shareholders' meeting be fulfilled. Nevertheless, even if no Merger takes place, UBI Banca would join the Intesa Sanpaolo Group and ISP believes that it can still proceed with its planned activities, including sales of the Banking Business Unit and the Insurance Business Units, and integration of the IT systems. Moreover, at the Date of the Registration Document, the Issuer has not yet made any decision on proposals concerning the composition of the management and control bodies of UBI Banca and UBI Group companies. In regard to sale of the Banking Business Unit pursuant to the BPER Agreement, it is noted that the appointment of a new board of directors of UBI Banca composed of a majority of individuals taken from the list to be submitted by the Issuer constitutes a

([40]) Please note that for the year 2023 the cost and revenue synergies in the event the Merger is not carried out would correspond to 573 million euro of additional pre-tax profit, compared to around 662 million euro that could be achieved in the event of the Merger.

condition precedent for transfer of the Banking Business Unit pursuant to the BPER Agreement (for more information, see Part B, Section 14, Paragraph 14.1.1 of the Registration Document).

With reference to the Conditions Precedent of the Public Exchange Offer that are different from the Percentage Threshold Condition, it is noted that:

- if those conditions are fulfilled (or waived) and, therefore, the Transaction is completed, reference is made to Part B, Section 7, Paragraph 7.4 of the Registration Document for information about the estimates made by ISP in regard to the "Strategic Targets of the Transaction";
- if they are not fulfilled (and not waived), the impact on the Issuer deriving from the failure to complete the Acquisition through the Public Exchange Offer will consist in having incurred the costs for undertaking and launching the transaction, and which can be quantified, at the Date of the Registration Document, in a range of between 30% and 40% of the total budgeted costs (75 million euro) for advisory costs. It is noted that the total costs of the transaction refer to miscellaneous advisory fees strictly related to the Offer (mainly expenses for financial, legal and other kinds of advice). In particular, the aforementioned range of about 30-40% of those costs only reflects the costs that would have to be borne irrespective of the success of the Offer. If the Acquisition through the Public Exchange Offer is not completed, ISP intends to continue pursuing the strategic lines of its own Business Plan.

The information stated hereinabove has been provided here for the sole purpose of representing the possible impacts on the Issuer stemming from the completion or non-completion of the Acquisition after fulfilment/waiver or non-fulfilment of the Conditions Precedent of the Public Exchange Offer.

For more information about the Conditions Precedent of the Public Exchange Offer, see the sub-paragraph "*Conditions Precedent of the Public Exchange Offer"* in Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document.

Information on the Banking Business Unit (BPER Agreement), the Additional UBI Branches (ISP Commitments) and the Insurance Business Units (Unipol Agreement)

At the Date of the Registration Document, the Issuer is not in possession of detailed information or accounting data or objective factors concerning the Banking Business Unit in its entirety and Insurance Business Units (subject of the BPER Agreement and the Unipol Agreement, respectively) and the Additional UBI Branches (subject of the ISP Commitments) that would permit the identification of the qualitative and quantitative composition thereof, the accounting reconstruction of the balance sheet and the profit and loss account of the Banking Business Unit, the Insurance Business Units and the Additional UBI Branches, as well as the calculation of their amounts analytically and in such a way as to permit the preparation and presentation of pro-forma consolidated financial statements in order to reflect retroactively the effects of the proposed sale of the Banking Business Unit and the Insurance Business Units, as well as of the potential sale of the Additional UBI Branches. The only data available to ISP are those concerning its own 31 branches, included in the Banking Business Unit pursuant to the supplemental agreement to the BPER Agreement of 15 June 2020 in order to optimise the local coverage, which represent a non-significant part of the Banking Business Unit as a whole, which is composed of a total of 532 branches, of which 501 branches owned by UBI Banca. Of these latter branches as previously mentioned, the Issuer does not have detailed information or accounting figures or objective and verifiable elements that would permit the preparation and presentation of Pro-Forma Consolidated Financial Statements designed to give a retroactive view of the effects of the proposed sale of the Banking Business Unit (See Part B, Section 11, Paragraph 11.5 of the Registration Document).

Nonetheless, the Issuer has identified certain information relating to the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units shown below, merely for illustrative purposes, and has made general estimates of certain possible theoretical effects of the sale of the Banking Business Unit, the Insurance Business Units and the potential sale of the Additional UBI Branches on certain pro-forma balance sheet and profit and loss account figures of the Intesa Sanpaolo Group as at 31 December 2019 / for the fiscal year 2019, based on the general principles of the BPER Agreement and the Unipol Agreement, on publicly available information and on assumptions formulated by the Issuer (concerning, inter alia, the potential sale of the Additional UBI Branches). It is specified that Intesa Sanpaolo could not perform any analyses or verifications of such information, and that the following considerations regarding the size of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units and the theoretical effects of the sale of the Banking Business Unit and of the Insurance Business Units and of the potential sale of the Additional UBI Branches have not been examined by the Independent Auditors of the Issuer.

The Banking Business Unit

The BPER Agreement identifies the branches included in the Banking Business Unit and the minimum and maximum size parameters that ISP and BPER are required to use to identify the Banking Business Unit, which also address *antitrust* aspects. It should be noted that after the consummation of the Acquisition, the Banking Business Unit and its qualitative and quantitative composition will be audited on the basis of the accounting figures of UBI Banca and in compliance with the applied accounting standards. The features of the Banking Business Unit used to determine the quantitative composition illustrated in this paragraph are as follows:

- number of branches to be transferred to BPER: 532 (including 31 branches of the Issuer in order to optimise the local coverage);
- net loans to customers in a range from 25.2 billion euro to 27.2 billion euro([41]);
- Gross and Net NPE Ratios of the Business Unit in line with those of UBI Banca;
- RWAs, including for credit risk and operational risk, of no more than 15.5 billion euro;
- CET 1 ratio of the Banking Business Unit equal to that of UBI Banca (fully loaded);

The BPER Agreement also provides that the consideration for the transfer of the Banking Business Unit, to be paid in cash, shall be set in an amount equal to the lower of 0.55 times the Common Equity Tier 1 capital of the Banking Business Unit and 78% of the implied multiple that Intesa Sanpaolo shall pay for the Common Equity Tier 1 capital of UBI Banca. The consideration as determined hereinabove will be paid to UBI Banca, except for the 31 branches belonging to the Issuer (for information on the BPER Agreement, see Part B, Section 14, Paragraph 14.1.1 of the Registration Document).

The Additional UBI Branches

The Issuer has agreed to make commitments of a structural nature – for the possibility that even after the sale of the Banking Business Unit to BPER, in the opinion of the AGCM, there may still be any antitrust issues in certain local areas (where there are no branches being sold to BPER) – involving the disposal of 17 bank branches of UBI Banca located in the aforementioned areas. For more information, see the sub-paragraph "*Summary of the authorisation process connected with the Acquisition of UBI Banca through the Public Exchange Offer*" in Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document. The characteristics of the Additional UBI Branches used to make the estimates presented in this paragraph are as follows:

- number of branches: 17;
- net loans to customers of approximately 0.5 billion euro;
- direct deposits from banking business of approximately 0.8 billion euro;

Based on the figures indicated for the Banking Business Unit and for the UBI Additional Branches, the figures for the combined Banking Business Unit and Additional UBI Branches are shown as follows:

- total number of branches: 549;
- net loans to customers estimated at approximately 26.7 billion euro, of which approximately 1.1 billion euro represented by non-performing loans;
- direct deposits from banking business of approximately 30.1 billion euro;
- indirect customer deposits of approximately 34.7 billion euro;
- total RWAs of approximately 15.3 billion euro;
- *Negative goodwill* of approximately 1.3 billion euro (based on market prices as at 15 June 2020, rounded value of 1,250 million euro), resulting from the application of the mechanism used to calculate the consideration for the Banking Business Unit (assuming a multiple of about 0.33 applied to the estimated Common Equity Tier 1 of the Banking Business Unit, *i.e.* 78% of the

([41]) The additional loans with respect to the provisions of the BPER Agreement signed on 17 February 2020, amounting to 4.5 billion euro, consist entirely of performing loans.

implicit multiple calculated at 15 June 2020 that Intesa Sanpaolo will pay for the Common Equity Tier 1 of UBI Banca)([42]);

- operating income of approximately 1.0 billion euro;
- operating costs of approximately 0.7 billion euro;
- operating margin of approximately 0.3 billion euro.

Moreover, since the Issuer is not in possession of detailed accounting information and data about the Banking Business Unit and the Additional UBI Branches, their profits and loss account and balance sheet figures could deviate, even significantly, from the actual income and balance sheet data of the Banking Business Unit and Additional UBI Branches, *inter alia* considering the fact that it is not possible to ensure that the estimated profitability of the Banking Business Unit and the Additional UBI Branches reflects the actual composition of the branches, their geographic location and the products placed to the customers (*e.g.* retail customers, SMEs, etc.). Therefore, given the level of approximation of these data, it was deemed that the figures relating to the Banking Business Unit and the Additional UBI Branches shown above do not meet the minimum requirements to be included in the Pro-Forma Consolidated Financial Statements, as they are not confirmed by objective and verifiable evidences (See Part B, Section 11, Paragraph 11.5 of the Registration Document).

Taking into account the above, the assumptions and the figures of certain items / parameters of the Banking Business Unit and the Additional UBI Branches, the following impacts connected with the sale of the Banking Business Unit and the Additional UBI Branches on the corresponding pro-forma items / parameters at 31 December 2019 resulting from the Pro-Forma Financial Statements shown in Part B, Section 11, Paragraph 11.5 of the Registration Document were assumed:

- reduction of net loans to customers to 453.4 billion euro, compared to a pro-forma figure of 480.1 billion euro;
- reduction of net non-performing loans to customers to 17.3 billion euro, compared to a pro-forma figure of 18.4 billion euro;
- Gross NPE ratio of 7.7%;
- NPE coverage at 52.5% (the ISP's Group figure as at 31 December 2019 was equal to 54.6%);
- reduction of direct customer deposits to approximately 490.8 billion euro, compared to a pro-forma figure of 520.9 billion euro;
- reduction of indirect customer deposits to 601.1 billion euro, compared to a pro-forma figure of 635.8 billion euro;
- reduction of the Negative goodwill to 3.4([43]) billion euro after allocation of the relevant Negative goodwill only to the Banking Business Unit, compared with 4.6([44]) billion euro on the basis of the market prices at 15 June 2020;
- reduction of the operating income to 20.7 billion euro, compared to a pro-forma figure of 21.7 billion euro;
- reduction of the operating costs to 10.9 billion euro, compared to a pro-forma figure of 11.6 billion euro;
- reduction of the operating margin to 9.8 billion euro, compared to a pro-forma figure of 10.1 billion euro.

([42]) A hypothetical sale price calculated by using the same mechanism prescribed for the Banking Business Unit pursuant to the BPER Agreement has been used to calculate the negative goodwill for the Additional UBI Branches.

([43]) Rounded value equal to 3,379 million euro, calculated on the basis of the price of the ISP Share as at 15 June 2020, taking into account the allocation of the Negative Goodwill relating solely to the Banking Business Unit of 1,250 million euro. Please note that the value of Negative Goodwill indicated in Paragraph 11.5 of the Registration Document, equal to 2.9 billion euro, was calculated on the basis of the price of the ISP Share as at 14 February 2020 and does not take into account the allocation of the Negative Goodwill relating to the Banking Business Unit.

([44]) Rounded value equal to 4,629 million euro, calculated on the basis of the price of the ISP Share as at 15 June 2020, before the allocation to the Banking Business Unit. As at 14 February 2020, the value of Negative Goodwill was 2.9 billion euro, as resulting from the Pro-Forma Consolidated Financial Statements shown in Paragraph 11.5 of the Registration Document.

For more details, see the table below.

(*billions of euro*)

items/parameters	ISP Group 31.12.2019	UBI Group 31.12.2019	Pro-forma 31.12.2019	Estimated impacts of sale of the Banking Business Unit and the Additional UBI Branches	Total aggregate after the sale of the Banking Business Unit and the Additional UBI Branches 31.12.2019
Net loans to customers	395.2	84.8(1)	480.1	-26.7	453.4
Net non-performing loans to customers	14.2	4.2	18.4	-1.1	17.3
Gross non-performing loans to customers (a)	31.3	6.8	38.1	-1.8	36.3
Gross loans to customers (b)	414.0	88.0(2)	502.0	-27.5	474.5
Gross NPE ratio (a:b)	7.6%	7.8%	7.6%	6.6%	7.7%
Adjustments to non-performing loans to customers (c)	17.1	2.7	19.7	-0.7	19.0
NPE coverage (c:a)	54.6%	39.0%	51.8%	40.0%	52.4%
Direct deposits from banking business	425.5	95.4(3)	520.9	-30.1	490.8
Indirect customer deposits	534.3	101.5	635.8	-34.7	601.1
Operating income	18.1(*)	3.6	21.7	-1.0	20.7
Operating costs	-9.4(*)	-2.2 (4)	-11.6	0.7	-10.9 (5)
Operating margin	8.7	1.4(6)	10.1	-0.3	9.8
Impacts on regulatory capital(7)					
				% Difference	
Common Equity Tier 1 Ratio (Common Equity Tier 1 Capital after filters and deductions / Risk-Weighted Assets)	13.9%	12.3%	13.7%	0.1%	13.8%
Tier 1 Ratio (Tier 1 Capital after filters and deductions / Risk-Weighted Assets)	15.3%	12.3%	14.8%	0.2%	15.0%
Total Capital Ratio (Total Own Funds / Risk-Weighted Assets)	17.7%	15.9%	17.4%	0.3%	17.7%

(1) Includes the items: i) Loans to customers measured at fair value through profit or loss (Items 20. 2) of the Reclassified Consolidated Assets of UBI Banca) and ii) Loans to customers measured at amortised cost (Items 40. 2) of the Reclassified Consolidated Assets of UBI Banca).

(2) This figure takes into account the loans to customers measured at fair value through profit or loss (Items 20. 2) of the Reclassified Consolidated Assets of UBI Banca.

(3) Includes items 10 b) Due to customers and 10 c) securities issued in the Consolidated Liabilities of UBI Banca.

(4) Compared to that resulting from the reclassified consolidated income statement of UBI Banca as at 31 December 2019, the figure does not consider the ordinary and extraordinary contributions paid to the Resolution Fund and the Deposit Guarantee Scheme.

(5) Approximately -11.2 billion euro, considering the incidental expenses pertaining to the execution of the Acquisition.

(6) Figure calculated as the difference between operating income and operating expenses shown in the table.

(7) The impacts on regulatory capital were calculated starting with the capital ratios of the Intesa Sanpaolo Group published at 31 December 2019, which consider the net income for 2019 net of the component that the Issuer’s Board of Directors, during its session of 25 February 2020, had proposed be allocated to dividends for a total of 3,362 million euro.

(*) ISP management figures.

The Insurance Business Units

With regard to the Insurance Business Units, it should be noted that two of the three bancassurance vehicles (Aviva Vita S.p.A. and Lombarda Vita S.p.A.) object of the Unipol Agreement were not consolidated in the balance sheet and profits and loss account of the UBI Group as at 31 December 2019, and that the sale to Unipol of the Insurance Business Units is subject to, *inter alia,* the reacquisition of the control of the two aforementioned bancassurance vehicles by UBI Banca. Also considering the above, at the Date of the Registration Document, no figures or information are available to estimate the main economic and financial aggregates of such business units and, as a result, the impact of their sale on the pro-forma figures as at 31 December 2019 resulting from the integration of the UBI Group into the ISP Group. In particular, it should be noted that the publicly available figures relating to the bancassurance vehicle already consolidated in the financial statements of the UBI Group as at 31 December 2019 (*i.e.* BancAssurance Popolari S.p.A.) refer only to the separate financial statements, drawn up on the bases of the national accounting standards (OIC), and not to the balance sheet and income statement contributions to the Consolidated Financial Statements of UBI drawn up in accordance with the IAS/IFRS which, instead, constitute the basis of preparation for the Pro-Forma Consolidated Financial Statements. Moreover, the Unipol Agreement does not envisage the complete sale of the bancassurance vehicles, but only the sale of business units referable to such vehicles (the Insurance Business Units), including certain assets and liabilities relating to customers of the Banking Business Unit which, as stated previously, have not yet been exactly identified (for information on the Unipol Agreement, see Part B, Section 14, Paragraph 14.1.2 of the Registration Document).

For the purposes of identifying the qualitative/quantitative composition of the Insurance Business Units, the Unipol Agreement envisages the following:

- the Insurance Business Units shall be composed of the life business policies contracted by BancAssurance Popolari S.p.A., Aviva Vita S.p.A. and Lombarda Vita S.p.A. with customers of the Banking Business Unit, the technical reserves and covering assets relating to said policies, as well as the additional assets, liabilities and contractual relationships directly pertaining to the Insurance Business Units;
- the consideration for the transfer of the Insurance Business Units, to be paid in cash, shall be determined based on the same measurement criteria used to determine the price paid by UBI Banca for the purposes of the potential acquisition of control of Lombarda Vita S.p.A. and Aviva Vita S.p.A., as well as, concerning the Insurance Business Unit of BancAssurance Popolari S.p.A., referring to its asset value.

It should be noted that, at the Date of the Registration Document, the Issuer is not in possession of detailed, up-to-date accounting and actuarial information or figures referring to the Insurance Business Units (for example, it was not possible to use the figures as at 31 December 2019 as, at the Date of the Registration Document, the 2019 separate financial statements of Aviva Vita S.p.A. were not yet publicly available). Taking account of those limitations, merely to illustrate a hypothesis regarding the size of the sale of the Insurance Business Units, the following assumptions were formulated: (i) there is a correlation between the customers transferred with the Banking Business Unit object of the BPER Agreement and those pertaining to the Insurance Business Units, and (ii) those customers amount to approximately 30-35% of the corresponding figures of BancAssurance Popolari S.p.A, Aviva Vita S.p.A. and Lombarda Vita S.p.A. as at 31 December 2018. Based on those assumptions, the following two economic-financial parameters were estimated to provide a preliminary indication of the size of the Insurance Business Units at aggregate level:

- estimated gross written premium income between 1.5 billion euro and 1.8 billion euro;
- estimated life insurance technical reserves (gross of reinsurance) between 7.2 billion euro and 8.4 billion euro;

It is highlighted that the general estimate made, based on the above assumptions, of the income statement and balance sheet figures of the Insurance Business Units could deviate, even significantly, from the actual figures of the Insurance Business Units, also considering the fact that it is not possible to ensure that the estimated size of the Insurance Business Units reflects the actual technical margins of the life insurance policies concluded by customers of the Banking Business Unit.

* * *

The information shown above has been included only for the purpose of providing the size of certain main items/parameters of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units and their potential impact on the corresponding pro-forma items/parameters as at 31 December

2019 resulting from the integration of the UBI Group into the ISP Group. Therefore, such information shall be considered as the result of internal hypotheses and processing by the Issuer, and have been included merely for illustrative purposes to simulate certain possible theoretical effects of the sale of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units on certain pro-forma balance sheet and profits and loss account statement figures of the Intesa Sanpaolo Group as at 31 December 2019 / for the fiscal year 2019, based on the general principles of the BPER Agreement and the Unipol Agreement, on publicly available information and on assumptions formulated by the Issuer (concerning, inter alia, the potential sale of the Additional UBI Branches). It should be noted that Intesa Sanpaolo could not perform any analyses or verifications of such publicly available information. The information relating to the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units and the simulations regarding the abovementioned possible theoretical effects do not constitute and may not be considered in any way as pro-forma financial information pursuant to the Prospectus Regulation or Delegated Regulation (EU) 2019/980, as they are not confirmed by objective and verifiable evidences.

For more information on the Pro-Forma Consolidated Financial Statements, see Part B, Section 11, Paragraph 11.5 of the Registration Document.

The UBI Banking Group: brief description of UBI Banca and the principal activities of the UBI Group

The data and information about the UBI Banking Group presented below have been taken from public documents provided by the UBI Banking Group itself. Intesa Sanpaolo has not conducted any analysis, audit or due diligence on those data and information.

UBI Banca is a joint-stock company incorporated under the laws of the Republic of Italy, with registered office in Bergamo, Piazza Vittorio Veneto, 8, and registered in the Bergamo Companies' Register at no. 03053920165.

UBI Banca is also registered in the National Register of Banks kept by the Bank of Italy at no. 5678 and, as holding company of the UBI Group, in the National Register of Banking Groups at no. 3111.2. It is also a member of the National Interbank Deposit Guarantee Fund and the National Guarantee Fund. The UBI Shares are currently listed on the MTA market.

At the Date of the Registration Document, the share capital of UBI Banca, fully subscribed and paid-in, amounted to 2,843,177,160.24 euro, divided into 1,144,285,146 ordinary shares with no face value.

UBI Banca is authorised by the Bank of Italy to operate banking activity pursuant to Italian law.

The purpose of UBI Banca is to take deposits and provide credit in its various forms, both directly and through subsidiaries. For that purpose, and in compliance with applicable provisions of law and after obtaining the necessary authorisations, it may perform, both directly and indirectly through subsidiaries, all banking and financial transactions and services, and the other activities permitted for credit institutions, including the issuance of bonds and granting of loans regulated by special laws.

As the parent company of the UBI Group, UBI Banca engages not only in banking activity but also performs, pursuant to Article 61, paragraph 5, of the Consolidated Law on Banking, management and coordination functions and unified control of the banking, financial and instrumental subsidiaries belonging to the UBI Group.

UBI Banca, acting within the scope of its powers of management and coordination, issues instructions to UBI Group companies, inter alia with respect to the implementation of instructions issued by supervisory authorities and in the interest of the UBI Group's stability.

Pursuant to Articles 2497 et seq. of the Italian Civil Code, UBI Banca also manages and coordinates the Italian companies belonging to the UBI Group and directly or indirectly controlled by UBI Banca.

At the Date of the Registration Document, the UBI Group operates through the following structure:

(i) Unione di Banche Italiane S.p.A., parent company of the UBI Group;

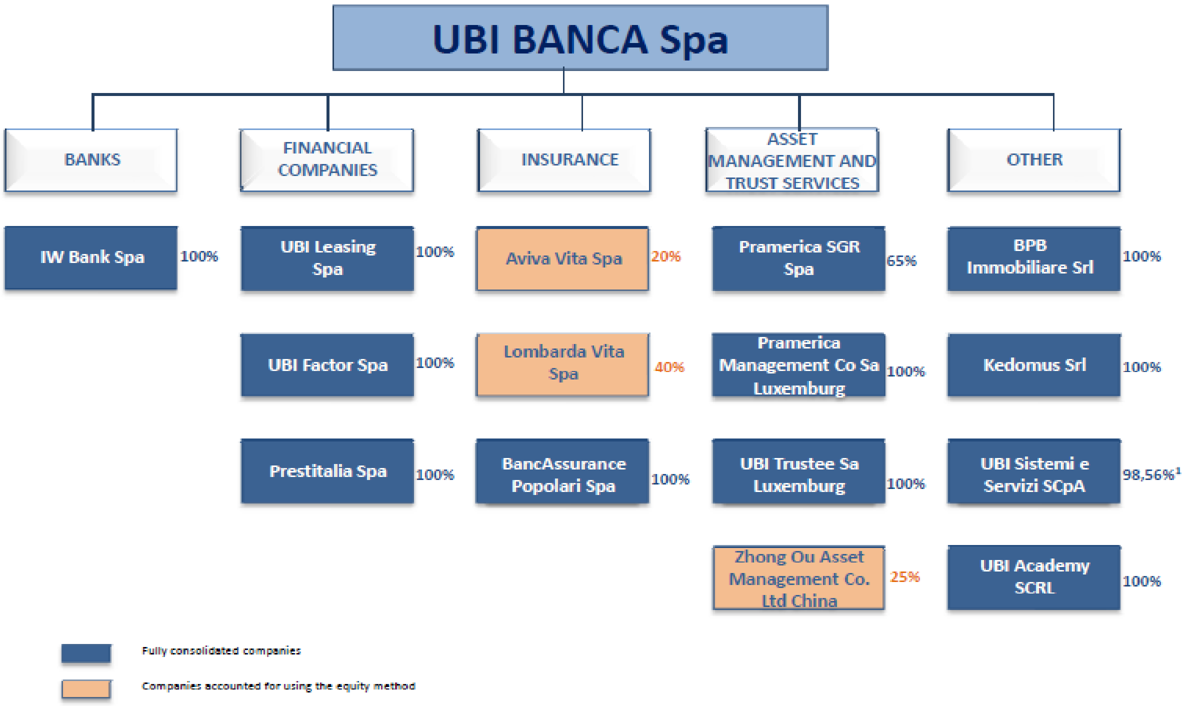
(ii) IW Bank S.p.A., an online bank integrated with a network of financial advisers;

(iii) product companies operating mainly in the area of asset management (Pramerica SGR S.p.A., Pramerica Management Company SA Luxembourg, UBI Trustee SA Luxembourg and Zhong Ou Asset Management Company Ltd China), life bancassurance (Aviva Vita S.p.A., Lombarda Vita S.p.A., BancAssurance Popolari S.p.A.), consumer finance (Prestitalia S.p.A), leasing (UBI Leasing S.p.A.) and factoring (UBI Factor S.p.A.);

(iv) UBI Sistemi e Servizi S.c.p.A, a company that provides services and products for the operation of business activities; a group corporate university, UBI Academy S.c.r.l., which provides training and professional/managerial development services to the affiliated companies;

(v) two companies operating in the real estate sector (BPB Immobiliare S.r.l. and Kedomus S.r.l.).

A graphic illustration of the main UBI Group companies at the Date of the Registration Document is shown below.



(1) The remaining 1.44% is held by Cargeas Assicurazioni Spa (the former UBI Assicurazioni Spa)

The percentages related to the total interests held (directly or indirectly) by the Group in the entire share/quota capital.

The following table lists the companies that are directly or indirectly controlled by UBI Banca or associated with it and included in the UBI Group scope of consolidation at 31 December 2019, showing their names and registered office address.

Company name	Registered office	% held
IW Bank S.p.A.	Milan	100%
UBI Leasing S.p.A.	Brescia	100%
UBI Factor S.p.A.	Milan	100%
Prestitalia S.p.A.	Bergamo	100%
Aviva Vita S.p.A	Milan	20%
Lombarda Vita S.p.A.	Brescia	40%
BancAssurance Popolari S.p.A.	Milan	100%
Pramerica SGR S.p.A.	Milan	65%
Pramerica Management Company S.A.	Luxembourg	100%
UBI Trustee S.A. Lussemburgo	Luxembourg	100%
Zhong OU Asset Management Company Ltd China	Shanghai (China)	25%
Kedomus S.r.l.	Brescia	100%
BPB Immobiliare S.r.l.	Bergamo	100%
UBI Sistemi e Servizi Scpa	Brescia	98.56%

Company name	Registered office	% held
UBI Academy Scrl	Bergamo	100%
Oro Italia Trading S.p.A., in liquidation	Arezzo	100%
UBI Finance S.r.l.([45])	Milan	60%
UBI Finance CB 2 S.r.l.([46])	Milan	60%
24-7 Finance S.r.l.([47])	Brescia	10%
UBI Finance 2 S.r.l. - in liquidation([48])	Brescia	10%
UBI SPV Group 2016 S.r.l.([49])	Milan	10%
UBI SPV Lease 2016 S.r.l.([50])	Milan	10%
Mecenate S.r.l. - in liquidation([51])	Arezzo	95%
Marche M6 S.r.l. ([52])	Conegliano Veneto (TV)	-
UBI Sicura S.p.A.	Milan	100%
Polis Fondi SGR S.p.A.	Milan	19.6%
SF Consulting S.r.l.	Mantua	35%
UFI Servizi S.r.l.	Rome	23.1667%
Montefeltro Sviluppo SCRL	Urbania (PU)	26.3699%

For information about the publicly available sources from which the information about the UBI Group was taken, see Part B, Section 1, Paragraph 1.4, of the Registration Document.

Information on the income statement and balance sheet of the UBI Group as at 31 March 2020

The information presented below has been exclusively taken from figures made public by UBI Banca, as well as from other publicly available information, and has not been the subject of an independent

([45]) Vehicle company pursuant to Law 130/1999 incorporated on 18 March 2008 to permit activation by UBI Banca of its First Covered Bond Programme backed by residential mortgage loans.

([46]) Vehicle company pursuant to Law 130/1999, incorporated on 20 December 2011 to permit activation by UBI Banca of its Second Covered Bond Programme mainly backed by non-residential commercial mortgage loans.

([47]) Vehicle company used pursuant to Law 130/1999 for the securitisations concluded by the former B@nca 24-7 in 2008. This entity is consolidated, insofar as it is subject to substantial control in consequence of its assets and liabilities having been originated by a UBI Group company. According to the consolidated financial statements at 31 December 2019, UBI Banca holds a 10% equity investment in the entity.

([48]) Vehicle company used pursuant to Law 130/1999 as part of the securitisation of a portfolio of performing loans of Banco di Brescia at the beginning of 2009. This entity is consolidated, insofar as it is subject to substantial control in consequence of its assets and liabilities having been originated by a Group company. According to the consolidated financial statements at 31 December 2019, UBI Banca holds a 10% equity investment in the entity.

([49]) Vehicle company incorporated pursuant to Law 130/1999 for the securitisation of residential mortgage loans carried on the books of the former Network Banks (BPB, BBS, BPCI, BRE, BPA, CARIME) carried out in August 2016. This entity is consolidated, insofar as it is subject to substantial control in consequence of its assets and liabilities having been originated by Group companies. According to the consolidated financial statements at 31 December 2019, UBI Banca holds a 10% equity investment in the entity.

([50]) Vehicle company incorporated pursuant to Law 130/1999 for the securitisation of performing loans carried out by UBI Leasing in July 2016. This entity is consolidated, insofar as it is subject to substantial control in consequence of its assets and liabilities having been originated by a Group company. According to the consolidated financial statements at 31 December 2019, UBI Banca holds a 10% equity investment in the entity.

([51]) Vehicle company used pursuant to Law 130/1999 for the securitisations carried out by the former Banca dell'Etruria e del Lazio executed in 2007, 2009 and 2011, involving performing residential mortgage loans. The securitisations were terminated prematurely. On 29 November 2019, the Shareholders' Meeting of the company resolved to place it in liquidation with a deed filed with the Companies Register on 2 December 2019.

([52]) Vehicle company incorporated pursuant to Law 130/1999 for the RMBS securitisation carried out by the former Banca delle Marche in 2013, involving a portfolio of performing residential mortgage loans. This entity is consolidated, insofar as it is subject to substantial control in consequence of its assets and liabilities having been originated by a UBI Group company. The UBI Group does not have any equity investment in the company.

verification by the Issuer. The Issuer does not guarantee the inexistence of additional information or figures relating to UBI Banca which, if known, could result in an opinion on UBI Banca that differs from that deriving from the information and figures shown below.

On 8 May 2020, the board of directors of UBI Banca approved the consolidated results for the first quarter of 2020 and issued a press release (https://www.ubibanca.it/pagine/Press-Releases-EN-2.aspx).

The main income statement and balance sheet figures of the UBI Group at 31 March 2020 (taken from the Interim Statement at 31 March 2020) are presented below.

Reclassified income statement figures and other indicators

(Figures in thousands of Euro)	**31.3.2020**	**31.3.2019 Restated([53])**	**Change %**
Net interest income	405,163	445,597	-9.1%
Net fee and commission income	420,483	400,936	4.9%
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	53,596	37,435	43.2%
Net income from insurance operations	2,501	3,502	-28.6%
Operating income	**913,596**	**920,617**	**-0.8%**
Operating expenses	**593,558**	**602,950**	**-1.6%**
Cost/income ratio	65.0%	65.5%(*)	
Net operating income	**320,038**	**317,667**	**0.7%**
Net impairment losses for credit risk relating to financial assets measured at amortised cost: loans and advances to customers	155,616	128,568	21.0%
Profit (loss) for the period attributable to the shareholders of the Parent	**93,572**	**83,435**	**12.1%**

(*) This figure has been calculated as the ratio of operating expenses and operating income at 31 March 2019 as restated in the interim statement at 31 March 2020.

The main comments on the results at 31 March 2020 and the changes that occurred compared with the same period of the previous year are provided as follows:

- net interest income amounted to 405.2 million euro (-9.1% compared with the first quarter of 2019), composed as follows:
  - net interest income from banking business with customers, net of the impact of IFRS 9, amounted to 359 million euro compared with 383.1 million euro in the first quarter of 2019. In the comparison with the first quarter of 2019, the figure was affected by a higher impact of the funding component due to both substantial institutional issuances carried out in 2019 and a fall in market interest rates, which had an overall impact of around 10 basis points on the

([53]) From 31 March 2020, the UBI Banca Group changed the basis of measurement for its real estate assets, adopting fair value instead of cost.

As a consequence of the foregoing, the “restated” comparative periods differ from what was published at the reporting date for those periods, because, in compliance with the provisions of IAS 8, the comparative figures for previous periods were restated following the retrospective application of the change in the basis of measurement for investment properties governed by IAS 40.

In contrast, the change in the basis of measurement for owner-occupied properties, in accordance with IAS 16, was applied prospectively from 31 March 2020, in compliance with IAS 8.

markdown. As a result of good performance by the mark-up on loans, which rose again in the first quarter of 2020, the customer spread([54]) rose to 177 basis points from 176 in the first quarter of 2019;

- the contribution from financial activities amounted to 36.8 million euro, down from 44.4 million euro in the first quarter of 2019, as a result of lower profitability of the securities portfolio and a negative impact of hedging derivatives;
- net income from business on the interbank market and others was favourable, on the other hand, with the negative impact down to -1.9 million euro in the first quarter of 2020 compared with -7.9 million euro in the first quarter of 2019;

- net fee and commission income amounted to 420.5 million euro (+4.9% in the twelve months). At segment level, approximately 243 million euro (225.5 million euro in the first quarter of 2019) derived from services relating to securities business (which included performance fees of 7.1 million euro, commissions related to Group funds and Sicav's of 37.7 million euro and upfront fees on life insurance policies of 15 million euro) while 177.5 million euro related to the general banking business segment (comparative figure 175.4 million euro);
- the finance result (net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss) was positive by 53.6 million euro in the first quarter of 2020, as a result of good performance from "net income from the disposal/repurchase of financial assets and liabilities" achieved by the partial disposal of the corporate bond portfolio at a time of favourable market conditions. This figure compares with +37.4 million euro in the first quarter of 2019;
- net income from insurance operations, referring to BancAssurance Popolari, amounted to 2.5 million euro (3.5 million euro at 31 March 2019, which, however, also included the contribution from BancAssurance Popolari Danni, which was sold in May 2019);
- continuing operations gave rise to operating income of 913.6 million euro (920.6 million euro in the first quarter of 2019), down slightly (-0.8%) given that the decrease in net interest income was almost fully offset by the significant increase in fee and commission income and the finance result;
- operating expenses totalled 593.6 million euro, comprising approximately 355 million euro in staff costs, 181.4 million euro in other administrative expenses (which include 42 million euro, the same amount as that recorded in the first quarter of 2019, referring to the estimated ordinary contribution to the Resolution Fund) and 57.2 million euro in depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets. Compared to the first three months of 2019, the aggregate decreased by 9.4 million euro (-1.6%);
- the cost/income ratio was 65.0% in the first quarter of 2020;
- net operating income came to 320 million euro, up by 2.4 million euro yoy.
- In the first quarter of the year, net impairment losses on loans and advances to customers amounting to 155.6 million euro were recognised, of which approximately 50 million euro relating primarily to specific impairment losses recognised on unlikely-to-pay exposures in the sectors hit hardest by the COVID-19. The amount of impairment losses recognised in the first quarter of 2020 is compared with the 128.6 million euro recognised in the first quarter of 2019.

[54] Spread that does not include the benefits of TLTRO2.

Reclassified Balance Sheet figures and other indicators

(Figures in thousands of Euro)	**31.3.2020**	**31.12.2019 restated([55])**	**Change (%)**
Financial assets ([56])	20,073,171	19,151,799	4.8%
Loans and advances to customers([57])	85,778,114	84,564,033	1.4%
Total assets	**126,492,592**	**126,615,985**	**-0.1%**
Direct banking funding from customers ([58])	94,048,596	95,513,706	-1.5%
Direct insurance deposits and technical reserves ([59])	2,351,810	2,407,904	-2.3%
Indirect banking funding from ordinary customers	92,244,042	101,452,337	-9.1%
Equity ([60])	10,095,693	9,539,424	
Net bad loans / Net loans and advances to customers measured at amortised cost	**1.93%**	**2.02%**	
Net non-performing loans / Net loans and advances to customers measured at amortised cost	4.70%	4.93%	
NPL coverage	39.56%	39.00%	
Fully loaded Common Equity Tier 1 ratio	**12.86%**	**12.29%**	
Fully loaded Tier 1 ratio	**13.54%**	**12.29%**	
Fully loaded Total capital ratio	**17.05%**	**15.83%**	
Fully loaded Leverage ratio	**5.87%**	**5.42%**	

The main comments on the balance sheet figures and other indicators at 31 March 2020 and the changes that occurred since the end of the previous year are provided as follows:

- the financial assets of the UBI Banca Group grew to 20.1 billion euro at the end of March 2020 (19.2 billion euro in December 2019), the result of a slight increase in short-term Italian government bonds in order to invest liquidity and in the trading portfolio. Altogether Italian government securities amounted to 11 billion euro, compared with 9.8 billion euro at year-end 2019 (and, net of insurance company positions, to 9.5 billion euro compared with 8.4 billion euro at year-end 2019), accounting for 54.6% of the securities portfolio;

([55]) From 31 March 2020, the UBI Banca Group changed the basis of measurement for its real estate assets, adopting fair value instead of cost.

As a consequence of the foregoing, the “restated” comparative periods differ from what was published at the reporting date for those periods, because, in compliance with the provisions of IAS 8, the comparative figures for previous periods were restated following the retrospective application of the change in the basis of measurement for investment properties governed by IAS 40.

In contrast, the change in the basis of measurement for owner-occupied properties, in accordance with IAS 16, was applied prospectively from 31 March 2020, in compliance with IAS 8.

([56]) The sum of items 20.3), 30.3) and 40.3) – securities in the reclassified consolidated balance sheet.

([57]) Item 40.2 of the reclassified consolidated balance sheet “Financial assets measured at amortised cost 2) Loans and advances to customers”.

([58]) The direct banking funding from customers at 31 December 2019 and 31 March 2020 includes items 10 b) and 10 c) under liabilities on the balance sheet and, in part, item 20 “Financial liabilities held for trading” for about 87 million euro in certificates, issued for the first time in December 2019.

([59]) The sum of items 30 (and particularly financial liabilities designated at fair value in the insurance segment, of which pension fund and unit-linked products) and 110 of the reclassified consolidated balance sheet – liabilities.

([60]) The sum of items 120, 140, 150, 160, 170, 180 and 200 of the consolidated balance sheet - liabilities.

- loans and advances to customers measured at amortised cost amounted to approximately 85.8 billion euro - equal to 99.7% of the Group's total loan portfolio - showing an increase of 1.2 billion euro (+1.4%) in the first quarter;
- at 31 March 2020, direct banking funding from customers of the UBI Banca Group amounted to 94 billion euro, down by 1.5 billion euro compared with 95.5 billion euro in December, but up by 0.4 billion euro compared with 93.6 billion euro in March 2019. The economic performance was mainly determined by the decrease in payables and, specifically, in the component of "Corporate" customer current accounts and deposits;
- Direct insurance deposits and technical reserves amounted to 2.35 billion euro, down slightly compared to the 2.41 billion euro at 31 December. Financial liabilities of the insurance business designated at fair value at 31 March 2020 came to 203 million euro, a slight increase of 5 million euro compared with 31 December 2019. Technical reserves at 31 March 2020 were down by 61.1 million euro compared with December and amounted to 2.15 billion euro, as the net amount of (i) a decrease of 88.8 million euro in the shadow accounting reserve (from 223.5 million euro at the end of the year to 134.7 million euro in March) posted in order to mitigate the effects of changes in market valuations of segregated funds, transferring to the insured – in this case – the capital gains of the period; and (ii) net inflows for the period (+27.7 million euro);
- indirect funding amounted to 92.2 billion euro, down by 9.2 billion euro compared with December (-9.1%). The trend in the quarter mainly reflects the deterioration of the financial markets as a result of the unprecedented situation caused by the coronavirus pandemic, which was reflected in negative performance of both assets under management/insurance and in assets under custody. The latter was penalised by the impairment of assets as well as by the divestment of an institutional customer during the period. Net of the performance effect, calculated on a management basis, the decrease in indirect funding in the first three months of the year came to -0.5 billion euro, equal to -0.5%. In detail, assets under management and insurance recorded an overall decrease of 4.8 billion euro (-6.6%), closing the quarter with a stock of 68.3 billion euro, assets under custody – amounting to 23.9 billion euro at the end of March – fell by 4.4 billion euro in the quarter (-15.6%), impacted by the abovementioned divestment, but specifically by the effects of quoted prices: net of the performance effect, calculated on a management basis, the change in balances of assets under custody came to -1.1 billion euro (-3.9%);
- the equity of the UBI Group, including the profit for the period, amounted to 10,095.69 million euro, up compared to 9,539.42 million euro at 31 December 2019, restated to include the impact of the change in the measurement criterion of the Group's real estate assets. The increase of 556.27 million euro mainly includes an increase of 397.95 million euro linked to the first issue of Additional Tier 1 (AT1) capital in January, the increase of 65.81 million euro in the balance of valuation reserves, an overall decrease of 1.06 million euro in other reserves and the posting of the profit for the period of 93.57 million euro;
- at 31 March 2020, the NPE coverage ratio rose to 39.56%, from 39.00% at 31 December 2019;
- the ratio of net non-performing exposures fell from 4.93% at 31 December 2019 to 4.70% at 31 March 2020;
- the fully loaded CET1 ratio, calculated based on the rules that will be in force at the end of the transitional period, currently attributable exclusively to IFRS 9, was estimated at 12.86% (12.29% at the end of 2019), without including either future DTAs or optimisation actions. The main benefits recorded in the period were attributable to the change in the measurement criterion for real estate assets (a total of approximately +38 basis points), to the inclusion of the portion of 2019 profit set aside for dividends which were not declared following the aforementioned ECB Recommendation (approximately +26 basis points), and to profit for the period (net of the pro rata dividend provided for under the 2020 Business Plan), which more than offset the negative impact of wider spreads on the securities portfolio and the inclusion of the impact of TRIM (*Targeted Review of Internal Models*) inspections.
- the fully loaded Total Capital Ratio was 17.05% (15.83% in December 2019), benefiting from both the increase in the CET1 capital and the issue of AT1 instruments as indicated above;
- the fully loaded leverage ratio was 5.87% (5.42% at 31 December 2019).

On the other hand, with regard to the events occurring after the end of 1Q 2020, UBI Banca's Interim Statement states that, after 31 March 2020, the reporting date of that document, and until 8 May 2020, the date of approval of the interim statement by the Board of Directors of UBI Banca, no events occurred that would require an adjustment to the figures presented in the financial statements in accordance with IAS 10.

Information on the impact of the COVID-19 pandemic on the accounts of the UBI Group and other significant information

The information presented below has been exclusively taken from figures made public by UBI Banca, as well as from other publicly available information, and has not been the subject of an independent verification by the Issuer. The Issuer does not guarantee the inexistence of additional information or figures relating to UBI Banca which, if known, could result in an opinion on UBI Banca that differs from that deriving from the information and figures shown below.

In relation to the "*Outlook*", in its press release issued on 8 May 2020, UBI Banca stated that "*The Covid19 emergency is a crisis that is different from others both because of how it originated and how it might develop, which makes any type of forecast complex. However, even in this crisis, the key factor is the quality of credit. To face this unprecedented crisis, swifter and more incisive measures were taken by domestic and international authorities to mitigate its impact.*

These measures, recently implemented, should allow the Bank to preserve its level of net interest income. Weaker performance by the fee and commission component relating to transactions following the slowdown in the economy is expected, while the fee and commission component relating to assets under management will be affected by the crisis in the first part of the year, but will depend on the performance of markets in the second part of the year.

Maximum efforts will continue to be made to contain operating costs, although in a different manner, driven by remote working.

As regards the cost of credit, it will be higher than forecast for the first year under the Business Plan, although mitigated by the use of support initiatives included in the recent measures. The Bank has already made greater provisions for unlikely-to-pay loans in those sectors more exposed to the crisis with an impact on 1Q 2020 of about 50 million euro (with an overall cost of credit of 73 bps), and it will focus its attention during the year on these loans, given the high quality of performing loans (the level of high-risk performing loans fell further in 1Q 2020 to 2.7%, the default rate is expected to remain low and coverage for performing loans is among the highest for major Italian banks). The internal management strategy for non-performing loans is therefore confirmed.

In terms of capital, thanks to its capital resources, solid liquidity position and the quality of its assets, the UBI Group is able to comfortably deal with the crisis, as it has done in previous crises, continuing to support the communities where it operates and to generate profits on an ongoing basis for the benefit of all stakeholders (including dividends when authorised by the ECB)".

The press release published at the end of the Board of Directors meeting of UBI Banca held on 8 May 2020 and the Interim Statement at 31 March 2020 of the UBI Group are available on the website of the Bank (https://www.ubibanca.it/pagine/Press-Releases-EN-2.aspx) and (https://www.ubibanca.it/pagine/2020_Financial_Statements.aspx).

On 10 May 2017, the Supervisory Board of UBI Banca approved the Group business plan, proposed by the Management Board, containing the strategic guidelines and updated earnings, financial and capital targets for the period 2017-2020 (the "**2017-2020 UBI Plan**")([61]).

The following are *(a)* the main forecast figures for 2019 indicated in the 2017-2020 UBI Plan (i) consolidated net profit of around 919 million euro; (ii) return on tangible equity (RoTE) of 11%; and (iii) cost of credit of approximately 0.63%; and *(b)* the main results of UBI Banca as at 31 December 2019([62]): (i) consolidated net profit of approximately 251 million euro([63]); (ii) return on tangible equity (RoTE) of 3.2%; and (iii) cost of credit of 0.87%([64]). The figures presented above are not complete and only represent a selection of some of the most significant and characteristic figures from a bank's operating and financial performance. The Issuer has not been able to carry out any checks on these figures, the

([61]) Source: UBI Banca press release of 11 May 2017 "*Update of UBI Business Plan to include the 3 Bridge Banks (Nuova Banca Marche, Nuova Banca Etruria and Nuova Carichieti)*".

([62]) Source: Consolidated financial statements of UBI Banca at 31 December 2019

([63]) Profit for the period attributable to the shareholders of the Parent.

([64]) The cost of credit as at 31 December 2019 reflected the greater sales of non-performing positions, completed and being assessed, compared to the previous year (source: Consolidated financial statements of UBI Banca at 31 December 2019).

methods and criteria used for the preparation of the forecast figures, which may therefore not be the same as those used for the final figures; the related indicators may also not be comparable. For more details, please refer to the documents published by UBI Banca, as indicated in the notes, from which the above figures have been taken.

In the consolidated financial statements as at 31 December 2018, UBI Banca stated that "*The macroeconomic scenario for the financial year 2019 is different from that forecast under the current Business Plan (negative market interest rates compared with a forecast of slightly positive interest rates in 2019, forecast growth in GDP of between 0.2% and 0.6% instead of 0.9% estimated under the Business Plan, wider credit spreads and uncertainties on domestic and international markets), with repercussions on operating income, which moreover has already been priced into the financial market in current consensus projections.*" For more details, see the consolidated financial statements of UBI Banca as at 31 December 2018 available on UBI Banca's website www.ubibanca.com.

In addition, in the consolidated financial statements as at 31 December 2019, UBI Banca stated that "*The default rate, calculated for the entire year, therefore fell to 1.11% from 1.55% in 2018, below the target set in the 2020 Business Plan. In the fourth quarter, the annualised default rate fell to 1.19% from 1.34% in the third quarter (0.79% and 1.23%, respectively, in the first two periods)",* and that "*As a result of the reduction in total non-performing exposures, the Texas Ratio, which measures the ratio of net non-performing exposures to tangible equity, fell to 55.2% at the end of December (65.6% in September and 84.7% at the beginning of January 2019), well below the target for the end of 2020, set in the Business Plan"*. For more details, see the consolidated financial statements of UBI Banca as at 31 December 2019 available on UBI Banca's website www.ubibanca.com.

Lastly, please note that in the press releases dated 12 May 2020 (published on the website of UBI Banca, www.ubibanca.com), UBI Banca announced that (i) DBRS Morningstar had confirmed the Long Term Issuer Deposit Rating assigned to UBI Banca, changing the trend from stable to negative, and that (ii) Fitch Ratings had changed the Long Term Issuer Default Rating assigned to UBI Banca from "BBB-" to "BB+", with consequent loss of its status as lower investment grade and rating as speculative grade.

In particular, the Fitch report of 12 May 2020 "*Fitch Downgrades Four Italian Banks Following Sovereign Downgrade*" states: (i) "*UBI's lower Long-Term IDR and VR reflect the relative weakness of its credit profile compared with its higher-rated domestic peers, which mainly arises from a less-diversified business model, weaker profitability and smaller capital buffers.";* and (ii) "*UBI's IDRs, VR, senior, subordinated and deposit ratings remain on RWP because IntesaSP recently voted to proceed with the voluntary exchange offer on the entirety of UBI's ordinary shares. If the transaction is successful, UBI could benefit from institutional support from higher-rated IntesaSP as its majority shareholder, or see improvements in its standalone profile from being part of a stronger group. We expect to resolve the RWP on UBI's ratings once the exchange offer is completed. Execution of the transaction is planned for end-July 2020. However, the resolution of the RWP could take longer if the transaction is delayed or if the potential benefits for UBI's standalone risk profile and VR are not sufficiently clear at that point*".

For information about the context resulting from the COVID-19 pandemic and considering the market on which UBI Banca and the Issuer operate, reference is made to the comparative analysis of the main indicators that may be deduced from the interim reports on operations at 31 March 2020 published by the main listed Italian banks (i.e. Banca Popolare di Sondrio, Banco BPM, BPER, Credito Emiliano, Credito Valtellinese, ISP, Mediobanca, Monte dei Paschi di Siena, UBI Banca and Unicredit) contained in the Offer Document, which will be published after its approval by Consob and in accordance with the terms and conditions of law.

5.1.6.2 Newly introduced products and/or services

The Issuer declares that it has not introduced any significant new products and/or services since the end of the period covered by the latest published audited financial statements and up to the Date of the Registration Document.

5.1.6.3 Stage of development of new products and/or services

The Issuer declares that at the Date of the Registration Document, no significant new products and/or services are under development.

5.1.6.4 Substantial changes in the regulatory context

The Issuer declares that there have been no substantial changes in the regulatory context in which the Issuer and/or the Group operate since the end of the period covered by the latest published audited financial statements and up to the Date of the Registration Document.

5.2 Investments

5.2.1 Description of the principal investments made by the Group since the date of the last published financial statements, in progress and/or for which a firm commitment has already been made, together with the expected source of financing

5.2.1.1 Principal investments made from 31 December 2019 until the Date of the Registration Document

Beginning 1 January 2020 and until the Date of the Registration Document, the ISP Group has booked investments totalling 299 million euro. The most important of these consist of investments for about 178 million euro in innovation and transformation projects and investments for about 63 million euro related to mandatory initiatives in consequence of statutory and regulatory changes.

The most significant investments concerned: (i) the merger of Banca IMI S.p.A. into Intesa Sanpaolo; (ii) digitalisation of the credit and customer relations area; and (iii) transformation of the data management systems.

All the investments mentioned in this Paragraph 5.2.1.1 were financed with the liquidity generated by the operations of the ISP Group.

5.2.1.2 Principal investments in progress at the Date of the Registration Document

As part of the budget for the year 2020, investments totalling 336 million euro were in progress at the Date of the Registration Document. These were mainly directed to innovation and digital conversion projects, regulatory compliance changes, and maintenance and business development projects.

All the investments mentioned in this Paragraph 5.2.1.2 are financed with the liquidity generated by the operations of the ISP Group.

5.2.1.3 Principal investments for which a firm commitment has already been made at the Date of the Registration Document

On 17 February 2020, the Board of Directors of the Issuer resolved, inter alia, to launch the Public Exchange Offer for the acquisition of control of UBI Banca by the Issuer. The consideration for the Public Exchange Offer is represented by the New Shares resulting from the Public Exchange Offer Capital Increase. Please note that the Issuer has estimated non-recurring charges for integration tied to the Acquisition for 1.3 billion euro, before tax. For more information about the Public Exchange Offer, see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document.

6. TREND INFORMATION

6.1 The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the Date of the Registration Document.

Notwithstanding what is stated in Paragraph 6.3, it is the Issuer's opinion that no production trends have appeared between the end of 2019 and the Date of the Registration Document, or changes in costs and sale prices, which could have a significant positive or negative impact by themselves on the activity of the Issuer and/or the Group. The initial effects of the COVID-19 ("coronavirus") pandemic – whose possible developments pose significant uncertainties, due to the extraordinary nature of the event – on ISP Group operations and its effects on operating and investment costs, business operations, and the management of financial investments are summarised below.

The actions taken in protection of health, together with business continuity measures, are reflected in its operating costs, mainly in connection with:

- prevention of workplace hazards, for example through the purchase of personal protective equipment, protective shields, disinfectant gel dispensers and extensive decontamination of premises, with simultaneous modification of operating processes (customer management, accesses, on-site presence...) and the associated specific measures as necessary (signage, purchase of thermal scanners, presence of assistants at entrances, coordination of presence of individuals on site, extraordinary security protection...), and the grant of additional holiday leave to the Group staff assigned to the branch network during the most acute phases of the emergency;
- wide-scale application of flexible work, which has specifically required the purchase and distribution of devices to enable the implementation of remote working for groups of employees not already enabled (personal computers, smartphones, data SIM cards, monitors, etc.), both in the sales network and at the headquarters, and changes to operational and commercial processes to enable remote working by employees and further upgrades to the corporate information technology network to permit simultaneous access by a growing number of users;
- enhancement of the remote customer contact channels (call centres and digital apps);
- strengthening of IT security in terms of anti-fraud;
- processes for the remote management of services/operations and remote signatures.

Lastly, with regard to support to local communities, the Issuer financed emergency interventions in terms of medical equipment and materials given to selected health facilities in the areas most affected by the pandemic. It also sponsored various initiatives in those areas aimed at managing the social impacts of the crisis.

In terms of the effects on business activities, the following are noted in particular:

- the extraordinary measures implemented by ISP to support the Italian economy and its businesses and households. In fact, it was the first bank in Italy to suspend mortgage and loan instalments, before the specific regulations came into force, and it was the first bank in Italy to sign the collaboration protocol with SACE, thus providing immediate support to enterprises under the "Liquidity" Decree Law no. 23 of 8 April 2020;
- the dynamics of the asset management business have been affected both by the depreciation in the value of financial assets and by the way relations with customers are managed, due to social distancing measures.

The management of proprietary financial investments was affected by market dislocation and tensions generated by violent and sudden price movements of all the major assets, which led to an unprecedented increase in volatility and correlations between the different asset classes. To preserve the functionality of its liquidity and investment portfolios, especially in terms of maintaining an appropriate risk, diversification and earnings profile, the ISP Group initiated a revision of the portfolio allocation by reducing the concentration of less diversifying positions, through de-risking and the purchase of more diversifying assets.

The most important impacts of the COVID-19 pandemic on ISP Group accounts at 31 March 2020 are found in net fee and commission income for the first quarter of 2020, equal to 1,844 million euro, down 14.9% from 2,166 million euro in the fourth quarter of 2019, partly due to the decrease in performance fees for assets under management from 126 million euro to 2 million euro, and to the approximately 300 million euro (before tax) set aside on a prudent basis in the allowance for risks and charges. The use of these provisions for risks and charges and the possibility of allocating to provisions about 1.2 billion euro before tax of the expected Nexi transaction capital gain would make it possible to absorb a total of about 1.5 billion euro in additional adjustments to loans (before tax) for all of 2020, to be used against the possible negative economic impacts of the COVID-19 pandemic.

* * *

Highlights of the income statement and balance sheet figures at 31 March 2020 (taken from the Interim Statement at 31 March 2020) are presented below in illustration of the financial performance and results of the ISP Group during the first three months of 2020.

Reclassified income statement

(*millions of euro*)	**31 March 2020**	**31 March 2019**	**Change**
Net interest income	1,747	1,756	-0.5%
Net fee and commission income	1,844	1,865	-1.1%
Income from insurance business	312	291	7.2%
Profits (Losses) on financial assets and liabilities designated at fair value	994	458	117%
Operating income	**4,882**	**4,369**	**11.7%**
Operating costs	**2,169**	**2,230**	**-2.7%**
Operating margin	**2,713**	**2,139**	**26.8%**
Net adjustments to loans	403	369	9.2%
Net income (loss)	**1,151**	**1,050**	**9.6%**

The main comments on the results at 31 March 2020 and the changes that occurred compared with the same period of the previous year are provided as follows:

- net interest income, 1,747 million euro, was substantially stable at overall level (-0.5%) with respect to the first three months of 2019, due to lower interest on non-performing assets, as a result of the progressive reduction in NPLs, and to the lower contribution from core deposits within the differentials on hedging derivatives. The contribution from customer dealing and net interest income increased, whereas there was a decrease in the contribution from financial activities and relations with banks;

- net fee and commission income, 1,844 million euro, fell slightly due to lower revenues from commercial banking (-6.6%) and other net fee and commission income (-8.2%), almost entirely offset by the higher contribution from the management, dealing and financial consultancy segment (+2.8%);

- income from insurance business, which includes the cost and revenue items of the insurance business of the Group’s life and non-life companies, showed an increase (around +7% to 312 million euro), due to the increase in the technical margin;

- the profits (losses) on financial assets and liabilities designated at fair value, which include the profits (losses) on trading and the fair value adjustments in hedge accounting, increased significantly (994 million euro compared to 458 million euro in the first quarter of 2019) mainly due to the positive performance of assets designated at fair value through profit or loss, but also to the contribution from the profits (losses) on disposal of assets measured at fair value through other comprehensive income, due to the results generated from trading in the portfolio to take advantage of market opportunities;

- as a result of the above changes, operating income in the first quarter of 2020 amounted to 4,882 million euro, up by around 12% on the first three months of 2019;

- operating costs (2,169 million euro) were down (-2.7%), both for personnel expenses (-2.3%), in relation to the downsizing of the workforce, which more than offset the effect of the increase linked to the renewal of the National Collective Bargaining Agreement, and for administrative expenses (-5.7%), which fell across all the main expense items;

- as a result of these revenue and cost trends, the operating margin amounted to 2,713 million euro, up by around 27% on the first quarter of 2019;

- net adjustments to loans rose to 403 million euro (around +9%); moreover, provisions for risks and charges were accrued (around 300 million euro), representing the initial estimate of the possible effects of the COVID-19 pandemic on performing loans, determined on the basis of information available at the approval date of the Interim Statement at 31 March 2020.

Reclassified Balance Sheet figures and other indicators

(*millions of euro*)	**31 March 2020**	**31 December 2019**	**Change (%)**
Financial assets	156,649	146,570	6.9%
Financial assets pertaining to insurance companies measured pursuant to IAS 39	159,223	168,814	-5.7%
Loans to customers	404,900	395,229	2.4%
Total Assets	**847,901**	**816,102**	**3.9%**
Direct deposits from banking business	433,618	425,512	1.9%
Direct deposits from insurance business and technical reserves	156,454	165,838	-5.7%
Indirect customer deposits	485,168	534,349	-9.2%
Shareholders' equity	56,516	55,968	1.0%
Net bad loans / Loans to customers	**1.6%**	**1.7%**	
Common Equity Tier 1 ratio(*)	**13.5%**	**13.0%**	
Tier 1 ratio(**)	**15.3%**	**14.3%**	
Total Capital ratio(***)	**18.0%**	**17.0%**	
Leverage ratio(****)	**6.4%**	**6.3%**	

(*) Ratios calculated considering the full inclusion of the impact of IFRS 9 ("IFRS 9 Fully Loaded Figures"). Considering the transitional arrangements due to the impact of IFRS 9 ("IFRS 9 Transitional Arrangements"), the Common Equity Tier 1 Ratio was 14.2% at 31 March 2020 and 13.9% as at 31 December 2019.
(**) Ratios calculated considering the full inclusion of the impact of IFRS 9 ("IFRS 9 Fully Loaded Figures"). Considering the transitional arrangements due to the impact of IFRS 9 ("IFRS 9 Transitional Arrangements"), the Tier 1 Ratio was 16.1% at 31 March 2020 and 15.3% as at 31 December 2019.
(***) Ratios calculated considering the full inclusion of the impact of IFRS 9 ("IFRS 9 Fully Loaded Figures"). Considering the transitional arrangements due to the impact of IFRS 9 ("IFRS 9 Transitional Arrangements"), the Total Capital Ratio was 18.5% at 31 March 2020 and 17.7% as at 31 December 2019.
(****) Ratios calculated considering the full inclusion of the impact of IFRS 9 ("IFRS 9 Fully Loaded Figures"). Considering the transitional arrangements due to the impact of IFRS 9 ("IFRS 9 Transitional Arrangements"), the leverage ratio was 6.6% at 31 March 2020 and 6.7% at 31 December 2019.

The main comments on the balance sheet figures and other indicators at 31 March 2020 and the changes that occurred since the end of the previous year are provided as follows:

- the Intesa Sanpaolo Group's financial assets, excluding those of the insurance companies, amounted to about 157 billion euro, up by 6.9% compared with the end of 2019. The change was chiefly due to government debt securities (+5.8 billion euro, or +7%) and financial derivatives (+5.2 billion euro, or +20.5%);
- financial assets pertaining to insurance companies measured pursuant to IAS 39 amounted to about 159 billion euro. The decrease (-5.7%) – due to both the designated at fair value and available for sale portfolios – was affected by the depreciation of assets in portfolio driven by market performance;
- loans to customers amounted to around 405 billion euro, showing an increase (+10 billion euro, or +2.4%) that was mainly due to the performance for advances and other loans (around +11 billion euro, or +7.5%) in the commercial banking loans segment, whose overall increase (around +14.4 billion euro, or +4.2%) was driven by mortgage loans (+3.5 billion euro, or +2%). There was a decrease in repurchase agreements (-4.7 billion euro, or around -16%);
- direct deposits from banking business totalled around 434 billion euro at the end of March, an increase (+8.1 billion euro, or around +2%) due to the changes in the financial component, consisting of repurchase agreements (+9.1 billion euro, mainly attributable to institutional counterparties), and the growth in current accounts and deposits (+2.6 billion euro, or around +1%) and in certificates of deposit, subordinated liabilities, and other deposits (+1 billion euro in total for the three components).

- direct deposits from insurance business – which also includes technical reserves – decreased to around 156 billion euro (-9.4 billion euro, or around -6%). Specifically, there was a decrease both for financial liabilities designated at fair value (-7.2 billion euro, or approximately -10%), and for technical reserves (-2.2 billion euro, or -2.5%);
- indirect customer deposits fell to 485 billion euro, down by around 9%, attributable to both assets under management and assets under administration, mainly as a result of the depreciation produced by the performance of the financial markets as a result of the pandemic. Specifically, assets under management, which account for over two-thirds of the total aggregate, decreased (-24 billion euro, or around -6.9%), spread across all main components: from mutual funds (-9.1%) to wealth management schemes (-9.2%), pension funds (-5%), technical reserves and insurance financial liabilities (-4.5%) and relations with institutional customers (-4.6%);
- the ratio of bad loans to customers to the total of loans to customers, net of adjustments, equal to 1.6%, it was slightly down;
- the Group's shareholders' equity, including the net income for the period, came to 56,516 million euro at 31 March 2020, compared to 55,968 million euro at the beginning of the year. The increase is due to the contribution of the net income earned during the first quarter (1,151 million euro) and equity instruments (+1.5 billion euro), while the valuation reserves of the banking group and those pertaining to insurance companies had a negative impact (-2 billion euro overall);
- the aforementioned capital adequacy factors([65]) indicated in the table shown above (Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital Ratio) reflect the full inclusion of the impact of IFRS 9 ("IFRS 9 Fully Loaded Figures"). The Common Equity Tier 1 Capital at 31 March 2020 includes, through the reserves, the entire net income for the 2019 financial year due to approval at the Shareholders' Meeting of 27 April 2020 of the proposal to allocate the net income for the 2019 financial year to reserves, after the assignment of 12.5 million euro to the Allowance for charitable, social and cultural contributions, in compliance with the European Central Bank recommendation of 27 March 2020, concerning dividend policies, as a result of the situation resulting from the COVID-19 pandemic;
- The leverage ratio calculated considering full inclusion of the impact of IFRS 9 ("IFRS 9 Fully Loaded Figures") was 6.4% (6.3% at 31 December 2019).

The press release published at the end of the Board of Directors meeting held on 5 May 2020 and the Interim Statement at 31 March 2020 are available on the website of the Bank (https://group.intesasanpaolo.com/en/investor-relations/press-releases; https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2020/20200617_Resoconto_trimestrale_DEF_uk.pdf).

6.2 Significant changes in the financial results of the Group between the end of the last financial year for which financial information was published and the Date of the Registration Document

Notwithstanding what is stated in Paragraph 6.1 and Paragraph 6.3, it is the Issuer's opinion that no significant changes have occurred in the financial results of the Issuer and the Group between the end of 2019 and the Date of the Registration Document. In fact, in the first quarter of 2020, the ISP Group reported a 9.6% increase of net income from the first quarter of 2019, mainly attributable to operating income up by 11.7%, operating costs down by 2.7%, and net adjustments to loans up by 9.2% from the values reported at 31 March 2019, with the increase in operating income being significantly impacted by the result of the finance area, which was up 117% from the figure reported at 31 March 2019, which by its nature is subject to volatility.

([65]) The capital adequacy ratios at 31 December 2019 consider the dividends on 2019 results, the portion of the remuneration of the AT1 instruments issued at that date and the portion of 2019 income allocated to charity, net of the tax effect. Please note that, in accordance with ECB Recommendation 2020/19 of 27 March 2020 on the dividend policy in the context resulting from the COVID-19 (so-called coronavirus) pandemic, the Board of Directors of the Issuer decided on 31 March 2020 to suspend the proposal to distribute cash dividends to shareholders of approximately 3.4 billion euro (equal to 19.2 euro cents per Share), on the agenda of the Ordinary Shareholders' Meeting of 27 April 2020. On proposal by the Board of Directors, the Shareholders' Meeting resolved to allocate the net income for the year 2019 to reserves.

Nevertheless, given the reduction of the non-performing loans and the cost of risk from 2019, the ISP Group has already set aside about 300 million euro (before tax) in the allowance for risks and charges on a prudent basis. The use of these provisions for risks and charges and the possibility of allocating to provisions about 1.2 billion euro before tax of the expected Nexi transaction capital gain would make it possible to absorb a total of about 1.5 billion euro in additional adjustments to loans (before tax) for all of 2020, to be used against the possible negative economic impacts of the COVID-19 pandemic. With regard to the gain expected from the Nexi transaction, finalisation of the strategic partnership with Nexi is subject to fulfilment at the Date of the Registration Document of several conditions precedent in accordance with the market practice applied to similar transactions (for more information, see Part B, Section 14, Paragraph 14.1.4 of the Registration Document).

6.3 Trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

Notwithstanding what is presented below, at the Date of the Registration Document, the Issuer is unaware of trends, uncertainties, demands, commitments or other events that are reasonably likely to have a material effect on the Issuer’s and/or Group's prospects for at least the current financial year.

The beginning of 2020 was dominated by a new disturbing factor, i.e. the COVID-19 pandemic, with its implications for public health, economic activity and commerce, capable of exerting a significant negative effect on global growth. The World Health Organisation declared an international emergency, in response to which the nations affected by cases of contagion (including Italy) implemented specific measures to contain the pandemic, with major impacts on the general economy and the financial markets.

In its press release published on 5 May 2020, the Issuer stated its belief that currently available information only permits outlining the general trends of a scenario in the aftermath of the COVID-19 epidemic, even if it is susceptible to unpredictable changes, given the significant uncertainties surrounding the extraordinary nature of the COVID-19 pandemic.

This hypothetical scenario can be summarised in the forecasts for Italian GDP, which is expected to decrease in the range of 8%-10.5% in 2020 and rebound by around 4.5%-7% in 2021.

In this scenario, in which the soundness of the strategic actions envisaged in the Intesa Sanpaolo 2018-2021 Business Plan is confirmed, the Group will be able to continue to count on its strengths, which consist of its resilient and well-diversified business model, focused on wealth management & protection services and in particular on the development of non-motor P&C insurance products, in addition to strategic flexibility in managing operating costs and proactive management of non-performing loans.

Furthermore, in 2020, the Intesa Sanpaolo Group can count on a buffer to be used to contrast possible negative impacts that may be generated by the COVID-19 pandemic, consisting of 300 million euro in provisions for risks and charges set aside in the first quarter of 2020 as a result of the reduction in non-performing loans and the cost of risk compared with 2019, and the capital gain of about 900 million euro on the Nexi transaction over the year. This would make it possible to use a total of around 1.5 billion euro of pre-tax adjustments to loans for the full year.

Considerations relating to the possible macroeconomic scenario and Intesa Sanpaolo’s inherent strengths lead to an estimated net income for the Group that may be no lower than around 3 billion euro in 2020 and no lower than around 3.5 billion euro in 2021, assuming a potential cost of risk of up to around 90 basis points in 2020 and up to around 70 basis points in 2021.

The dividend policy indicated in the 2018-2021 Business Plan, envisaging the distribution of dividends corresponding to a payout ratio of 75% of net income for 2020 and 70% for 2021, is confirmed. This is subject to ECB indications in respect of dividend distribution after 1 October 2020, as indicated in the Recommendation of 27 March 2020.

The Business Plan projection of a pro-forma fully loaded Common Equity Tier 1 ratio above 13%([66]) in 2021 is also confirmed, even taking into account the potential distribution of the 2019 suspended dividend, subject to ECB guidance concerning the distribution of dividends after 1 October 2020.

([66]) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs

For more information, see Part B, Section 7, of the Registration Document.

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With regard to the Public Exchange Offer, see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document.

With regard to the Public Exchange Offer Capital Increase, see Part B, Section 12, Paragraph 12.1.2 of the Registration Document.

on losses carried forward. The projection of the Common Equity Tier 1 ratio is higher than 12% when excluding the aforementioned DTA absorptions.

7. PROFIT FORECASTS OR ESTIMATES

At the Date of the Registration Document, the Issuer has not approved a consolidated business plan for the ISP Group that reflects completion of the Acquisition. In this regard, the Issuer expects that the business plan for the entity resulting from the integration of the UBI Group into the ISP Group after the possible completion of the Public Exchange Offer will be approved in accordance with the timeline set for approval of the new business plan of the Issuer upon expiration of the 2018-2021 Business Plan (i.e. by early 2022), which will reflect the plans prepared by the Issuer for UBI Banca, which the Issuer intends to launch on completion of the Acquisition.

7.1 Introduction

This Section contains some information regarding forecasts and/or targets communicated by the Issuer to the market at the time (i) of approval of the 2018-2021 Business Plan, (ii) of approval of the consolidated results as at 31 December 2019, (iii) of the announcement of the Public Exchange Offer, and (iv) of the approval of the consolidated interim statement at 31 March 2020, with an update to said information that considers the possible impacts deriving from the COVID-19 (so-called coronavirus) pandemic.

Preliminarily, it is pointed out that, also considering the significant uncertainties surrounding, in particular, the public health and economic impacts and developments resulting from the COVID-19 pandemic, there is the risk that the events assumed at the basis of the targets and forecast data of the Plan, the forecast at the end of 2020 and/or the Strategic Targets of the Acquisition (including dividend distribution objectives)([67]), or the effects deriving from their occurrence, do not occur to the extent and at the times illustrated.

<u>*Forecast Data and economic and financial forecasts updated to 5 May 2020*</u>

On 6 February 2018, the Board of Directors of the Issuer approved the Group's 2018-2021 Business Plan (the "**Business Plan**" or the "**Plan**"), which specifically states that the Group will continue to prioritise strong and sustainable value creation and distribution, while maintaining a very solid capital position and significantly reducing the risk profile at no extraordinary cost to shareholders. In particular, the Plan is based on three fundamental pillars, which envisage: (i) a significant de-risking with no extraordinary costs to shareholders; (ii) cost reduction through further simplification of the operating model; (iii) revenue growth capturing new business opportunities, with specific reference to wealth management & protection, with growth in P&C insurance; People and digitalization are key enablers of the Plan. The Plan is the result of a process of forward-looking simulation of the economic, equity and financial values of the ISP Group, and was built based on the final figures as at 31 December 2017. The economic and equity figures and other amounts relating to the Issuer set out in this Section refer to the amounts reported at consolidated level, unless otherwise indicated.

That being said, without prejudice to the validity at the Date of the Registration Document of the strategic actions in the Business Plan, it is noted that, due to the changed macroeconomic scenario, particularly due to the possible public health and economic impact and developments stemming from the COVID-19 pandemic, on 5 May 2020, the Board of Directors updated the economic and equity forecasts, communicating to the market, *inter alia,* that:

"(...) *It is believed that the information currently available makes it possible to outline general trends of a scenario in the aftermath of the COVID-19 epidemic, even if it is susceptible of unpredictable evolutions*

([67]) Moreover, on 27 March 2020, the European Central Bank (ECB) issued a recommendation to banks not to distribute dividends or reserves, in the situation resulting from the COVID-19 (so-called coronavirus) pandemic, until 1 October 2020, and stated that it will evaluate whether to extend its recommendation beyond that date. In accordance with ECB Recommendation 2020/19, the Board of Directors of the Issuer decided on 31 March 2020 to suspend the proposal to distribute cash dividends to shareholders of approximately 3.4 billion euro (equal to 19.2 euro cents per Share), on the agenda of the Ordinary Shareholders' Meeting of 27 April 2020. On proposal by the Board of Directors, the Shareholders' Meeting resolved to allocate the net income for the year 2019 to reserves. Subject to the recommendations to be provided by the ECB and to the monitoring of the soundness of the ISP Group's capital base in relation to the evolution of the situation resulting from the COVID-19 pandemic, the Board of Directors of the Issuer intends to call a Shareholders' Meeting after 1 October to implement the distribution of part of the reserves to shareholders before the end of 2020, also taking into account the financial support to households and disbursements by the foundations that is especially needed in the situation resulting from the COVID-19 pandemic. However, it cannot be excluded that events may occur in the future that would extend ECB Recommendation 2020/19 and (wholly or partially) prevent the distribution of dividends and reserves and the achievement of the dividend distribution targets.

taking into account the significant uncertainties surrounding the extraordinary nature of the COVID-19 event.

This scenario can be summarised in the forecasts for Italian GDP, which could decrease in the range of 8%-10.5% in 2020 and rebound by around 4.5%-7% in 2021.

In this scenario, which confirms the soundness of the strategic actions envisaged in the Intesa Sanpaolo 2018-2021 Business Plan, the Group will be able to continue to count on its strengths, which consist of its resilient and well-diversified business model, focused on wealth management & protection services and in particular on the development of non-motor P&C insurance products, in addition to strategic flexibility in managing operating costs and proactive management of non-performing loans.

Furthermore, in 2020, the Intesa Sanpaolo Group can count on a solid buffer against the possible COVID-19 epidemic impacts, consisting of 300 million euro of provisions set aside in the first quarter and the capital gain on the Nexi transaction over the year. This would make it possible to absorb a total of around 1.5 billion euro of pre-tax adjustments to loans for the full year.

Considerations relating to the possible macroeconomic scenario and Intesa Sanpaolo's inherent strengths lead to an estimated net income for the Group that may be no lower than around 3 billion euro in 2020 and no lower than around 3.5 billion in 2021, assuming a potential cost of risk of up to around 90 basis points in 2020 and up to around 70 basis points in 2021.

The dividend policy indicated in the 2018-2021 Business Plan, envisaging the distribution of cash dividends corresponding to a payout ratio of 75% of net income for 2020 and 70% for 2021, is confirmed. This is subject to ECB indications in respect of dividend distribution after 1 October 2020, the timeline of the recommendation of 27 March 2020.

The Business Plan projection of a pro-forma fully loaded Common Equity Tier 1 ratio above 13%([68]) in 2021 is also confirmed, even taking into account the potential distribution of the 2019 suspended dividend, subject to ECB guidance concerning the distribution of dividends after next 1 October (…)" (the "**Plan Forecast Data**").

That statement prevails over and replaces any forward-looking statements previously formulated by the Issuer in relation to the Plan Forecast Data and the targets for 2020 results (including that previously communicated to the market on 6 February 2018 and 4 February 2020) which, therefore, shall no longer be deemed valid.

Moreover, it cannot be excluded that events may occur in the future that would extend the aforesaid ECB Recommendation 2020/19 and (wholly or partially) prevent the distribution of dividends and reserves and the achievement of the dividend distribution targets.

It is also noted that, in the press release of 5 May 2020, the buffer to be used against the possible negative economic impacts of the COVID-19 pandemic, consisting of 300 million euro of provisions set aside in the first quarter of 2020 and the capital gain on the Nexi transaction over the year, which would make it possible to use a total of around 1.5 billion euro of pre-tax adjustments to loans for the full year 2020, was deemed extensive enough, as it corresponds to over 70% of the amount of approximately 2.1 billion euro in net adjustments to loans recorded by the ISP Group at 31 December 2019.

The continuation or worsening of the emergency deriving from the COVID-19 pandemic could render the assumptions considered by the Board of Directors for the years 2020-2021 unreliable, resulting in negative effects on the economic results, balance sheet and financial situation and the outlook for the ISP Group which cannot be foreseen at the Date of the Registration Document, and could prejudice the achievement of the revised Business Plan targets during the time period considered.

Lastly, it is noted that the Plan Forecast Data do not consider the effects of the Acquisition and/or the Public Exchange Offer Share Capital Increase and/or the sales of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units (See Part B, Section 14, Paragraphs 14.1.1 and 14.1.2 of the Registration Document).

<u>*The Forecast Result for 2020*</u>

([68]) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward. Above 12% when excluding the aforementioned DTA absorptions.

On 5 May 2020, the Board of Directors of the Issuer approved the consolidated results as at 31 March 2020 and communicated to the market the outlook for the current year, stating that *"Considerations relating to the possible macroeconomic scenario and Intesa Sanpaolo's inherent strengths lead to an estimated net income for the Group that may be no lower than around 3 billion euro in 2020"* (the **"Forecast Result for 2020"**).

That statement prevails over and replaces any forward-looking statements previously formulated by the Issuer in relation to the Forecast Result for 2020 (including that previously communicated to the market on 4 February 2020) which, therefore, shall no longer be deemed valid.

Furthermore, the continuation or worsening of the emergency situation could render the assumptions considered by the Board of Directors for 2020 unreliable, resulting in negative effects on the economic results, balance sheet and financial situation and the outlook for the ISP Group which cannot be foreseen at the Date of the Registration Document, and could prejudice the achievement of the targets for the 2020 result.

The Forecast Result for 2020 does not consider the effects of the Acquisition and/or the Public Exchange Offer Share Capital Increase and/or the sales of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units (See Part B, Section 14, Paragraphs 14.1.1 and 14.1.2 of the Registration Document).

The Acquisition through Public Exchange Offer and the Strategic Targets of the Acquisition

On 17 February 2020, the Issuer and BPER signed the BPER Agreement, which provides for BPER's commitment to acquire a business unit composed of bank branches of the ISP Group, as integrated upon completion of the Offer (that will consist of branches of the ISP Group after its integration with UBI Banca and not represented only by branches of the former UBI Banca) and related staff and customer relationships. On the same date, the Issuer and Unipol signed the Unipol Agreement, which provides for a commitment by Unipol to acquire, directly or through subsidiaries, the business units referring to the insurance companies currently held by UBI Banca (i.e. BancAssurance Popolari S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A.), composed of the "life" insurance policies taken out by the customers of the Banking Business Unit and the related assets, liabilities and legal relationships. On 19 March 2020 – for the purpose of reviewing the mechanism for calculating the consideration for the Banking Business Unit, making it variable based on the market conditions existing on the date of completion of the Public Exchange Offer – the parties signed a supplementary agreement to the BPER Agreement. Then, on 15 June 2020, the Issuer, in order to remove the specific critical antitrust issues identified by the AGCM (the Italian Antitrust Authority) in the Notification of the Results of the Review served on 5 June 2020, negotiated and signed an agreement supplementing the BPER Agreement, through which the number of branches to be transferred was increased (from 400-500 to 532), with precise identification of the addresses and consequent redefinition of the estimate of the quantities involved (see Part B, Section 14, Paragraphs 14.1.1 and 14.1.2 of the Registration Document).

Moreover, in the event that the AGCM found any critical antitrust issues remaining in certain local areas (where there are no branches to be sold to BPER) even after the sale of the Banking Business Unit to BPER, the Issuer engaged to make structural commitments for the sale of Additional UBI Branches. In particular, in the notification sent to the AGCM on 15 June 2020, ISP made the commitment to enter into contracts with one or more independent third parties, within 9 months after settlement of the Offer, for the sale of Additional UBI Branches (the "**ISP Commitments**") (see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document).

The entity resulting from the integration of the UBI Group into the ISP Group will benefit from its capability of revenue generation of a European scale that leverages a resilient business model focused on wealth management & protection, with a footprint in Italy which enhances the country's savings. The combined Group will have over 1,100 billion euro in customer financial assets with around 3 million UBI Banca customers, who hold around 150 billion euro in financial assets.

Once the transaction is finalised, Intesa Sanpaolo will create additional value also thanks to the synergies delivered, continue to pursue a policy that envisages high shareholder remuneration, maintain solid capital ratios, and improve its credit quality further at no extraordinary cost to shareholders, using the Negative Goodwill (of approximately 3.4 billion euro([69]), which will be determined as a result of

([69]) Value rounded up from 3,379 million euro, calculated based on the price of the ISP Share as at 15 June 2020, taking account of the allocation of the Negative Goodwill relating to the Banking Business Unit of 1,250 million euro. Please note that the value of Negative Goodwill indicated in Paragraph 11.5 of the Registration Document, amounting the purchase price allocation process envisaged by IFRS 3 to cover, in 2020, the charges for integration, as well as the adjustments to loans to accelerate NPL reduction.

The profitability of the entity resulting from integration of the UBI Group into the ISP Group will benefit from expected annual synergies of 700 million euro before tax on a fully operational basis (662 million euro by 2023 and an additional 38 million euro by 2024), of which 545 million euro from costs (equal to approximately 5% of the 2019 pro-forma costs of the entity resulting from integration of the UBI Group into the ISP Group) and 156 million euro from revenues (equal to approximately 1% of the 2019 pro-forma revenues of the entity resulting from integration of the UBI Group into the ISP Group).

Cost synergies are expected for approximately 340 million euro from personnel expenses (equal to approximately 5% of 2019 pro-forma personnel expenses of the entity resulting from the integration of the UBI Group into the ISP Group), as a result of the exclusively voluntary exits of approximately 5,000 people - which include the 1,000 requests to participate in the ISP trade union agreement of 29 May 2019 and the 300 people included in the trade union agreement of UBI Banca of 14 January 2020 - and the hiring of 2,500 young people, with a ratio of one hire for every two voluntary exits. The approximately 200 million euro of remaining cost synergies regard other administrative expenses (equal to approximately 5% of the 2019 pro-forma other administrative expenses of the entity resulting from integration of the UBI Group into the ISP Group) (See Part B, Section 7, Paragraph 7.4 of the Registration Document).

The Negative Goodwill shown above, of approximately 3.4 billion euro (which is not relevant for tax purposes), will make it possible to cover charges for integration of 0.9 billion euro, net of the tax effect (equal to approximately 1.3 billion euro pre-tax) and adjustments to loans of approximately 1.2 billion euro net of the tax effect (equal to approximately 1.8 billion euro pre-tax) in 2020, with an increase in the coverage ratio of non-performing loans of UBI Banca, and subsequently sell approximately 4 billion euro in non-performing loans of UBI Banca at a price in line with the carrying amount.

Subsequently, on 5 May 2020, in the press release on the consolidated interim statement at 31 March 2020, the Issuer also communicated the following to the market, in relation to the Acquisition through Public Exchange Offer, and considering the possible impacts deriving from the COVID-19 pandemic:

"(...) *In the aftermath of the COVID-19 epidemic, the strategic rationale underlying the voluntary public exchange offer for all the ordinary shares of UBI Banca takes on even stronger significance, specifically when considering synergies, above all in terms of costs, increased NPL coverage and reduction of unlikely-to-pay loans and bad loans – all key elements in respect of which the announcement made to the market on 17 February 2020 is confirmed.*

With regard to the expected benefits for stakeholders resulting from the transaction – while specifying that Intesa Sanpaolo did not possess information regarding the possible COVID-19 pandemic impacts on UBI Banca and that forward-looking data for UBI Banca have been drawn from public estimates of financial analysts – it is possible to estimate, based on the aforementioned considerations relating to Intesa Sanpaolo, that the combined Group could record a net income of no lower than 5 billion euro in 2022.

The dividend policy for the combined Group is consequently updated and envisages the distribution of cash dividends corresponding to a payout ratio of 75% of the net income for 2020 (excluding the contribution of the negative goodwill ([70]) not allocated to cover integration charges and reduce risk profile from net income) and 70% for 2021. This, too, is subject to ECB indications in respect of dividend distribution after 1 October 2020.

The pro-forma fully loaded Common Equity Tier 1 for the combined Group expected to be above 13%([71]) in 2021, as disclosed on 17 February 2020, is confirmed (…)" (the "**Strategic Targets of the Acquisition**").

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to 2.9 billion euro, was calculated based on the price of the ISP Share as at 14 February 2020 and does not take account of the allocation of the Negative Goodwill relating to the Banking Business Unit.

([70]) The actual determination of the Negative goodwill will result following the outcome of the PPA procedure provided for under IFRS 3.

([71]) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward. Above 12% when excluding the aforementioned DTA absorptions.

The statements above, made on 5 May 2020, are reported verbatim and prevail over and replace any additional, different forward-looking statements formulated by the Issuer in relation to the Strategic Targets of the Acquisition which, therefore, shall no longer be deemed valid.

The continuation or worsening of the emergency situation could render the assumptions considered by the Board of Directors for the years 2020-2022 unreliable, resulting in negative effects on the economic results, balance sheet and financial situation and the outlook for the ISP Group which cannot be foreseen at the Date of the Registration Document, and could prejudice the achievement of the Strategic Targets of the Acquisition.

Moreover, it cannot be excluded that events may occur that would extend ECB Recommendation 2020/19 of 27 March 2020 concerning the dividend policy and (wholly or partially) prevent or postpone the distribution of dividends and reserves and achievement of the dividend distribution targets.

* * *

The main discretionary assumptions and general assumptions relating to the Plan Forecast Data, the Forecast Result for 2020 and the Strategic Targets of the Acquisition are described in Paragraphs 7.2, 7.3 and 7.4 below of this Section 7.

7.2 Main assumptions based on which the Issuer drew up the Plan Forecast Data, as revised on 5 May 2020

7.2.1 The Business Plan Guidelines

The Issuer made an update to the Plan Forecast Data on 5 May 2020, whose strategic guidelines are based on three fundamental pillars: (i) a significant de-risking with no extraordinary costs to shareholders; (ii) cost reduction through further simplification of the operating model; (iii) revenue growth capturing new business opportunities. Pursuant to the Plan, people and digitalization are key enablers for implementing the Business Plan, as illustrated in greater detail in this paragraph. Among other aspects, these are attributable to training and learning, flexibility programs and the strengthening of infrastructure (for example, the multi-channel customer platform and digital wallets).

Based on the considerations relating to the possible macroeconomic scenario and Intesa Sanpaolo's inherent strengths, the Issuer estimated the following:

- net income for the Group should be no lower than around 3 billion euro in 2020 and no lower than around 3.5 billion in 2021;
- potential cost of risk of up to around 90 basis points in 2020 and up to around 70 basis points in 2021;
- distribution of cash dividends corresponding to a payout ratio of 75% of net income for 2020 and 70% for 2021;
- fully loaded pro-forma Common Equity Tier 1 ratio higher than 13%([72]) in 2021.

Below is a brief description of the fundamental pillars on which the Business Plan is structured

1. <u>Significant de-risking at no extraordinary cost to shareholders</u>

The significant de-risking at no extraordinary cost to shareholders envisaged by the Business Plan is based on the following initiatives:

- *<u>Carve-out of a state-of-the-art loan recovery platform and diversification of services</u>*

  The following is planned in regard to the carve-out of the loan recovery platform: (i) further strengthening of the servicing platform, with investments in the quality of data and information systems and the number of employees; (ii) the transfer of the servicing platform to a NewCo, including recovery activities (ordinary credit and leasing) and Re.O.Co. (Real Estate Owned Company); and (iii) partnerships with industrial players to improve recovery performance by adopting international best practices.

([72]) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward. Above 12% when excluding the aforementioned DTA absorptions.

The diversification of services comprises the planned extension of core activities (those targeting financial investors, small/mid-sized banks and industrial customers for SME and corporate portfolios), leveraging Capital Light Bank's settlement and real estate capabilities([73]) and introducing real estate and industrial turnaround advisory services.

- *Significant increase in NPL coverage*

  The strategy of reducing non-performing loans continued, through both disposals and more aggressive internal management for the purpose of an additional reduction in gross and net non-performing loans.

  For that purpose, please note that at 31 March 2020, gross non-performing loans amounted to 30.2 billion euro gross of adjustments compared to 52.1 billion euro in 2017 (14 billion euro net of adjustments, compared to 22.5 billion euro in 2017, considering the first-time adoption of IFRS 9), a decrease of around 42%.

- *"Pulse"*

  This is the new loan management procedure, which consists of the creation of a central hub with an internal unit dedicated to early delinquency management for retail portfolios, centralising all activities currently carried out by the branches. The specific features of the hub consist of: (i) a multi-channel contact strategy with customers (e.g. call centres, digital channels); (ii) a focus on reminders and on rescheduling/restructuring; and (iii) empowerment of people through digital learning and dedicated incentives. Moreover, an extension of the main activities towards third parties has been planned, targeting small/mid-sized banks and non-banks and taking advantage of the extensive know-how in the renegotiation of payment terms. A possible partnership with an industrial player is also being considered, in order to increase the "Pulse" appeal when other banks select their outsourcer.

- *Scale-up of proactive credit portfolio management*

  The goal is to implement credit management 2.0, by expanding proactive credit management under the guidance of the Chief Lending Officer for SMEs by strengthening dedicated units and adapting the process to deal also with performing loans (classified under IFRS 9 Stage 1 and Stage 2 portfolios). The Plan also call for the implementation of a complete suite of rescheduling/restructuring products for small and medium enterprises.

  An Active Credit Portfolio Steering Function was also set up within the CFO Area, acting as a catalyst for the Active Credit Portfolio Management supporting the Business Units to actively manage their portfolio towards a better risk/return profile through more targeted credit origination and more dynamic management of performing and non-performing loan portfolios.

  With regard to the de-risking activities under this pillar, at 31 March 2020, the Issuer had already achieved approximately 88% of the target of sales of non-performing loans planned for the entire duration of the Business Plan, with no extraordinary costs for shareholders.

  Please also note that, in the context of the strategic de-risking actions, the Bank has begun assessments of the possible sale of a portfolio of non-performing loans deriving from leasing operations for a gross book value of around 1.2 billion euro to be realised through the sale of the wholly-owned vehicle Intesa Sanpaolo Provis S.p.A.

2. Cost reduction through further simplification of the operating model

The cost reduction resulting from simplification of the operating model envisaged in the Business Plan is based on the implementation of numerous measures, and specifically:

- *Voluntary exits and employee reskilling*

  At year-end 2017 an agreement was reached with trade unions concerning a total of 9,000 voluntary exits by 30 June 2020, leading to savings in personnel expenses of around 675 million euro per year on a fully operational basis (from 2021).

([73]) This was a business unit established for the purpose of improved management of the Group's "non-strategic" assets coordinating initiatives for optimisation of financial resources, such as stronger management of bad loans and real estate assets in the portfolio of non-performing loans, disposal of non-core investments and proactive management of other non-strategic assets, including those outside of Italy.

At the same time, the following was also envisaged: (i) the hiring of professionals to support growth in core businesses and enable generational change (at 31 March 2020 around 950 specialist staff had been hired since the start of the Plan); (ii) the launch of a dedicated initiative (Proactive HR "In-Placement") to reskill at least 5,000 people towards high value-added jobs (at 31 March 2020, around 3,500 staff had already been focused on priority initiatives); (iii) the gradual deployment of the new flexible banking contract "lavoro misto": two parallel contracts in place for the same person (one part-time contract as a bank employee and one as a financial advisor). At 31 March 2020, there were around 220 flexible contracts and around 200 internships.

- *Branch strategy*

  Cost reduction obtained through: (i) rationalisation of the branch network in Italy (around 1,000 branches closed at 31 March 2020 out of the estimated 1,100 during the period of the Business Plan), leveraging Banca 5 and the new multi-channel platform to preserve direct contact with customers (the partnership with SisalPay was activated at the start of 2020, which will further strengthen the role of Banca 5 as a proximity bank, through a network of over 50,000 non-captive points of sale); (ii) use of the Group's proprietary advanced tools (e.g., Advanced Analytics) to optimise the trade-off between proximity and churn; (iii) implementation of a "multi-format retail model" tailoring branch formats depending on local customer needs through, inter alia:

  - branch opening hours based on specificities of different micro-markets ("Banca Estesa");
  - scale-up of branch-based events to target millennials;
  - new client-centric layout, with welcome areas and co-working spaces (240 branches already renovated at 31 March 2020);
  - partnerships with retailers to satisfy non-banking needs of customers in dedicated branch corners.

  The implementation of targeted territorial coverage in relation to potential has been planned:

  - richest/largest cities (1,340, with around 63% of the population covered), through 2,200 branches with a specialised service model, 13,300 Banca 5 operating points and 7,100 self-banking points (ATMs, cash and deposit machines, and self-cash machines);
  - cities with moderate wealth/size (720, with around 10% of the population covered), through 750 branches without a specialised service model, 2,400 Banca 5 operating points and 1,000 self-banking points;
  - cities with lower wealth/size (2,350, with around 17% of the population covered), with no branches, 4,300 Banca 5 operating points or 300 self-banking points;
  - online branch, out-of-branch services and relationship managers with mixed banking contract (two parallel contracts in place for the same person, one part-time contract as a bank employee and one as a financial advisor) deployed across the board.

- *Proactive management of real estate portfolio*

  The Plan envisages actions to optimise the real estate portfolio in Italy through the disposal of redundant spaces, as well as the optimisation of spaces corresponding to a target of total reduction of 534,000 square metres by 2021 (approximately 557,000 square metres had been freed up in Italy at 31 March 2020).

- *Reduction of legal entities*

  The Plan entails the merger of 12 subsidiaries into Intesa Sanpaolo, in order to preserve the brands with significant customer traction.

  At the Date of the Registration Document, 11 subsidiaries had already been merged into the Bank, while only 1 subsidiary (Banca IMI) remains to be merged, for which the Bank's Board of Directors approved the merger by incorporation on 5 May 2020.

- *Creation of the Chief Cost Management Officer*

  A centre of excellence (dedicated unit) at Group level was set up for full centralisation of procurement as well as rationalisation of relationships with suppliers and focus on Group investments towards Business Plan priorities, leveraging best practices on cost management, real estate and procurement.

3. Revenue growth capturing new business opportunities

Revenue growth is structured based on the strategies to be implemented for the single business areas, and, specifically:

- *P&C Insurance (Protection) (Banca dei Territori Division and Insurance Division)*

  The following is planned in relation to the branch strategy: (i) enhanced commercial reach and effectiveness in Banca dei Territori branches through the introduction of P&C insurance specialists to support branches (220 Protection Specialists already hired at 31 March 2020, in line with the Plan forecasts); (ii) a dedicated training plan for around 30,000 people; and (iii) the introduction of significant dedicated incentive systems (over 30 million euro in dedicated annual incentives since the start of the Plan) and rebranding of retail branches as Bancassurance branches. In addition, the development of an open market digital platform to target Group non-captive customers has been planned.

  The following specific focus is planned in regard to product strategy: (i) on retail/SME non-motor offer exploiting the Italian market potential; and (ii) on broadening of product offering through the set-up of an insurance digital wallet to sell the main products or products other than motor products, including the launch of the “Health and Welfare” products, the enhancement of the SME offering (e.g., advisory on business risks, partnership with brokers) and the introduction of specialised products for high-income customers.

  To improve post-sales and claim management, measures are planned to reduce settlement times (average settlement times reduced from around 14 to around 12 days since the start of the Plan), by improving technology and process efficiency and increasing the dedicated staff (post-sales management was expanded with 164 additional FTE([74]) units since the start of the Plan). The target set out in the Plan is to become one of the top four Italian P&C insurance companies and the first in retail non-motor products.

- *Private Banking (Private Banking Division)*

  The main target is to consolidate its own position in Italy through streamlining measures applied to the two dedicated service models:

  - Intesa Sanpaolo Private Banking network: development of dedicated service models for Lower Private through Private Banking branches and High Net Worth Individuals through the seven dedicated HNWI centres;
  - Fideuram network: introduction of dedicated service models to cover specific needs of both the network and the customer base (e.g., generational change, new advisors).

  The Plan also calls for strengthening the network through: (i) improving the recruiting process (by establishing the Intesa Sanpaolo Private Banking Campus and developing the Learning Factory to create the “Private bankers of tomorrow”); and (ii) hiring financial advisors, private bankers and support staff. At 31 March 2020, around 620 resources had been hired since the start of the Plan).

  The expansion in new areas will benefit from the following initiatives:

  - strengthening the Swiss hub thanks to the acquisition of the Morval Vonwiller Group (integration process concluded on 14 February 2019 with the creation of a single Group subsidiary in Switzerland);
  - strengthening the London branch and development of a presence in Luxembourg;
  - expanding activities in China through the subsidiary Yi Tsai (fund distribution licence received on 18 October 2019 and subsequent business permit issued on 20 November 2019);
  - strengthening governance and control systems to support international expansion.

  With a view to improve the targeting of digital channels, the launch a new digital channel is planned to acquire “self-directed” digital prospect customers and apply the successful Fideuram service model to new customers. Moreover, the digital platform of private bankers (Alfabeto) was enhanced, allowing end-to-end remote advisory to customers.

([74]) Acronym of Full-Time Equivalent, a unit of measure equal to the workload of a full-time employee.

The target of the plan is to become one of the top five private banks in Europe and number 2 in the Eurozone by assets under management.

- *Scale-up of the Asset Management (Asset Management Division)*

  The streamlining of the Asset Management division includes: (i) improving the product mix by developing a distinctive offering on alternatives (e.g., leveraged loan funds, real estate funds) in partnership with the Insurance Division; (ii) continuously innovating products and services targeted at distributors and investors in Italy and abroad; and (iii) implementing a "Quant approach" to enrich the quantitative multi-assets strategy.

  The strengthening of the London branch to create a centre of excellence within the Group, along with the further enhancement of the international business with a focus on selected European markets and China through Penghua Fund Management (a company 49%-owned by the Group) will also contribute to the international expansion targets. Other initiatives envisaged include the improvement of the operating model through the creation of a "talent garden" to test in-house product innovations, promoting a focus on Advanced Analytics. The digitalisation and automation of processes with FTE absorption to support expected growth and maintain a best-in-class position on costs are also envisaged.

- *Scale-up of the Asset Management distribution network for Retail and Personal segments (Banca dei Territori Division)*

  The following interventions are envisaged for achieving this objective:

  - extension of services offered through the advisory platform "Valore Insieme" (real estate, expense management); As at 31 March 2020, there were around 82,000 active contracts and approximately 27.4 billion euro of assets under management;
  - Introduction of additional services and functionalities: advanced online trading platform, Robo-4-Advisor and Robo-Advisory (first Robo-4-Advisory and Robo-Advisory solutions already developed and more currently being assessed in 2020);
  - introduction of new digital services (Smart Save, Smart Invest, Smart Future, Smart Insurance) available both online and through the app, to increase customer acquisition and facilitate access to services (launch of first "Smart Save" digital savings services envisaged during 2020);
  - introduction of the Remote Relationship Manager for affluent multi-channel customers (as at 31 March 2020, there were around 150 remote managers already active in the Online Branch, with some 52,800 customers served);
  - recruitment of Relationship Managers with the new flexible banking contract (two parallel contracts in place for the same person, one part-time contract as a bank employee and one as a financial advisor) for under-penetrated affluent and personal customers (as at 31 March 2020, around 220 were on flexible contracts and around 200 were on internships).

- *A distinctive offering to SMEs and mid-corporates (Banca dei Territori Division and Corporate and Investment Banking Division)*

  The Plan's strategy is structured around the development of a distinctive offering to support the growth in size and profitability of two main groups: Italian SMEs and mid-corporate "Italian Champions" to be promoted internationally.

  The measures for achieving the first objective consist in:

  - scaling-up dedicated coverage teams, including Relationship Managers and Product Specialists;
  - strengthening structured finance and advisory services;
  - developing a digital platform to optimise the SME asset/liability structure ("Industrial dialogue");
  - providing a full suite of non-financial services (e.g., recruiting, training and capability building, employee welfare platform, etc.).

  The second objective will be made possible through:

  - a Global Transaction Banking International platform in the Corporate and Investment Banking Division;

- development of structured Finance and Corporate Finance at Group level, leveraging best practices within the Corporate and Investment Banking Division;
- reinforced supply chain finance offer;
- a distinctive service model, leveraging the international footprint of the Corporate and Investment Banking Division in 25 countries.

- *Increased focus on global corporates and international investors (Corporate and Investment Banking Division)*

  The objective pursued by the Plan for the structure in question is a significant expansion of the Debt Capital Market and syndicated loans business to become a Top-10 Corporate Debt House in EMEA.

  As such, the strategic priorities are represented by: (i) further growth in Project Finance and Structured Export Finance businesses in EMEA and other selected countries; (ii) selective entry/scale-up in fast-growing emerging markets (e.g., Turkey, UAE, Brazil); and (iii) a significant strengthening of international coverage and international teams.

  In order to achieve the Plan's objectives, an originate-to-share business model has been developed, so as to become a market leader in distributing Italian Corporate and SME risk to international financial institutions through:

  - strengthening of the distribution platform of the Corporate and Investment Banking Division;
  - activation of strategic partnerships with investors;
  - enforcement of the proper credit, risk and commercial mechanisms.

- *A new focused strategy on international subsidiaries (International Subsidiary Banks Division)*

  With regard to this topic, the main new feature concerns the development of the network, to be implemented through various operating phases, including: (i) extension of the hub approach to Croatia, Bosnia and Slovenia in South East Europe and to Hungary, Slovakia and, for the consumer finance business, to the Czech Republic in Central Europe; (ii) the creation of a dedicated independent platform at scale in Egypt and Serbia; (iii) the refocus for Albania, Moldova, Romania and Ukraine.

  After the restructuring process, reorganisation of the operating platform is envisaged, with convergence towards a single IT platform for banks belonging to the main hubs, by enhancing the service model through the development of an efficient multi-channel model using the Group's best practices. Extension of this renewed model to the Wealth Management advisory service and distribution of life insurance policies is planned; For corporate customers, too, reinforcement of coverage is envisaged through the introduction of Senior Corporate Bankers.

  In addition to the physical and organisational development of the network, digital development of the structure is also planned. In particular, digital customer penetration will be boosted by offering a new set of state-of-the-art products and services (e.g. multi-channel advisory). The other new features in the digital field concern both the development of new digital processes to push online sales and launch new products, and the introduction of the "Digital Identity" to enhance sales capabilities through virtual branches. As at 31 March 2020, digital customer penetration represented 38.2% of total active customers.

  A further development step concerns China as a growth option in wealth management (International Subsidiary Banks Division, Private Banking Division and Asset Management Division). For the launch and expansion of the subsidiary Yi Tsai, one of the first wealth management enterprises in China to be fully owned by foreign investors, the following initiatives are envisaged:

  - starting operations in the Qingdao pilot zone and then expanding into seven provinces through dedicated branches by 2021;
  - developing an attractive product offering for the Chinese market, leveraging Penghua Fund Management and selected third parties;
  - starting distribution of insurance products.

The fund distribution licence was received on 18 October 2019, and the subsequent business permit was issued on 20 November 2019. The business activities were thus launched in early 2020.

With regard to Penghua Fund Management, strengthening of the distribution capacity is envisaged through direct platforms and selected partnerships, along with the strengthening of product and distribution synergies with Eurizon and other Group companies in the segment of High Net Worth Individuals.

With regard to Bank of Qingdao (a company 14% owned by the Group), on the other hand, the plan is to develop strategic cooperation with the subsidiary Yi Tsai in order to offer a full range of products and services to customers. The Plan does not exclude the possibility of exploring a potential partnership with a leading local industrial player as a strategic accelerator of the Group's wealth management in China.

4. People and digitalisation as key enablers

According to the Business Plan, the enablers of the implementation of the three pillars are:

- *Training:*
  - development of innovative best-in-class training programs to foster a distinctive leadership identity for today's and tomorrow's managers of the Group ("International Management Academy", involving around 7,000 managers);
  - enhancement of the potential of the Group's best performers, through participation in the International Talent Program (a total of around 250 high-potential staff involved in the programme, with plans for further expansion before the end of the Plan);
  - scale-up of the digital learning platform granting all Group employees easy access to Intesa Sanpaolo's learning programs to boost skills by providing a multi-device and tailor-made learning experience, with around 3,000 digital learning modules by 2021 from 700 in 2017. As at 31 March 2020, the Plan's targets had been largely exceeded thanks to the introduction of over 6,000 digital training modules;
  - training of around 1,650 new hires and 5,000 employees reskilled towards high value-added jobs; As at 31 March 2020, around 3,500 people had already been reskilled towards new professional roles of high added value for the Bank;
  - around 11.9 million hours of training in 2021 compared with the 6.6 million hours in 2017 (around 11 million hours of training were provided in 2019);
  - investment of approximately 1 billion Euro over the period 2018-2021.
- Flexibility programs:
  - remote working extended to around 24,000 employees by 2021, compared with 8,000 in 2017, to improve employee productivity and satisfaction and optimise the use of space (as at 31 March 2020, some 35,000 employees had signed up for remote working, including following the large-scale application of flexible working in relation to the COVID-19 pandemic);
  - continuous increase in flexibility initiatives (e.g., part-time and "lavoro misto" contract, namely two parallel contracts in place for the same person, one part-time contract as a bank employee and one as a financial advisor);
- Organisational empowerment:
  - A new Human Resources platform has been introduced, through the establishment of an "International Global Banding" system aimed at maximising internal fairness, external competitiveness and meritocracy (involving around 2,400 roles), while developing a new digital HR multi-device experience based on enriched data and smart processes.
  - The current "Succession Plan" is being extended to all the roles mapped by "International Global Banding" (as at 31 March 2020, there were around 220 flexible contracts and some 200 internships).

In relation to the completion of the digital transformation, on the other hand, a multi-channel platform has been implemented for customers, to be expanded to the full suite of retail/personal customer products (e.g., insurance wallet). In particular, digitalisation in the payment ecosystem will be strengthened through the launch of a digital wallet, which will also enable P2P transactions, and the scale-up of instant payments revamping Bancomat through contactless technology, along with the simultaneous development of a multi-channel platform for SMEs with a new digital Customer Journey (access through the app and dedicated website). The following are also envisaged within the framework of the multi-channel client platform: (i) the launch of a digital transformation for the customers of the Corporate and Investment Banking Division, through a new digital platform, processes and tools; (ii) a digitalisation process for the sales force, with an overhaul of the technology and equipment used to liaise with customers; and (iii) a gradual updating of the back-end platform. The following are also planned: (i) complete digitalisation of priority processes with a focus on corporate loans and non-performing loans; (ii) launch of new digital products and services (e.g. wealth management) to reduce time to market. This will all be possible thanks to: (i) full application of digital HR to streamline administrative activities and enable remote working, (ii) broad use of robotics and artificial intelligence to optimise processes; and (iii) 70% share of activities digitalised in 2021, compared with 10% in 2017 (as at 31 March 2020, 38% of activities had been digitalised).

Further changes will be introduced in data management and cybersecurity through evolution towards a cutting-edge platform/infrastructure for regulatory and business applications and reinforcing data governance through the introduction of new data quality processes. As at 31 March 2020, 76% of Group companies had already been integrated into the new Cyber Security target model. The complete digitalisation of all the financing and managerial reporting system is also envisaged, following the strengthening of cyber security practices, with focus on high impact areas (e.g., advanced identity, predictive cyber security). Technological, regulatory and organisational upgrades will be rolled out to comply with the new European Data Protection Regulation (GDPR). For the entire digitalisation process, the target is 100% of usable data in the Data Lake in 2021, from 50% in 2017 (as at 31 March 2020, the usable data in the Data Lake reached 79%).

In relation to the area of advanced analytics, the following are envisaged: (i) scale-up of the Data Scientist team to over 100 people by 2021 from 15 in 2017 (as at 31 March 2020, 33 data scientists had been introduced); and (ii) spread of the “data culture” across the Group via training, on-the-job learning and communities through partnerships with start-up initiatives in Machine Learning and artificial intelligence, as well as through the full application of use cases already developed (with launches of 10 new use cases per year). The entire innovation process will be achieved through 3 main strands:

- focus on the Group’s priorities (e.g., P&C Insurance in cooperation with InsureTechs);
- scale-up of venture investment managed through Neva Finventures;
- open dialogue with industry leaders and FinTechs to learn emerging technologies and continuously incubate new ideas (fully operational structure dedicated to scouting and the development of relations with the best FinTechs operating at market level).

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Further details concerning the activities envisaged in the Plan are available in the “Investor Relations” section on the Issuer’s website (https://group.intesasanpaolo.com/en/investor-relations/business-plan).

7.2.2 Main assumptions underpinning the formulation of the multi-year economic and financial projections, of a discretionary nature, which may be influenced by the directors and management

When updating the Plan Forecast Data communicated on 5 May 2020, the Issuer decided not to modify the assumptions attributable to the pillars underpinning the 2018-2021 Business Plan. In this context, the assumptions concerning the variables that may be fully or partly influenced by the actions of directors and the management are summarised below:

- increase in revenues through the strengthening of the product company in the Asset Management Division and international expansion in wealth management;
- increase in net fee and commission income thanks to the increase in assets under management;
- increase in other revenues due to the development of non-life insurance business;
- improvement in credit quality thanks to more efficient and proactive management of the loan portfolio and the sale of non-performing loans at no extraordinary cost to shareholders;
- cost savings thanks to the completion of the voluntary exit plan;
- further streamlining of the distribution network;

- optimisation of the real estate portfolio through the overall reduction in spaces used and resulting savings in real estate costs;
- continuation of the Group's digital transformation and bolstering of training and learning through the use of digital channels.

7.2.3 Main assumptions underpinning the formulation of the economic and financial projections, of a general and hypothetical nature, over which the directors and management have no influence

The following shows the man assumptions of a general and hypothetical nature that cannot be completely controlled by the directors and the management, on the basis of which the multi-year economic and financial projections were updated on 5 May 2020.

The Issuer believes that the information currently available makes it possible to identify merely general trends of a macroeconomic scenario in the aftermath of the COVID-19 pandemic, even if unpredictable developments are likely in consideration of the significant uncertainties surrounding the extraordinary nature of the COVID-19 pandemic.

This hypothetical and assumed scenario can be summarised in the forecasts for Italian GDP, which is expected to decrease in the range of 8%-10.5% in 2020 and rebound by around 4.5%-7% in 2021([75]).

Additionally, the Issuer assumed:

(i) that current taxes were estimated by applying the rate currently in force to the earnings before tax generated by the assumptions formulated to determine the forecast profit; and

(ii) that the national and international regulations for the sector were unchanged compared with those laid down in the Registration Document.

* * *

It should be noted that the Plan Forecast Data shown in this paragraph depend, in part, on general and hypothetical assumptions, that cannot be influenced by the directors and the management, and, in part, on the discretionary assumptions underpinning the formulation of the Plan, which are based on actions that can be partly influenced by the directors and management.

Evaluations of the Plan Forecast Data

Based on the discretionary and general/hypothetical assumptions described in this Section, the Issuer believes that, as at the Date of the Registration Document, the Plan Forecast Data are valid.

7.3 Main assumptions on the basis of which the Issuer drew up the Forecast Result for 2020

In determining the Forecast Result for 2020, which is predicted to be no lower than 3 billion euro, the Issuer took account of: (i) the general trends resulting from the COVID-19 pandemic (so-called coronavirus), even if unexpected developments are likely, in consideration of the significant uncertainties that characterise the extraordinary nature of the COVID-19 pandemic, (ii) the validity of the strategic measures envisaged in the 2018-2021 Business Plan and (iii) the buffer, consisting of 300 million euro of provisions set aside in the first quarter of 2020 and the capital gain on the Nexi transaction over the year (which would enable the use a total of around 1.5 billion euro of pre-tax adjustments to loans for the full year); it should be noted that, in order to achieve the 2020 Provisional Result, the Issuer envisaged the use of the aforementioned buffer, i.e. the use of the allowance for risks and charges of 300 million euro set aside during the first quarter of 2020 and the benefit deriving from the recognition of the Nexi capital gain on the income statement, which would enable around 1.2 billion euro of further pre-tax adjustments to loans for all of 2020. The Forecast Result for 2020 is based, inter alia, on:

- assumptions of a discretionary nature relating to future events and measures that may not necessarily occur and that will depend essentially on factors which may be fully or partly influenced by the directors and management of the Issuer; in particular, as indicated below in this section, the discretionary assumptions also contain a reference to commercial measures, such as, for example, focusing on wealth management and protection and the commercial efforts to support the offering of non-motor P&C insurance products, as well as actions aimed at the

([75]) Source: the GDP estimates shown here are the result of internal analysis performed by the Intesa Sanpaolo Research Department.

reduction and renewal of staff, optimising the distribution network and containing administrative costs and the implementation of deleveraging activities; and

- general and hypothetical assumptions concerning future events and actions which may not necessarily occur and that will depend on variables which cannot be influenced by the directors and management of the Issuer.

Moreover, due to the uncertainty associated with the realisation of any future event, both in terms of occurrence of the event, and in regard to the extent and timing of its occurrence, there might be significant discrepancies between the final values and the forecast values, even if the events forecast on the basis of discretionary and general assumptions do materialise.

Discretionary assumptions

The main discretionary assumptions on which the forecast result is based as shown in the Forecast Result for 2020 refer mainly to the levers that characterise the dynamics of revenues, operating costs and non-performing loans.

With reference to revenues and costs, the Issuer will be able to count on its strengths, which consist of its resilient and well-diversified business model, focused on wealth management & protection services and in particular on the development of non-motor P&C insurance products, in addition to strategic flexibility in managing operating costs and proactive management of non-performing loans.

With regard to revenues, the main discretionary assumptions used for determining the Forecast Result for 2020 are attributable to:

(i) focus on Wealth Management and Protection, by expanding the range of products and enhancing the offer of investment and service solutions, in order to convert part of assets under administration and on-demand deposits of households collected over the last few years into assets under management;

(ii) generation of significant revenues from insurance activities, chiefly in the non-motor P&C businesses, through the development of the commercial efforts and a strong focus on the product offering. This development is also supported by the recent acquisition by the Intesa Sanpaolo Group (completed on 11 May 2020) of RBM Assicurazione Salute, a leading company in health insurance, with an expansion of the ISP product mix through inclusion of RBM's collective health policies in the ISP product portfolio for large corporate, SME and small business customers and enhancement of the offer of health insurance products to retail customers.

With regard to operating costs, the main discretionary assumptions used for determining the Forecast Result for 2020 are attributable to:

(i) with reference to personnel expenses, continuation of the measures envisaged in the Plan and aimed at the reduction and renewal of staff, through voluntary early retirement schemes, the selective recruitment of qualified personnel and proactive human resources management;

(ii) continuing optimisation of the distribution network as envisaged in the Plan, with the closure of branches and the development of a multi-channel strategy, relying on the "Banca 5" initiative reinforced by the partnership with SisalPay signed in 2019;

(iii) with reference to the other administrative expenses, containment of said expenses thanks to the oversight of the Chief Cost Management Officer, with the continuation of investments aimed at centralising procurement and consolidating relations with suppliers.

With reference to non-performing loans, the reduction thereof, envisaged in 2020, is based on discretionary assumptions concerning the results already achieved at the end of March 2020 following the deleveraging and the benefits deriving from the proactive management of non-performing loans, as defined in the section on the 2018-21 Business Plan hereinabove.

The aforementioned assumptions present typical uncertainties and risks, since some are outside the control of the Issuer or attributable, in any case, to events that cannot be completely controlled by the Company, including, in particular, the effects on domestic and international economic activities arising from the COVID-19 pandemic, which might lead to a worsening in the expectations of economic operators and tensions on capital markets, with a possible negative impact on the Italy country risk and with negative repercussions for the Issuer, comprising, for example, a greater impact on the cost of funding on the markets and a deterioration in credit quality.

General and hypothetical assumptions

With particular reference to the general and hypothetical assumptions, the Issuer assumed:

(i) that the macroeconomic context in which the Issuer operates is characterised by significant uncertainties connected with the extraordinary nature of the COVID-19 pandemic and may be portrayed in the forecasts for Italian GDP, which is expected to decrease in the range of 8%-10.5% in 2020([76]). This scenario is associated with the assumption of a deterioration in credit quality also during 2020, with the Issuer estimating a cost of risk of up to 90 basis points. To counter the possible impacts stemming from the COVID-19 pandemic, the Issuer can count on a buffer, consisting of 300 million euro of provisions for risks and charges set aside in the first quarter of 2020 and the capital gain on the Nexi transaction over the year. This would make it possible to use a total of around 1.5 billion euro of pre-tax adjustments to loans for the full year;

(ii) that current taxes were estimated by applying the rate currently in force to the earnings before tax generated by the assumptions formulated to determine the forecast profit; and

(iii) that the national and international regulations for the sector were unchanged compared with those laid down in the Registration Document.

Evaluations concerning the Forecast Result for 2020

The Issuer believes that the Forecast Result for 2020 is still valid at the Date of the Registration Document in consideration, in particular, of the contribution deriving from the Wealth Management & Protection business, above all thanks to the development of non-motor P&C insurance products, the strengthening of operations on financial assets, the continued search for efficiency in the management of operating costs, as well as the proactive management of non-performing loans.

7.4 Information regarding the Strategic Targets of the Transaction

The Intesa Sanpaolo Group – when announcing the Acquisition through a Public Takeover Bid – informed the market on 17 February 2020 of certain Strategic Targets of the Transaction for the 2020-2021 period. In particular, the Issuer conducted a combination simulation of its Business Plan (stand-alone), as revised on 5 May 2020, with estimates of the income statement and balance sheet aggregates of the UBI Group provided by research analysts following the completion of the Acquisition of UBI (and the resulting acquisition of control of UBI itself, assuming an Offer acceptance percentage of over 67%) and net of the sale of the Banking Business Unit, the Additional UBI Branches and Insurance Business Units. These strategic targets, including a forecast ISP Group net income resulting from the Acquisition of no less than 5 billion euro in 2022, assume that UBI Banca will be merged with Intesa Sanpaolo. If the Merger is not carried out, the lower forecast cost synergies would not prejudice fulfilment of the strategic target of ISP Group net income resulting from the Acquisition of no less than 5 billion euro in 2022.

This combination is the result of a process of prospective simulation of several operating, capital and financial measures referring to the combined entity resulting from the ISP Group and the UBI Group (net of the sale of the Banking Business Unit and the Insurance Business Units , which are covered, respectively, by the BPER Agreement and the Unipol Agreement, and the Additional UBI Branches covered by the ISP Commitments), making reference to:

(i) the economic and financial forecasts (stand-alone) of ISP, as previously described (updated on 5 May 2020);

(ii) the consolidated prospective estimates of the UBI Group on an annual basis, based on forecasts developed by research analysts that take account, to the extent known, only partially and with various degrees of approximation, of the potential impact caused by the COVID-19 pandemic;

(iii) the equity and financial effects arising from the envisaged Public Exchange Offer Share Capital Increase of the ISP Group;

(iv) the estimates of the equity and financial effects of the sale of the Banking Business Unit (BPER Agreement), the Additional UBI Branches (ISP Commitments) and the Insurance Business Units (Unipol Agreement);

(v) the economic and financial effects of the income and cost synergies, as well as the charges for integration arising from the planned integration of the UBI Groupe into the ISP Group.

([76]) Source: the GDP estimates shown here are the result of internal analysis performed by the Intesa Sanpaolo Research Department.

With reference to point (iv) above, the Issuer has estimated the effects deriving from the sale of the Banking Business Unit and the sale of the Insurance Business Units to BPER and Unipol, respectively, as well as of the Additional UBI Branches as per the ISP Commitments, for the 2021 and 2022 financial years, based on what is known with reference to 2019, as shown in Paragraph 5.1.6.1.

In consideration of the rough estimates formulated with reference to certain items/parameters of the Banking Business Unit (BPER Agreement), of the Additional UBI Branches (ISP Commitments) and the Insurance Business Units (Unipol Agreement), the following average impacts connected with the sale of the Banking Business Unit and Insurance Business Units were therefore assumed for 2021 and 2022:

- reduction of the net loans to customers of around 26.7 billion euro, corresponding to around 5.3% of the net loans to customers of the Issuer after the combination;
- reduction of the direct deposits of around 30.2 billion euro, corresponding to around 5.3% of the direct deposits of the Issuer after the combination;
- reduction of the indirect customer deposits of around 34.9 billion euro, corresponding to around 5.4% of the indirect customer deposits of the Issuer after the combination;
- reduction of the net income for an average amount corresponding to around 2.5% of the net income of the Issuer after the combination.

Despite the fact that the Issuer made its Offer having taken on board the guidance provided by the management of UBI Banca on the economic/financial targets of the UBI Group communicated to the market on 17 February 2020, with particular reference to initiatives to improve the operating efficiency of the UBI Group, as described in the press release and associated presentation to the market of the “2022 Business Plan” of the UBI Group, published by UBI Banca on the same date, the Issuer did not have, and still lacks, tools or detailed information enabling an evaluation of the effects that they may generate on the Acquisition and on the strategic targets thereof hypothesised by the Issuer. Given the foregoing, the Issuer believes that the Strategic Targets of the Acquisition are valid at the date of the Registration Document.

In the aftermath of the COVID-19 pandemic, the strategic rationale underlying the voluntary public exchange offer for all the ordinary shares of UBI Banca takes on even stronger significance, specifically when considering synergies, above all in terms of costs, increased NPL coverage and reduction of unlikely-to-pay loans and bad loans – all key elements in respect of which the announcement made to the market on 17 February 2020 is confirmed. With regard to the expected benefits for stakeholders resulting from the transaction, ISP declared in a press release published on 5 May 2020 that the entity resulting from integration of the UBI Group into the ISP Group could realise net income of no lower than 5 billion euro in 2022.

The Issuer also confirms the dividend policy for the entity resulting from integration of the UBI Group into the ISP Group, and envisages the distribution of cash dividends corresponding to a payout ratio of 75% of the net income for 2020 (excluding the contribution of the negative goodwill not allocated to cover integration charges and reduce risk profile from net income) and 70% for 2021. This, too, is subject to ECB indications in respect of dividend distribution after 1 October 2020. A rise in earnings per share of around 6% compared with the 2019 earnings per share of the Issuer([77]) is also confirmed.

Lastly, the Issuer confirms that the pro-forma fully loaded Common Equity Tier 1 ratio for the entity resulting from integration of the UBI Group into the ISP Group is expected to be above 13%([78]) in 2021, as disclosed on 17 February 2020.

Please note that the expected cost and revenue synergies resulting from completion of the integration of the UBI Group into the ISP Group have been estimated (i) for the year 2023, in the amount of 662 million euro before tax, and (ii) upon full implementation beginning in 2024 (inclusive), in the amount of approximately 700 million euro before tax per year. This amount represents the overall estimate of the annual contribution to pre-tax profits of the synergies (of both cost and revenues) when fully phased in.

([77]) Considering the 2019 net income of ISP, the 2019 net income of UBI Banca and the synergies envisaged net of the Agreement with BPER Banca on the Banking Business Unit.

([78]) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward. Above 12% when excluding the aforementioned DTA absorptions.

The table below shows a comparison between the Strategic Targets of the Transaction communicated to the market on 17 February 2020 and those revised on 5 May 2020, with certain estimates of some of the main economic aggregates and indicators which take into account the effects of the transaction.

	Press release of 17 February 2020	Press release of 5 May 2020
Net income for 2022	Above 6 billion euro	No lower than 5 billion euro
2020 dividend policy	DPS equal to 0.20 euro	Payout ratio of 75% of net income(*)
2021 dividend policy	DPS greater than 0.20 euro	Payout ratio of 70% of net income

(*) Excluding from the profit the contribution of negative goodwill not allocated to covering the charges for integration and the reduction of the risk profile.

The Issuer estimates that the contribution made by the UBI Group to the results of the entity created upon completion of the Merger will not exceed, on average, about 11.5% in terms of the annual operating margin of the combined entity for the years 2021 and 2022.

Main assumptions underpinning the development of the Strategic Targets of the Transaction

The Strategic Targets of the Transaction identified by the Issuer are mainly based on general and hypothetical assumptions concerning future events and actions which may not necessarily occur and that will depend on variables which cannot be influenced by the directors and management of the Issuer and, to a lesser extent, on discretionary assumptions, concerning future events and actions that will not necessarily occur and which will depend essentially on factors which can be fully or partly influenced by the directors and management of the Issuer.

Moreover, due to the uncertainty associated with the realisation of any future event, both in terms of occurrence of the event, and in regard to the extent and timing of its occurrence, there might be significant discrepancies between the final values and the estimated values, even if the events forecast on the basis of the general and hypothetical assumptions, as well as the discretionary assumptions, do materialise.

In this context, it should be noted that the Issuer, with a view to promoting the Offer on UBI Banca, has not prepared a specific business plan, nor arranged a revision of its own business plan in relation to UBI Banca. The UBI figures used as a reference to extrapolate the future profitability of the combined entity are based on the income statement and balance sheet aggregate forecasts developed by research analysts that take account, to the extent known, only partially and with various degrees of approximation, of the potential impact caused by the COVID-19 pandemic.

The grounds for the Issuer’s decision to subsequently sell branches from the Banking Business Unit and, if appropriate, the Additional UBI Branches covered by the ISP Commitments, are to provide the most complete representation of the Acquisition transaction and its effects and to prevent/eliminate the occurrence of situations of potential relevance for antitrust purposes deriving from the integration of the UBI Group into the ISP Group. The determination of such effects, but also the sole estimate thereof based on the market trend over the coming months, would require accurate information on the operations of both the Issuer and UBI Banca.

These criteria, which, within the limits described above, will be subject to verification and subsequent evaluation, were used to determine the contribution in terms of profit or loss that UBI Banca will make to the Issuer following the integration, as well as the Issuer’s capacity to obtain the synergies described below.

General and hypothetical assumptions

With particular reference to the general and hypothetical assumptions, the Issuer assumed:

(i) that the macroeconomic context in which the Issuer operates is characterised by significant uncertainties connected with the extraordinary nature of the COVID-19 pandemic and may be portrayed in the forecasts for Italian GDP, which is expected to decrease in the range of 8%-10.5% in 2020 and post a recovery of 4.5-7% in 2021.

(ii) that current taxes are estimated by applying the rate currently in force to the earnings before tax generated by the assumptions formulated to determine the forecast data; and

(iii) that the national and international regulations for the sector were unchanged compared with those laid down in the Registration Document.

Discretionary assumptions

With particular reference to the discretionary assumptions, the Issuer drew up the Strategic Targets of the Transaction, considering, in particular, the scaling up of high-added value operations in the business segment (such as wealth management, life and non-life bancassurance, where ISP is seeking to become the market leader on the non-motor retail market, leasing and factoring), the increase in critical mass and the simultaneous achievement of greater coverage with associated significant cost synergies deriving from economies of scale, the resulting freeing up of financial resources for technological investments (i.e. artificial intelligence, machine learning and advanced analytics) and the acceleration of de-risking at no extraordinary cost to shareholders.

Synergies envisaged in the event that the Merger is successfully completed

In this regard, it is envisaged that in the event of Merger, the planned integration of the UBI Group into the ISP Group may generate synergies (i) of 662 million euro before tax for 2023; (ii) upon full implementation, 700 million euro before tax beginning in 2024 (inclusive).

The ISP Group believes that revenue synergies may be achieved (integrally from 2023, inclusive), which can be estimated in the approximate amount of 156 million euro before tax per year, deriving from the increase in productivity per customer at the Issuer's levels, as well as the increase in profitability, including thanks to the efficiency gains deriving from the integration of the respective product factories of the Issuer and the UBI Group in the high value-added business segments (such as wealth management, life and non-life bancassurance, where ISP is seeking to become the market leader on the non-motor retail market, leasing and factoring), by leveraging an internalised distribution and offer model.

In particular, the integration into Wealth Management and Protection Companies of the businesses deriving from the product factories (Pramerica SGR, Aviva Vita, Lombarda Vita, BancAssurance Popolari) will enable a further focus on the insurance/pension component in the "personal", "household" and "affluent" segments, as well as the extension of the use of new technologies (big data and advanced analytics) to determine a targeted commercial offering. Consequently, the integration of UBI Banca into ISP will allow both to benefit from a revenue generation capacity on a European scale based on a business model focused on wealth management & protection, with a footprint in Italy which enhances the country's savings. The combined Group will have over 1,100 billion euro in customer financial assets, thanks to the contribution of some 150 billion euro in financial assets from UBI Banca customers.

With reference to the cost synergies, the Issuer intends to secure an increase in critical mass, and simultaneous achievement of greater coverage of geographical markets previously less served, in order to achieve significant cost synergies deriving inter alia from economies of scale and which the Issuer forecasts upon full implementation (from 2024 inclusive) to be 545 million euro before tax per annum if the Merger is completed. For the year 2023 the Issuer envisages the generation of cost synergies of 506 million euro before tax.

In relation to this objective, the Issuer also intends to leverage its experience and ability to operate efficiently on the market with an agile operating structure, which will enable, inter alia, the simultaneous freeing up of significant financial resources, including for technological investments (i.e. artificial intelligence, machine learning and advanced analytics). These investments are necessary to operate with ever greater effectiveness and efficiency in a competitive context which is witnessing a growing role played by new types of competitors. Given their considerable size, these investments require an adequate response in terms of scale and a broad customer base.

In particular, the Issuer estimates the generation of around 340 million euro before tax per year of synergies on personnel expenses thanks to the voluntary exit of 5,000 people, while increasing the efficiency of the head office functions, together with that of the distribution network, will guarantee further synergies of about 200 million euro before tax per year. In order to achieve the aforementioned objectives, gross charges for integration of around 1.3 billion euro are envisaged (before tax and as a one-off payment), fully expensed during 2020.

Strategic Targets of the Transaction and synergies envisaged in the event that the Merger is not successfully completed

The Issuer believes that, in the event of acquisition of an interest of 50% in the share capital + 1 UBI Banca share and failure to complete the Merger, the Strategic Targets of the Transaction, as described above, will remain valid.

With particular reference to the synergies, it should be noted that the revenue synergies are expected to be realised in their entirety, given that they derive from the distribution and service model of the ISP Group, regardless of whether the Merger is accomplished. Instead, the cost synergies are based on the centralised management of operating costs, in accordance with standard practice at Intesa Sanpaolo. In detail, the synergies for personnel expenses depend on the number of acceptances of the early retirement plan and the amount of the charges for integration that will permit the voluntary exit of 5,000 persons from the entity resulting from the integration of the UBI Group into the ISP Group (while also considering the 2,000 redundancies already budgeted in the business plan approved by UBI Banca, which Intesa Sanpaolo intends to carry out only on a voluntary basis and at the same time as the hiring of 2,500 new employees), which are also independent of the Merger, given the possibility of taking advantage of the greater dimensions and intragroup mobility, as now occurs for the legal entities of the ISP Group. Instead, with regard to the other administrative expenses, it is assumed that synergies will be realised from the integration of the systems and greater size of the group (as resulting from the integration of the UBI Group into the ISP Group) with consequent impact on discretionary expenses and improved efficiency of its territorial operations.

If the Merger is not carried out, the Issuer estimates that it could still realise annual synergies upon full implementation, from 2024 (inclusive), of 611 million euro (around 87% of the synergies envisaged upon full implementation in the event of Merger, totalling around 700 million euro), of which 156 million euro in revenues (equal to 100% of the synergies that may be assumed in the case of Merger) and 455 million euro in costs (around 84% of the synergies that may be assumed in the case of Merger, equal to 545 million euro)([79]), will be achieved. The loss of about 90 million euro in synergies has been prudently estimated for the higher costs of maintaining UBI Banca as a separate autonomous legal entity.

De-risking

The Issuer believes that de-risking may be accelerated, at no extraordinary cost to shareholders. In particular, the Issuer intends to implement management actions aimed at accelerating the de-risking of UBI Group assets through the sale, during 2021, of around 4 billion euro of the non-performing loans of the ISP Group at a price in line with their carrying amount at the date of transfer, reducing the level of the gross non-performing loans of the ISP Group (as resulting from integration of the UBI Group upon successful completion of the Offer).

* * *

The aforementioned assumptions present typical uncertainties and risks, since some are outside the control of the Issuer or attributable, in any case, to events that cannot be completely controlled by the Bank.

It is pointed out that, also considering the significant uncertainties surrounding, in particular, the public health and economic impacts and developments resulting from the COVID-19 (so-called coronavirus) pandemic, there is the risk that the events assumed at the basis of the Strategic Targets of the Transaction (including dividend distribution objectives), or the effects deriving from their occurrence, do not occur to the extent and at the times illustrated.

Moreover, it cannot be excluded that events may occur that would extend ECB Recommendation 2020/19 of 27 March 2020 concerning the dividend policy and (wholly or partially) prevent or postpone the distribution of dividends and reserves and achievement of the dividend distribution targets.

* * *

Although the Issuer believes that the Strategic Targets of the Acquisition have been developed on the basis of assumptions deemed valid at the Date of the Registration Document, there is no guarantee that (i) the accounting standards adopted in the preparation of the “2022 Business Plan” of the UBI Group are consistent with those used by ISP in drafting its Business Plan (stand-alone); (ii) the definition of Alternative Performance Measures and, in general, the management data considered by the UBI Group for estimating the forecast data are consistent with and, therefore, comparable with the definition of the same data used by ISP and (iii) the Strategic Targets of the Transaction represent the future consolidated economic results, balance sheet and financial situation of the Intesa Sanpaolo Group following the completion of the Acquisition and the sale of the Banking Business Unit (the subject of the BPER

([79]) Please note that for the year 2023 the cost and revenue synergies in the event the Merger is not carried out would correspond to 573 million euro of additional pre-tax profit, compared to 662 million euro that could be achieved in the event of the Merger.

Agreement), the Additional UBI Branches (the subject of the ISP Commitments) and the Insurance Business Units (the subject of the Unipol Agreement).

On 8 May 2020, UBI Banca approved and published the figures for the first quarter of 2020 and informed the market, inter alia, that (i) "*in terms of capital, thanks to its capital resources, solid liquidity position and the quality of its assets, the UBI Group is able to comfortably deal with the crisis, as it has done in previous crises, continuing to support the communities where it operates and to generate profits on an ongoing basis for the benefit of all stakeholders (including dividends when authorised by the ECB)"* and that (ii) "*in the first quarter of the year, net impairment losses on loans and advances to customers amounting to 155.6 million euro were recognised, of which approximately 50 million euro relating primarily to specific impairment losses recognised on unlikely-to-pay exposures in the sectors hit hardest by the Covid 19".* In addition, by means of the press release issued on 19 May 2020, UBI Banca expressly informed the market that "*The recently published figures for the first quarter of 2020 have confirmed the solidity of UBI Banca's operating results and its financial position, as well as the quality of its assets".* In light of the public information framework, as summarised above, as well as the update of the profit estimates of UBI Banca provided by the research analysts following the publication of the results of UBI Banca for the first quarter of 2020, the Issuer believes that the Strategic Targets of the Transaction, as shown in this Paragraph, will be valid at the Date of the Registration Document.

Potential investors are therefore invited, before making any investment decision, to consider the points set forth above.

For information about the details concerning the Banking Business Unit (BPER Agreement), the Additional UBI Branches (ISP Commitments) and the Insurance Business Units (Unipol Agreement), see Part B, Section 5, Paragraph 5.1.6.1, of the Registration Document.

7.5 Issuer Statements

The Plan Forecast Data and Forecast Result for 2020 have been calculated and drafted on a comparable basis with the financial information pertaining to past years – as supplemented by the pro-forma financial information of the ISP Group as at 31 December 2019 and the information concerning the impacts of the sales of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units on certain pro-forma financial position and financial performance figures of the ISP Group at 31 December 2019 – and are consistent with the accounting policies of the ISP Group, which are in line with the IFRS applied by the Issuer and the Group in the consolidated financial statements for the year ending 31 December 2019 and take account of IFRS 16 applied from 1 January 2019.

8. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND KEY MANAGERS

8.1 Corporate bodies and key managers

The Issuer has adopted a one-tier corporate governance system pursuant to Articles 2409-*sexiesdecies* et seq. of the Italian Civil Code. It therefore conducts its operations through a Board of Directors, certain members of which are also members of the Management Control Committee.

8.1.1 Board of Directors

Pursuant to Article 13 of the Articles of Association of the Issuer, in force at the Date of the Registration Document, the Board of Directors is composed of a minimum of 15 and a maximum of 19 members, appointed by the Shareholders' Meeting.

The Ordinary Shareholders' Meeting held on 30 April 2019 set the number of members of the Board of Directors at 19.

At the Date of the Registration Document, the Board of Directors of the Issuer has 19 members, of whom 17 are directors appointed by the Ordinary Shareholders' Meeting held on 30 April 2019 and two directors appointed by the Ordinary Shareholders' Meeting held on 27 April 2020, after the resignation of two directors. In particular, the Shareholders' Meeting on 27 April 2020: (i) approved the appointment of Andrea Sironi as member of the Board of Directors, after he had been co-opted by the Board of Directors on 2 December 2019, pursuant to Article 2386 of the Italian Civil Code and Article 15.3 of the Articles of Association, following the resignation of director Giovanni Gorno Tempini on 8 November 2019 after he was appointed as Chairman of Cassa Depositi e Prestiti S.p.A.; and (ii) appointed Roberto Franchini as member of the Board of Directors and the Management Control Committee, in substitution of director Corrado Gatti, who resigned on 2 March 2020 for personal reasons (as illustrated in more detail in Paragraph 8.1.1.1).

The directors elected by the Shareholders' Meeting shall hold office for three financial years (or, in the case of Directors Andrea Sironi and Roberto Franchini, for the remainder of the term) until approval of the financial statements at 31 December 2021.

The following table lists the members of the Board of Directors at the Date of the Registration Document, their individual office, and the list of the principal activities performed by them outside the Issuer, to the extent that they are of material interest to the Issuer:

NAME AND SURNAME	OFFICE HELD AT THE ISSUER	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER, TO THE EXTENT THEY ARE OF MATERIAL INTEREST TO THE ISSUER
Gian Maria Gros-Pietro	Chairman	–
Paolo Andrea Colombo(*)	Deputy Chairperson	Member of the Board of Directors of Colombo & Associati S.r.l.
Carlo Messina	Managing Director and CEO	Member of the Board of Directors of A.B.I. – Italian Banking Association
Franco Ceruti	Director	Member of the Board of Directors of Intesa Sanpaolo Private Banking S.p.A. Chairman of Intesa Sanpaolo Expo Institutional Contact S.r.l.
Rossella Locatelli(*)	Director	Chairperson of B.F. S.p.A. Member of the Board of Directors of Società per la Bonifica dei Terreni Ferraresi e per Imprese Agricole S.p.A. Member of the Supervisory Board of Darma Asset Management SGR in compulsory administrative liquidation
Luciano Nebbia	Director	Deputy Chairman of Equiter S.p.A. Member of the Board of Directors of Intesa Sanpaolo Casa S.p.A.

Bruno Picca	Director	–
Livia Pomodoro(*)	Director	–
Maria Alessandra Stefanelli(*)	Director	–
Guglielmo Weber(*)	Director	–
Daniele Zamboni(*)	Director	–
Maria Mazzarella(*)	Director	–
Anna Gatti(*)	Director	Member of the Board of Directors of Lastminute.com N.V. Member of the Board of Directors of Wizink Bank S.A. Member of the Board of Directors of Fiera Milano S.p.A.
Andrea Sironi(*)(**)	Director	Chairman of Borsa Italiana S.p.A. Member of the Board of Directors of London Stock Exchange PLC Chairman of London Stock Exchange Group Holding Italia S.p.A.
Fabrizio Mosca(*)	Director and Member of the Management Control Committee	Deputy Chairman of Mecplast S.r.l. Standing Statutory Auditor of Moncanino S.p.A. Chairman of the Board of Auditors of Bolaffi S.p.A. Chairman of the Board of Statutory Auditors of Aste Bolaffi S.p.A. Chairman of the Board of Statutory Auditors of Bolaffi Metalli Preziosi S.p.A. Standing Statutory Auditor of M. Marsiaj & C. S.r.l.
Milena Teresa Motta(*)	Director and Member of the Management Control Committee	Member of the Board of Directors of Strategie & Innovazione S.r.l. Chairperson of the Board of Statutory Auditors of Trevi Finanziaria Industriale S.p.A.
Maria Cristina Zoppo(*)	Director and Member of the Management Control Committee	Chairperson of the Board of Statutory Auditors of Houghton Italia S.p.A. Standing Statutory Auditor of Coopers & Standards Automotive Italy S.p.A. Chairperson of the Board of Statutory Auditors of Schoeller Allibert S.p.A.
Alberto Maria Pisani(*)	Director and Chairman of the Management Control Committee	–
Roberto Franchini(*)(***)	Director and Member of the Management Control Committee	–

(*) Independent Director pursuant to Art. 148, paragraph 3, of the Consolidated Law on Finance, paragraph 13.4.3 of the Articles of Association, and Art. 3 of the Corporate Governance Code

(**) Appointed by the Shareholders' Meeting on 27 April 2020 after co-option by the Board of Directors on 2 December 2019 in substitution of Director Giovanni Gorno Tempini.

(***) Appointed by the Shareholders' Meeting on 27 April 2020 in substitution of Director Corrado Gatti.

All Members of the Board of Directors of the Issuer are domiciled for service at the registered office of the Bank.

The following table shows all the corporations or partnerships, other than the Issuer, in which the Members of the Board of Directors of the Issuer were members of the administrative, management or supervisory bodies, shareholders or partners during the last 5 (five) years, with an indication of the status of their position and/or the interest they held at the Date of the Registration Document.

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
Gian Maria Gros-Pietro	A.B.I. Italian Banking Association	Senior Deputy Chairman	In office
	L.U.I.S.S. Guido Carli University	Director	In office
	Corporate Governance Committee of Borsa Italiana	Member	In office
	Edison S.p.A.	Director	No longer in office
	ASTM S.p.A.	Chairman of the Board of Directors	No longer in office
	STEDI – Studi di Economia delle Imprese S.r.l.	Director and CEO	No longer in office
	Adige S.p.A.	Deputy Chairman of the Board of Directors	No longer in office
	Fondazione Centro Studi Investimenti Sociali – CENSIS	Member of the Executive Board	No longer in office
	Zingali Acoustics S.p.A.	Shareholder	Current
Paolo Andrea Colombo	Colombo & Associati S.r.l.	Director	In office
	Merfin S.S.	Director	No longer in office
	Immobiliare Villair S.S.	Director	No longer in office
	L'Uliveto di Vendicari – Società Agricola Semplice	Director	No longer in office
	SAIPEM S.p.A.	Chairman of the Board of Directors	No longer in office
	CERESIO SIM S.p.A.	Director	No longer in office
	Humanitas Mirasole S.p.A.	Standing Statutory Auditor	No longer in office
	Massimo Moratti SAPA	Standing Statutory Auditor	No longer in office
	MEDIASET S.p.A.	Director	No longer in office
	MOBRO S.p.A.	Standing Statutory Auditor	No longer in office
	Società per l'Aeroporto Civile di Bergamo – Orio al Serio S.p.A. (S.A.C.B.O. S.p.A)	Standing Statutory Auditor	No longer in office
	ALITALIA S.p.A.	Director	No longer in office

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
	Interbanca S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
Carlo Messina	Bocconi university	Director	In office
	A.B.I. – Italian Banking Association	Director	In office
Franco Ceruti	Intesa Sanpaolo Private Banking S.p.A. (ISP Group)	Director	In office
	Intesa Sanpaolo Expo Institutional Contact S.r.l. (ISP Group)	Chairman of the Board of Directors	In office
	Fondazione per l'Innovazione del Terzo Settore	Chairman of the Board of Directors	In office
	Milan Chamber of Commerce	Director	In office
	Banca Prossima S.p.A. (ISP Group)	Director	No longer in office
	MEDIOCREDITO S.p.A. (ISP Group)	Director	No longer in office
	Intesa Sanpaolo Assicura S.p.A. (ISP Group)	Director	No longer in office
Rossella Locatelli	B.F. S.p.A.	Chairperson of the Board of Directors	In office
	Società per la Bonifica dei Terreni Ferraresi e per Imprese Agricole S.p.A.	Director	In office
	Darma Asset Management SGR S.p.A. in compulsory administrative liquidation	Member, Supervisory Board	In office
	Sofia Gestione del Patrimonio SGR S.p.A.	Member, Supervisory Board	No longer in office
Luciano Nebbia	Equiter S.p.A.	Deputy Chairman of the Board of Directors	In office
	Intesa Sanpaolo Casa S.p.A. (ISP Group)	Director	In office
	Fondazione Parchi Monumentali Bardini Peyron Cassa di Risparmio di Firenze S.p.A. (ISP Group)	Director	In office
	Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. (ISP Group)	Deputy Chairman of the Board of Directors	No longer in office
	Casse di Risparmio dell'Umbria S.p.A. (ISP	Deputy Chairman of the Board of Directors	No longer in office

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
	Group)		
	Equiter S.p.A.	Director	No longer in office
Bruno Picca	National Interbank Deposit Guarantee Fund – Voluntary Scheme	Member of the Management Committee	In office
	National Interbank Deposit Guarantee Fund – Consortium	Member of the Management Committee	No longer in office
	ISGS SCPA (ISP Group)	Director	No longer in office
Livia Pomodoro	Milan Center for Food Law and Policy	Chairperson of the Executive Board	In office
	Accademia di Belle Arti di Brera	Chairperson of the Board of Directors	In office
	Touring Club Italiano	Director	In office
	Fondazione Alessandro Lombardi e Croci Angela Lombardi	Chairperson of the Board of Directors	In office
	Il Sole 24 Ore S.p.A.	Director	No longer in office
	Italmobiliare S.p.A.	Deputy Chairperson of the Board of Directors and Member of the Executive Committee	No longer in office
	Fondazione Pio Istituto del Buon Pastore	Director	No longer in office
	Bicocca university	Director	No longer in office
	REV – Gestione Crediti S.p.A.	Deputy Chairperson of the Board of Directors	No longer in office
Maria Alessandra Stefanelli	Immobiliare Elisa S.r.l.	Shareholder	Current
	Diana S.r.l.	Shareholder	Current
	Immobiliare Sirti S.r.l.	Shareholder	Current
	Autocentrolame S.r.l.	Shareholder	No longer in office
Guglielmo Weber	Intesa Sanpaolo Assicura S.p.A. (ISP Group)	Deputy Chairman of the Board of Directors	No longer in office
	Intesa Sanpaolo Vita S.p.A. (ISP Group)	Director	No longer in office
Daniele Zamboni	Ernst & Young S.p.A. Reconta	Director	No longer in office
Maria Mazzarella	–	–	–
Anna Gatti	Lastminute.com N.V.	Director	In office
	Wizink Bank S.A.	Director	In office
	Fiera Milano S.p.A.	Director	In office
	GTECH S.p.A.	Director	No longer in office

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
	E-PRICE S.p.A.	Director	No longer in office
	PIQUADRO S.p.A.	Director	No longer in office
	RAI WAY S.p.A.	Director	No longer in office
Andrea Sironi	Borsa Italiana S.p.A.	Chairman of the Board of Directors	In office
	London Stock Exchange Group Holding Italia S.p.A.	Chairman of the Board of Directors	In office
	London Stock Exchange PLC	Director	In office
	Bocconi university	Deputy Chairman of the Board of Directors	In office
	Cassa Depositi e Prestiti S.p.A. - CDP S.p.A.	Director	No longer in office
	Unicredit S.p.A.	Director	No longer in office
	Associazione Amici della Bocconi	Director	No longer in office
	Consortium for Genomic Technologies Società Benefit S.r.l. – Cogentech Società Benefit S.r.l.	Director	No longer in office
	SAES GETTERS S.p.A.	Chairman of the Board of Directors	No longer in office
Fabrizio Mosca	FLY S.r.l.	Director	In office
	Mecplast S.r.l.	Deputy Chairman of the Board of Directors	In office
	Bolaffi S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Aste Bolaffi S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Bolaffi Metalli Preziosi S.p.A.	Chairman of the Board of Statutory Auditors	In office
	M. Marsiaj & C. S.r.l.	Standing Statutory Auditor	In office
	Moncanino S.p.A.	Standing Statutory Auditor	In office
	Fondazione del Piemonte per l'Oncologia	Director	In office
	GETO S.r.l. in liquidation	Sole director	No longer in office
	F.V. EFFEVI S.r.l.	Standing Statutory Auditor	No longer in office
	INTHERA S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	SETEC S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	FUDEX Group S.p.A.	Standing Statutory Auditor	No longer in office

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
	PRAXI INTELLECTUAL PROPERTY S.p.A.	Standing Statutory Auditor	No longer in office
	SPIN LAB – Laboratorio di Impresa S.r.l.	Director	No longer in office
	TRW Automotive Italia S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	WHY in Italy S.r.l.	Sole director	No longer in office
	Istituto per la Ricerca e la cura del Cancro – Torino S.r.l. in liquidation	Liquidator	No longer in office
	Sidauto S.r.l.	Standing Statutory Auditor	No longer in office
	TRW Automotive Holding Italia S.r.l.	Standing Statutory Auditor	No longer in office
	SPIN LAB – Laboratorio di impresa S.r.l.	Shareholder	Current
	FLY S.r.l.	Shareholder	Current
	WHY in Italy S.r.l.	Shareholder	Current
Milena Teresa Motta	Trevi Finanziaria Industriale S.p.A.	Chairperson of the Board of Statutory Auditors	In office
	Strategie & Innovazione S.r.l.	Director	In office
	Brembo S.p.A.	Standing Statutory Auditor and Member of the Surveillance Body	No longer in office
	Atlantia S.p.A.	Standing Statutory Auditor	No longer in office
	Masternet S.r.l.	Director	No longer in office
Maria Cristina Zoppo	Houghton Italia S.p.A.	Chairperson of the Board of Statutory Auditors	In office
	Schoeller Allibert S.p.A.	Chairperson of the Board of Statutory Auditors	In office
	Coopers & Standard Automotive Italy S.p.A.	Standing Statutory Auditor	In office
	U.S. Alessandria Calcio 1912 S.r.l.	Standing Statutory Auditor	No longer in office
	A. Raymond Italiana S.r.l.	Standing Statutory Auditor	No longer in office
	Chargeur Interfodere Italia S.p.A.	Standing Statutory Auditor	No longer in office
	Iceberg S.r.l.	Standing Statutory Auditor	No longer in office
	Iriscube Reply S.p.A.	Standing Statutory Auditor	No longer in office
	Italtrecce S.r.l.	Standing Statutory Auditor	No longer in office
	Marsica Innovation S.p.A.	Standing Statutory Auditor	No longer in office
	Mesa S.p.A.	Standing Statutory Auditor	No longer in office
	Open Reply S.r.l.	Chairperson of the Board of	No longer in office

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
		Statutory Auditors	
	Santer Reply S.p.A.	Standing Statutory Auditor	No longer in office
	Midas Italia S.p.A.	Standing Statutory Auditor	No longer in office
	Syncronoss Technologies S.p.A.	Standing Statutory Auditor	No longer in office
	Valeo S.p.A.	Standing Statutory Auditor	No longer in office
	Valeo Service Italia S.p.A.	Standing Statutory Auditor	No longer in office
	Trelleborg Seqaling Solutions Torino S.r.l.	Standing Statutory Auditor	No longer in office
Alberto Maria Pisani	Ernst & Young S.p.A.	Director	No longer in office
Roberto Franchini	The British Chamber of Commerce for Italy	Director	In office
	Fondazione per l'infanzia Ronald McDonald Italia	Chairman of the Board of Statutory Auditors	In office
	Ernst & Young S.p.A.	Shareholder	No longer in office

As far as the Bank is aware, none of the current members of the Board of Directors has been convicted during the last 5 (five) years of fraud or bankruptcy, or indicted in connection with the performance of his or her own duties in insolvency, receivership or compulsory liquidation procedures.

Moreover, except as stated hereinabove, as far as the Bank is aware, none of the members of the Board of Directors has been officially indicted and/or fined by public or supervisory authorities (including the designated professional associations) in connection with the performance of his or her own duties, or debarred from holding administrative, management or supervisory positions at the Bank or the management or conduct of the affairs of other companies.

Two independent members of the Board of Directors of the Issuer, Paolo Andrea Colombo and Andrea Sironi, have received administrative penalties levied by Consob for actions that they took in their capacity as non-executive members of the board of directors of companies not belonging to the ISP Group, for violation of investment service regulations. The penalties levied by Consob were imposed indistinctly on all serving members of the management bodies of the two affected companies at the time of the finding. Both of the penalties were for amounts close to the minimum amount prescribed, and in one case (the one concerning Paolo Andrea Colombo), Consob exempted that penalty from being published, while in the other case (the one concerning Andrea Sironi), Consob ordered that it be published anonymously. Both of these measures have been assessed by the Board of Directors of the Issuer and have been disclosed to the European Central Bank, with it being confirmed that the two independent directors in question remain legally fit to hold their positions.

None of the members of the Board of Directors is related, as defined in Book I, Title V, Italian Civil Code, with other members of the Board of Directors or with key managers of the Bank.

8.1.1.1 Management Control Committee

Pursuant to Article 13 of the Articles of Association of the Issuer, in force at the Date of the Registration Document, the Management Control Committee is composed of five Directors.

The Ordinary Shareholders' Meeting held on 30 April 2019 appointed the five Members of the Management Control Committee.

In December 2019 Prof. Corrado Gatti informed the Chairman of the Board of Directors and the Chairman of the Management Control Committee of his decision to suspend himself, effective 13 December 2019 and until 31 March 2020, from his positions as Director and member of the Management Control Committee of Intesa Sanpaolo, for the sake of propriety and personal reasons connected with his desire to preserve his own peace of mind and that of the Board of Directors and the Management Control

Committee of the Bank, in relation to his personal involvement in the matters concerning the procedure to reach an arrangement with the creditors of Astaldi S.p.A. On 2 March 2020, Prof. Gatti resigned from his positions as Director and member of the Management Control Committee for personal reasons, effective immediately.

As previously mentioned in Paragraph 8.1.1, the Ordinary Shareholders' Meeting held on 27 April 2020 appointed, pursuant to Article 15.3 of the Articles of Association, in compliance with the principle of necessary representation of minorities and the other requirements imposed by applicable statutes, regulations and the Articles of Association, Roberto Franchini as Director and member of the Management Control Committee, in replacement of the resigned Director, Corrado Gatti.

The members of the Management Control Committee shall hold office for three financial years (or, in the case of Director Roberto Franchini, for the remainder of the term) until approval of the financial statements at 31 December 2021.

The members of the Management Control Committee in office at the Date of the Registration Document and the list of the principal activities performed by them outside the Issuer, to the extent that they are of material interest to the Issuer, have already been listed at paragraph 8.1.1 hereinabove.

All members of the Management Control Committee have the suitability requirements to hold their office in accordance with applicable provisions of law, regulations and the Articles of Association.

8.1.2 Key Managers

The following table provides information about the key managers of the Issuer at the Date of the Registration Document.

NAME AND SURNAME	ROLE	ADDRESS	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER, TO THE EXTENT THEY ARE OF MATERIAL INTEREST TO THE ISSUER
Carlo Messina(*)	General Manager	Intesa Sanpaolo S.p.A. – Turin, Piazza San Carlo, 156 (registered office of the Bank)	Member of the Board of Directors of A.B.I. – Italian Banking Association
Mauro Micillo	Corporate & Investment Banking Division	Intesa Sanpaolo S.p.A. – Milan, Piazza della Scala, 6	Member of the Board of Directors of A.B.I. – Italian Banking Association
Marco Elio Rottigni	International Subsidiary Banks Division	Intesa Sanpaolo S.p.A. – Milan, Piazza Paolo Ferrari, 10	–
Stefano Barrese	Banca dei Territori Division	Intesa Sanpaolo S.p.A. – Turin, Corso Inghilterra, 3	Member of the Board of Directors of Bancomat S.p.A. Member of the Board of Directors of A.B.I. – Italian Banking Association
Tommaso Corcos	Private Banking Division	Fideuram - Intesa Sanpaolo Private Banking S.p.A. – Milan**,** Via Montebello, 18	Chairman of Assogestioni
Saverio Perissinotto	Asset Management Division	Eurizon Capital SGR S.p.A. – Milan, Piazzetta Giordano dell'Amore, 3	Deputy Chairman of the Italian Private Banking Association (AIPB)

NAME AND SURNAME	ROLE	ADDRESS	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER, TO THE EXTENT THEY ARE OF MATERIAL INTEREST TO THE ISSUER
Nicola Maria Fioravanti	Insurance Division	Intesa Sanpaolo S.p.A. – Milan, Viale Stelvio, 55/57	Deputy Chairman of ANIA
Davide Alfonsi	Chief Risk Officer	Intesa Sanpaolo S.p.A. – Turin, Corso Inghilterra, 3	Member of the Board of Directors of the National Interbank Deposit Guarantee Fund Member of the Board of Directors of AIFIRM (Italian Association of Financial Industries Risk Managers)
Stefano Del Punta	Chief Financial Officer	Intesa Sanpaolo S.p.A. – Milan, Via Verdi, 11	Member of the Board of Directors of A.B.I. – Italian Banking Association Member of the Board of Directors and Member of the Management Committee of the National Interbank Deposit Guarantee Fund Member of the Investors Committee of the Atlante Fund Member of the Investors Committee of the Italian Recovery Fund
Paola Angeletti	Chief Operating Officer	Intesa Sanpaolo S.p.A. – Milan, Piazza Paolo Ferrari, 10	Member of the Committee for Union and Labour Affairs (CASL) of A.B.I. – Italian Banking Association Member of the Board of Directors and Executive Committee of A.B.I. – Italian Banking Association
Massimo Proverbio	Chief IT, Digital & Innovation Officer	Intesa Sanpaolo S.p.A. – Milan, Via Monte di Pietà, 8 (secondary registered office of the Bank)	–
Alfonso Guido	Chief Cost Management Officer	Intesa Sanpaolo S.p.A. – Milan, Via Monte di Pietà, 8 (secondary registered office of the Bank)	–

NAME AND SURNAME	ROLE	ADDRESS	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER, TO THE EXTENT THEY ARE OF MATERIAL INTEREST TO THE ISSUER
Paolo Maria Grandi	Chief Governance Officer	Intesa Sanpaolo S.p.A. – Milan, Via Monte di Pietà, 8 (secondary registered office of the Bank)	Member of the Board of Directors of A.B.I. – Italian Banking Association Member of the Board of Directors of Camfin S.p.A. Member of the Board of Directors and member of the executive committee of Istituto Europeo di Oncologia S.r.l. Member of the Board of Directors and member of the executive committee of Palladio Holding S.r.l.
Raffaello Ruggieri	Chief Lending Officer	Intesa Sanpaolo S.p.A. – Milan, Via Manzoni, 4	–
Stefano Lucchini	Chief Institutional Affairs & External Communication Officer	Intesa Sanpaolo S.p.A. – Milan, Via Monte di Pietà, 8 (secondary registered office of the Bank)	Member of the Executive Committee of A.B.I. – Italian Banking Association Member of the Executive Board of Censis in lieu of the Chairman Member of the Board of Directors of LUISS
Claudio Testa	Chief Audit Officer	Intesa Sanpaolo S.p.A. – Turin, Corso Inghilterra, 3	Member of the Board of Directors of AiiA – Italian Association of Internal Auditors
Piero Franco Maria Boccassino	Chief Compliance Officer	Intesa Sanpaolo S.p.A. – Turin, Corso Inghilterra, 3	–
Paolo Bonassi	Strategic Support Head Office Department	Intesa Sanpaolo S.p.A. – Milan, Via Monte di Pietà, 8 (secondary registered office of the Bank)	–
Fabrizio Dabbene	Manager responsible for preparing the Company's financial reports	Intesa Sanpaolo S.p.A. – Milan, Via Clerici, 4	Member of the Management Board of the OIC – Italian Accounting Standard-Setter
Fabio Rastrelli	Safety and Protection Head Office Department	Intesa Sanpaolo S.p.A. – Turin, Piazza San Carlo, 156 (registered office of the Bank)	–

(*) He also holds the position of Managing Director and CEO of Intesa Sanpaolo.

The following table shows all the corporations or partnerships, other than the Issuer, in which the key managers were members of the administrative, management or supervisory bodies, shareholders or partners during the last 5 (five) years, with an indication of the status of their position and/or the interest they held at the Date of the Registration Document.

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
Carlo Messina	Bocconi university	Director	In office
	A.B.I. – Italian Banking Association	Director	In office
Stefano Barrese	A.B.I. – Italian Banking Association	Director	In office
	Bancomat S.p.A.	Director	In office
	Consorzio Pattichiari	Director	No longer in office
	Destination Italia S.p.A.	Director	No longer in office
	Feduf (Fondazione per l'Educazione finanziaria e al Risparmio)	Director	No longer in office
Mauro Micillo	A.B.I. – Italian Banking Association	Director	In office
	LUISS Guido Carli	Adjunct Professor	In office
	MTS S.p.A.	Director	No longer in office
Davide Alfonsi	National Interbank Deposit Guarantee Fund	Director	In office
	AIFIRM (Italian Association of Financial Industries Risk Managers)	Director	In office
		Chairman	No longer in office
Paola Angeletti	A.B.I. – Italian Banking Association	Member of the Committee for Union and Labour Affairs (CASL) of A.B.I.- Italian Banking Association	In office
	A.B.I. – Italian Banking Association	Member of the Executive Committee	In office
	A.B.I. – Italian Banking Association	Member of the Board of Directors	In office
	Fondazione Italia Cina	Director	No longer in office
Tommaso Corcos	Allfunds Bank S.A.	Member of the Board of Directors; Chairman of the Board of Directors; Deputy Chairperson of the Board of Directors	No longer in office
	Assogestioni	Chairman	In office
	Tcm immobiliare S.r.l.	Shareholder	Current
Stefano Del Punta	A.B.I. – Italian Banking Association	Director	In office
	Atlante Fund	Member of the Investors Committee	In office

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
	Italian Recovery Fund	Member of the Investors Committee	In office
	National Interbank Deposit Guarantee Fund	Member of the Board of Directors and Member of the Management Committee	In office
	National Compensation Fund	Director	No longer in office
Nicola Maria Fioravanti	ANIA	Deputy Chairman	In office
Saverio Luca Perissinotto	Associazione italiana Private Banking (AIPB)	Deputy Chairman	In office
Massimo Proverbio	Accenture Managed Services S.p.A.	Director and Chairman of the Board of Directors	No longer in office
	Accenture S.p.A.	Representative	No longer in office
	Golfmarc S.p.A. in liquidation	Shareholder	No longer in office
Marco Elio Rottigni	–	–	–
Paolo Maria Vittorio Grandi	A.B.I. – Italian Banking Association	Director	In office
	Camfin S.p.A.	Director	In office
	Istituto Europeo Di Oncologia S.r.l.	Director	In office
	Palladio Holding S.p.A.	Director and Member of the Executive Committee	In office
	Italo - Nuovo Trasporto Viaggiatori S.p.A.	Director	No longer in office
	SIA S.p.A.	Director	No longer in office
	Vita e pensiero S.r.l. in liquidation	Director and Chairman of the Board of Directors	No longer in office
Alfonso Guido	–	–	–
Raffaello Ruggieri	Italo - Nuovo Trasporto Viaggiatori S.p.A.	Director	No longer in office
Piero Franco Maria Boccassino	Monastero Società Semplice	Director	In office
		Shareholder	Current
Stefano Lucchini	Robert Kennedy Human Rights Italia Onlus	Chairman	In office
	A.B.I. – Italian Banking Association	Member of the Executive Committee	In office
	Censis	Member of the Executive Board in	In office

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
		lieu of the Chairman	
	LUISS Guido Carli	Director	In office
	Fondazione Vaticana Benedetto XVI pro Matrimonio e Familia	Director	In office
	Accademia Nazionale della Scala di Milano	Director	In office
	American Chamber of Commerce in Italia	Director and Member of the Executive Committee	In office
	Veneranda Fabbrica del Duomo	Member of the Advisory Board	In office
	Shanghai Academy of Social Sciencies	Member	In office
	Brookings Institution of Washington, D.C.	Member of the International Advisory Board	In office
	FAI	Director	In office
	Fondazione Osservatorio sulla Criminalità nell'Agricoltura e sul Sistema Agroalimentare	Member of the Research Committee	In office
	Biomedical University Foundation	Member of the Advisory Committee	In office
	Associazione Amici della Luiss	Executive Deputy Chairman	In office
	Scientific committee of the CESPI	Member	In office
	Fondazione Filiera Italia per la distintività del cibo, del sistema agroalimentare e della trasformazione	Shareholder	Current
	Lucchini & Associati S.r.l. in liquidation	Sole director	No longer in office
		Liquidator	No longer in office
		Sole Shareholder	No longer in office
	Fondazione Centro Studi Investimenti Sociali - Censis	Member of the Executive Board	No longer in office
	Infocode Media S.r.l.	Shareholder	Current
	Collegio San Carlo S.r.l.	Director	No longer in office
	Energie Nuove S.r.l.	Shareholder	Current
	Zephir capital partners società di gestione del Risparmio S.p.A.	Shareholder	Current
Claudio Testa	AiiA-Associazione Italiana	Director	In office

NAME AND SURNAME	COMPANY	POSITION HELD IN THE COMPANY OR INTEREST HELD	STATUS AT THE DATE OF THE REGISTRATION DOCUMENT
	Internal Auditors		
Paolo Bonassi	–	–	–
Fabrizio Dabbene	OIC – Organismo Italiano di Contabilità	Member of the Management Board	In office
Fabio Rastrelli	–	–	–

As far as the Bank is aware, none of the key managers of the Issuer has been convicted during the last 5 (five) years of fraud or bankruptcy, or indicted in connection with the performance of his or her own duties in insolvency, receivership or compulsory liquidation procedures.

Moreover, as far as the Bank is aware, none of the key managers of the Issuer has been officially indicted and/or fined by public or supervisory authorities (including the designated professional associations) in connection with the performance of his or her own duties, or debarred from holding administrative, management or supervisory positions at the Bank or the management or conduct of the affairs of other companies.

None of the key managers is related, as defined in Book I, Title V, of the Italian Civil Code, with other members of the Board of Directors or with key managers of the Bank.

8.2 Conflicts of interest of the members of the Board of Directors and key managers of the Issuer

8.2.1 Conflicts of interest of the members of the Board of Directors

At the Date of the Registration Document, no Director of the Issuer had conflicts of interest with the obligations they assume by virtue of the offices they hold at the Issuer.

8.2.2 Conflicts of interest of the key managers

As far as the Issuer is aware, no key managers of the Issuer had conflicts of interest at the Date of the Registration Document with the obligations they assume by virtue of the position they hold at the Issuer.

8.2.3 Agreements with the main shareholders, customers and suppliers of the Issuer or other agreements in consequence of which members of the Board of Directors or key managers were appointed

With regard to the appointment of members of the Board of Directors and Management Control Committee for 2019-2020-2021 by the Shareholders’ Meeting of 30 April 2019, on 1 March 2019, Compagnia di San Paolo, Fondazione Cariplo, Fondazione Cassa di Risparmio di Padova e Rovigo, Fondazione Cassa di Risparmio di Firenze and Fondazione Cassa di Risparmio in Bologna signed a shareholders’ agreement pursuant to Article 122 of the Consolidated Law on Finance, for the presentation and voting on a joint slate by the signatories (the “**Shareholders’ Agreement**”).

The Shareholders’ Agreement expired upon appointment of the members of the Board of Directors and the Management Control Committee. In fact, the contents of the related provisions were completed upon definition of the slate of candidates and the agreed exercising of the voting right in favour of those candidates.

The following individuals drawn from the list of candidates jointly submitted by the adhering parties to the Shareholders’ Agreement were elected as Members of the Board Of Directors at the Shareholders' Meeting on 30 April 2019: Gian Maria Gros-Pietro, Paolo Andrea Colombo, Carlo Messina, Franco Ceruti, Giovanni Gorno Tempini, Rossella Locatelli, Luciano Nebbia, Bruno Picca, Livia Pomodoro, Maria Alessandra Stefanelli and Guglielmo Weber, while the following individuals were elected as members of the Board of Directors and the Management Control Committee: Fabrizio Mosca, Milena Teresa Motta and Maria Cristina Zoppo.

At the Date of the Registration Document, the Issuer is unaware of any additional agreements with the main shareholders, customers and suppliers or others, in consequence of which members of the Board of Directors or key managers were appointed.

8.2.4 Restrictions pursuant to which the members of the Board of Directors or key managers have consented to limit their own rights to sell and transfer, for a certain time, the financial instruments of the Issuer owned by them

At the Date of the Registration Document, the Issuer is unaware of any restrictions agreed with members of the Board of Directors or key managers with regard to the sale of ISP Shares that they might hold in their portfolios.

9. MAIN SHAREHOLDERS

9.1 Main Shareholders

At the Date of the Registration Document, on the basis of the information received pursuant to applicable laws and regulations, the information recorded in the register of shareholders and the other information available to the Issuer, the shareholders holding a stake of more than 3% of the ordinary share capital of the Bank are listed in the table here below([80]).

Reporting person or entity at the top of the participation chain	**Direct shareholder**	**% of the Issuer share capital**
Compagnia di San Paolo	Compagnia di San Paolo	**6.790%**
BlackRock Inc. (*)	BlackRock (Netherlands) B.V.(*)	0.013%
	BlackRock Fund Advisors(*)	1.176%
	BlackRock Advisors LLC(*)	0.202%
	BlackRock Asset Management Deutschland AG(*)	0.572%
	BlackRock Investment Management (UK) LTD(*)	0.182%
	BlackRock Investment Management LLC(*)	0.367%
	BlackRock Investment Management (Australia) LTD(*)	0.039%
	BlackRock Financial Management INC.(*)	0.008%
	BlackRock Institutional Trust Company National Association(*)	1.272%
	BlackRock Advisors (UK) LTD(*)	0.978%
	BlackRock (Singapore) LTD(*)	0.001%
	BlackRock International LTD(*)	0.067%
	BlackRock Japan Co LTD(*)	0.065%
	BlackRock Asset Management Canada LTD(*)	0.062%
	BlackRock Asset Management North Asia LTD(*)	0.003%
	Total	**5.009%(**)**
Fondazione Cariplo	Fondazione Cariplo	**4.381%**

(*) BlackRock Inc. holds, as an asset management company, an aggregate interest equal to 5.048% of the share capital as notified on 6 May 2020 pursuant to Article 119, paragraph 2, of the Issuers' Regulation, through Form 120/B as per Annex 4 of the Issuers' Regulation.
(**) Any lack of reconciliation is due to roundings.

Moreover, with resolution no. 21326 (which repealed the preceding Consob resolution no. 21304 of 17 March 2020), Consob adopted, pursuant to Art. 120, paragraph 2-*bis,* of the Consolidated Law on Finance, a measure that introduces, inter alia, for a three-month period beginning from the time the aforementioned resolution enters into force (i.e. 11 April 2020), and unless it is revoked early, the additional threshold of 1% beyond which notice must be given pursuant to Art. 120, paragraph 2, of the Consolidated Law on Finance for the companies indicated in a special list (updated most recently with resolution no. 21352 of 6 May 2020), which also includes Intesa Sanpaolo. Therefore, the following table

([80]) Shareholders that are fund management companies may be exempted from disclosure up to the 5% threshold.

indicates the shareholders that, at the Date of the Registration Document, have a stake or voting rights in the Issuer of between 1% and 3% of the ordinary share capital of the Bank.

Reporting person or entity at the top of the participation chain	**Direct shareholder**	**% of the Issuer share capital**
Fondazione Cariparo	Fondazione Cariparo	**2.022%**
Norges Bank(*)	Norges Bank	**2.001%**
Fondazione CR Firenze	Fondazione CR Firenze	**1.848%**
JP Morgan Chase & CO.(**)	J.P. Morgan Securities plc	1.780%
	J.P. Morgan Securities LLC	0.043%
	Total	**1.823%**
Fondazione Carisbo	Fondazione Carisbo	**1.393%**

(*) Also on behalf of the Government of Norway.

(**) Shareholder holding an aggregate investment of 6.580% as per form 120 B dated 24/06/2020. JPMorgan Chase & Co. made the original disclosure on 16 July 2018 (through form 120 B) in view of the positions held in relation to the issue of LECOIP 2.0 Certificates, having as underlying instruments Intesa Sanpaolo ordinary shares, that the Intesa Sanpaolo Group's employees received under the 2018-2021 LECOIP 2.0 Long-term Investment Plan based on financial instruments.

9.2 Other voting rights of the main shareholders

As at the Date of the Registration Document, the Issuer has issued only ordinary shares and no shares have been issued that award special voting or other rights other than ordinary shares.

9.3 Mention of any controlling entity pursuant to Article 93 of the Consolidated Law on Finance

No one has control of the Issuer pursuant to Article 93 del Consolidated Law on Finance at the Date of the Registration Document.

9.4 Agreements that might cause a change in control of the Issuer

At the Date of the Registration Document, the Issuer is unaware of any arrangements that might trigger a change in control of the Issuer at a later date.

10. RELATED-PARTY TRANSACTIONS

Introduction

The Board of Directors adopted, in compliance with the procedures set out by applicable regulations, the "*Group Procedures regulating the conduct of transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Persons pursuant to Art. 136 of the Consolidated Law on Banking*" (the "**Procedures on Related-Party Transactions**").

The Procedures on Related-Party Transactions regulates the following aspects for the entire ISP Group:

- the criteria for identifying Related Parties and associated entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and associated entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to associated entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by board members and general managers, employees and company staff, including other than associated entities.

Pursuant to the Procedures on Related-Party Transactions, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the ISP Group, board directors and general managers and key managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of associated entities of the Group consists of the associated entities of each bank of the ISP Group (including the parent company Intesa Sanpaolo) and each monitored significant intermediary with own funds greater than 2% of the total of consolidated own funds. The following are considered to be associated entities for each monitored significant bank or intermediary of the ISP Group: (i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; (ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; (iii) board members and general managers and their relative close family members up to the second degree and significant subsidiary entities.

As a form of self-regulation, the Issuer has extended the regulations on transactions with Related Parties, as well as those on activities involving risk and conflicts of interest with respect to "associated entities", to: (i) the shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Issuer's voting capital greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management (3% at the Date of the Registration Document), as well as the companies jointly controlled by them; (ii) the companies in which close family members of board members and general managers of the banks and the monitored significant intermediaries of the Group hold executive offices; (iii) the companies which the ISP Group has notable investments in and financial links with, because they meet the conditions of at least two of the following indicators:

- the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies;
- an entity of the Intesa Sanpaolo Group holds a stake in the counterparty exceeding 10% of the voting rights;
- significant credit exposure of the Group to the counterparty.

The Procedures on Related-Party Transactions also apply to transactions with relevant persons pursuant to Art. 136 of the Consolidated Law on Banking, which must be applied by all the Italian banks of the ISP Group, including the parent company Intesa Sanpaolo. This provision requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank officers to contract obligations, directly or indirectly, with the bank of which they act as officers.

10.1 Related-Party Transactions

The total of receivable and payable balances with Related Parties as at 31 December 2019 within the consolidated accounts – other than those fully consolidated intragroup – was insignificant compared to the size of the ISP Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin was insignificant.

	31.12.2019	
	Amount (millions of euro)	**Impact (%)**
Total financial assets [1]	8,940	1.2
Total other assets [2]	155	1.2
Total financial liabilities [3]	7,946	1.2
Total other liabilities [4]	1,453	1.3

(1) Including asset items 20, 30, 35, 40, 45 and 70 of the Balance Sheet.
(2) Including asset items 50, 60, 120 and 130 of the Balance Sheet.
(3) Including liability items 10, 15, 20, 30 and 35 of the Balance Sheet.
(4) Including liability items 40, 50, 70, 80, 90, 100 and 110 of the Balance Sheet.

..*

	31.12.2019	
	Amount (millions of euro)	**Impact (%)**
Total interest income	117	1.1
Total interest expense	-49	-1.5
Total fee and commission income	26	0.3
Total fee and commission expense	-25	-1.2
Total operating costs [1]	-167	-1.7

(1) Including caption 180 of the income statement.

The operating costs shown in the table include non-performing loan management fees.

In relation to associates and companies subject to joint control, in the year a total of around 8 million euro of net adjustments to loans were recorded.

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of operations with fully consolidated entities, with the category of significant shareholders of Intesa Sanpaolo and their corporate groups (subsidiaries also controlled jointly with others, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management (3% at 31 December 2019), as well as with the additional subjects included in the scope set as a form of self-regulation.

The following table does not show the impact of Related-Party transactions on the Group's cash flows, as this was not significant.

For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate columns by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments issued totalling 65 million euro.

(millions of euro)

	Subsidiaries not consolidated on a line-by-line basis	**Companies subject to joint control and their subsidiaries**	**Associates and their subsidiaries**	**Board Members and General Managers, Key Managers and their**	**Pension funds**	**TOTAL**	Shareholders (*)	Companies which the Group has notable investments in and financial links with (**)
Financial assets measured at fair value through profit or loss	17	-	155	-	-	172	-	2,468
a) financial assets held for trading	-	-	*2*	-	-	*2*	-	*2,461*
b) financial assets designated at fair value	-	-	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	*17*	-	*153*	-	-	*170*	-	*7*
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	21	82
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	-	-	3	-	-	3	2	217
Financial assets measured at amortised cost	5	50	475	9	-	539	1	4,195
a) due from banks	-	-	-	-	-	-	-	2,828
b) loans to customers	5	50	475	9	-	539	1	1,367
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-
Other assets	8	-	11	-	1	20	-	135
Investments in associates and companies	43	77	1,120	-	-	1,240	-	-
Financial liabilities measured at amortised cost	96	14	846	20	297	1,273	148	2,003
a) due to banks	69	-	2	-	-	71	-	1,658
b) due to customers	27	14	844	20	297	1,202	148	345

Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	4	-	-	4	-	4,518
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-	-	-	-	-	-	-	-
Other liabilities	4	-	53	9	517	583	3	867
Guarantees and commitments given	12	26	540	1	1	580	22	1,852
Guarantees and commitments received	-	17	215	14	-	246	13	535

(*) Shareholders and their groups that hold a stake in the Bank's voting share capital exceeding the minimum threshold set by the regulations on disclosure of material shareholdings in listed companies, calculated considering only shares owned or under management (currently 3%), as well as entities jointly controlled by them.

(**) Companies that have at least two of the following indicators: i) the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies; ii) an entity of the ISP Group holds a stake in the counterparty exceeding 10% of the voting rights; iii) significant credit exposure of the Group towards the counterparty. The amounts mainly refer to JP Morgan Chase & Co., with reference to the aggregate investment of 6.952%, of which 1.941% with voting rights, disclosed by JPMorgan Chase & Co. in form 120 B updated as at 26 November 2018, and recalculated to 6.951%, of which 2.674% with voting rights, as disclosed in form 120 A dated 20 June 2019, due to the change in Intesa Sanpaolo's share capital of 26 November 2018 as a result of the merger by incorporation of Cassa dei Risparmi di Forlì e della Romagna. JPMorgan Chase & Co. made the original disclosure on 16 July 2018 (through form 120 B) in view of the positions held in relation to the issue of LECOIP 2.0 Certificates, having as underlying instruments Intesa Sanpaolo ordinary shares, that the Intesa Sanpaolo Group's employees received under the 2018-2021 LECOIP 2.0 Long-term Investment Plan based on financial instruments.

For the sake of completeness, the Group's most significant associates included in the category of related parties in accordance with the version of IAS 24 in effect are: Intrum Italy S.p.A., Penghua Fund Management Co. Ltd, Equiter S.p.A., AM InvestCO Italy S.p.A., Cassa di Risparmio di Fermo S.p.A., Sisalpay Group S.p.a., FI.NAV - Comparto A1 Crediti, Camfin S.p.A., Autostrada Pedemontana Lombarda S.p.A., IDeAMI S.p.A., Consorzio Bancario Sir S.p.A. in liquidation, Matipay S.r.l and Oval Money LTD. The main joint ventures include: Mir Capital Sca Sicar, PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management and VUB Generali Dochodkova Spravcovska Spolocnost AS.

10.1.1 Information on transactions with related parties

Most significant transactions

During 2019, the Intesa Sanpaolo Group did not carry out any transactions that qualified as non-ordinary "most significant transactions" and at non-market or non-standard conditions subject – in accordance with the Procedures on Related-Party Transactions – to the obligation to publish a market disclosure document. In this regard, it is noted that the most significant transactions are those that exceed the threshold of 5% of own funds at consolidated level (approximately 2.6 billion euro for 2019) or of the other indicators defined by Consob.

With reference to the transactions exempt from the obligation of publishing the disclosure document, it is noted that the self-securitisation aimed at expanding the portfolio of retained securities is eligible for Eurosystem refinancing operations. The transaction, with a total value of around 7.5 billion euro, was carried out via the sale to the vehicle company Brera Sec S.r.l., over which Intesa Sanpaolo exercises significant influence, of receivables arising from performing mortgage loans secured by residential properties disbursed to consumer and producer households originated by Intesa Sanpaolo. In particular, although it is a non-recurring most significant transaction, there is no requirement for a disclosure document to be published for that securitisation transaction, as it is exempted pursuant to Article 5.2(J) of the Procedures on Related-Party Transactions and Article 14, paragraph 2, of the Regulation on Related Parties, in connection with transactions with counterparties that are companies subject to significant influence and without significant interests of other related parties or associated entities.

Most significant intragroup transactions

With regard to most significant intragroup transactions – exempt from the obligation to publish a market disclosure document – the sales of mortgage portfolios to the vehicle companies ISP OBG S.r.l. and ISP CB Ipotecario S.r.l., both controlled by Intesa Sanpaolo, took place during 2019, for an amount of about 12.2 and 1.7 billion euro respectively, under a covered bond issuance programme, which will be settled through the disbursement of a subordinated loan by the Bank.

Other significant transactions

The transactions undertaken by the Intesa Sanpaolo Group with Related Parties fall within the scope of the Group's ordinary activities and are generally entered into at market conditions, based on considerations of mutual economic interest, in line with the internal procedures mentioned above.

Among the transactions carried out with the subsidiaries for which Intesa Sanpaolo does not perform management and coordination activities is a credit facility granted by Banca IMI S.p.A. ("**Banca IMI**") to Società di Progetto Brebemi S.p.A. ("**Brebemi**"), the concessionaire until 21 January 2042 of the Milano-Brescia (A35) motorway segment, controlled by Intesa Sanpaolo through Autostrade Lombarde S.p.A. The facility provided by Banca IMI was part of the larger refinancing operation carried out by Brebemi, involving the repayment in full of the previous project financing using new debt in the form of bank borrowings and, primarily, bonds placed on the market.

More specifically, the refinancing transaction called for Brebemi to assume new senior and subordinated debt totalling 2,633,000,000 euro, broken down as follows:

(i) senior loan with repayment plan of Euro 1,256,000,000, broken down into:

   a) a bank loan for 307,000,000 euro, with maturity on 31 December 2033 and interest rate equal to the 6-month Euribor + 250 bps;

   b) a floating-rate bond for 15,000,000 euro, with maturity on 31 December 2038 and interest rate equal to the 6-month Euribor + 318.8 bps;

   c) a fixed-rate bond for 934,000,000 euro, with maturity on 31 December 2038 and fixed interest rate of 3.375%;

(ii) a senior zero coupon bond for 1,205,000,000 euro (face value at an issue price of 46.304177%, equal to 557,965,332.85 euro), with maturity on 22 January 2042 and fixed rate of 3.875%;

(iii) floating-rate subordinated bond for 172,000,000, with a repayment plan and expected maturity on 31 December 2029, extendable until 22 January 2042, with an increase (step-up structure) in margin, and interest rate equal to the 6-month Euribor + 650bps (with possibility of capitalisation of interest).

The transaction is secured by standard guarantees for similar transactions.

The senior bonds were given an investment grade rating upon issue by Fitch Ratings and DBRS MORNINGSTAR.

Banca IMI has subscribed the bank loan described at sub-indent (i)a) hereinabove for 90,000,000 euro share, and it has subscribed the senior zero coupon bond described at sub-indent (ii) hereinabove for an initial share of about Euro 294,000,000 (face value of 635,000,000).

Relations between the Intesa Sanpaolo Group, board members and general managers, their close family members and entities controlled by them refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied.

With respect to transactions with shareholders – which hold equity investments with voting rights greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management – and with entities with significant shareholding or financial relationships (to which the provisions governing transactions with related parties has been extended as a form of self-regulation, subjecting them to the same assessment, approval and disclosure procedure as applied to transactions with related parties), mainly ordinary lending transactions were undertaken at market conditions. These included the following in particular:

- recurrent and ordinary transactions in OTC financial instruments carried out by Banca IMI S.p.A. in the course of continuing operations, with JP Morgan Securities PLC, BlackRock Fund Managers Ltd, Goldman Sachs International and Quaestio Capital SGR S.p.A., an entity attributable to Fondazione Cariplo;
- a credit facility provided by Banca IMI S.p.A. to F2I SGR S.p.A.;
- the sale from Intesa Sanpaolo Assicura S.p.A. to JP Morgan Chase & Co. of financial instruments with a nominal value of 290 million euro;
- the subscription by Intesa Sanpaolo Vita S.p.A. of a Luxembourg alternative fund set up and managed by BlackRock Financial Management Inc. for 200 million euro;
- an agreement signed by Intesa Sanpaolo Innovation Center S.p.A. and several counterparties, including Compagnia di San Paolo, with Techstars, a US-registered company specialising in the provision of acceleration programmes for startups, aimed at activating a three-year programme for Officine Grandi Riparazioni in Turin, a centre for cultural and technological development. The transaction, which amounts to around 8 million euro, is intended to support initiatives undertaken by Intesa Sanpaolo Innovation Center S.p.A. to develop and learn future new businesses. The agreement involves an outlay for the Group of approximately 3 million dollars per year for three years, with standard financial conditions and general terms for all the programmes, governed by a Partnership Service Agreement.

Under the strategic payments partnership between Banca 5 S.p.A. and Sisal Group – which led to the creation of a Newco (70% Sisal Group and 30% Banca 5) which is a leader in proximity financial services – Banca 5 S.p.A. carried out the following transactions, among others:

- transfer to the Newco of its payment services and commercial activity business lines for total consideration of 250 million euro, certified by a specific fairness opinion by an independent third party;
- signing of a commercial collaboration agreement designed to ensure the governance at market conditions of the product offering not transferred to the two vehicles.

The transactions with jointly-controlled subsidiaries and associates included the following:

- the acquisition by Eurizon Capital SGR S.p.A. of a 12.5% holding in the capital of Oval Money LTD for a total maximum price of approximately 5 million euro through the subscription of a reserved capital increase in two tranches (the first of which, for approximately 3 million euro, was carried out on 28 October 2019);

- transactions in OTC financial instruments carried out by Banca IMI S.p.A. with Cassa di Risparmio di Fermo;
- the loan granted by Banca IMI S.p.A. to Cassa di Risparmio di Fermo in support of the voluntary takeover bid on the shares of Italiaonline S.p.A. – a transaction promoted by Libero Acquisition S.a.r.l. and the Golden Tree and Avenue Capital funds – for a value of approximately 11 million euro.

Finally, transactions conducted with Pension funds for employees of Intesa Sanpaolo and other Group companies included ordinary transactions in OTC financial instruments by Banca IMI S.p.A. with Cariplo Pension Fund.

Other significant information

During 2019, adjustments to the counterparties Rainbow, Ideami and Mir Capital (consolidated according to the equity method) were posted.

For pension funds benefiting the Group’s employees in which Intesa Sanpaolo companies are co-obliged by virtue of guarantees given, payments were made during the period for the settlement of the technical imbalance of the funds concerned.

11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

11.1 Financial Statements

2019 Consolidated Financial Statements

The Issuer uses the system of inclusion by reference, pursuant to Article 19 of the Prospectus Regulation, of the sections of the Consolidated Financial Statements 2019.

To facilitate finding information in the accounts, a cross-referenced index is provided as follows. This makes it possible to locate specific pieces of information included in the 2019 Consolidated Financial Statements, as referred to in the Registration Document:

Financial information	**Financial year ended 31 December 2019**
2019 Consolidated Financial Statements	
Report on Operations	Page 19
Consolidated Balance Sheet	Page 172
Consolidated Income Statement	Page 174
Statement of Consolidated Comprehensive Income	Page 175
Statement of Changes in Consolidated Shareholders' Equity	Page 176
Consolidated Statement of Cash Flows	Page 178
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of which Risks and relative hedging policies	Page 369
Independent Auditor's Report on the Consolidated Financial Statements	Page 537

The balance sheet, income statement and statement of cash flows taken from the 2019 Consolidated Financial Statements are shown below.

Consolidated Balance Sheet at 31 December 2019

(millions of euro)

Assets		31.12.2019	31.12.2018	Changes	
				amount	%
10.	Cash and cash equivalents	9,745	10,350	-605	-5.8
20.	Financial assets measured at fair value through profit or loss	49,414	42,115	7,299	17.3
	a) financial assets held for trading	*45,152*	*38,806*	*6,346*	*16.4*
	b) financial assets designated at fair value	*195*	*208*	*-13*	*-6.3*
	c) other financial assets mandatorily measured at fair value	*4,067*	*3,101*	*966*	*31.2*
30.	Financial assets measured at fair value through other comprehensive income	72,410	60,469	11,941	19.7
35.	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	168,202	149,546	18,656	12.5
40.	Financial assets measured at amortised cost	467,815	476,503	-8,688	-1.8
	a) due from banks	*49,027*	*69,307*	*-20,280*	*-29.3*
	b) loans to customers	*418,788*	*407,196*	*11,592*	*2.8*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	612	952	-340	-35.7
50.	Hedging derivatives	3,029	2,993	36	1.2
60.	Fair value change of financial assets in hedged portfolios (+/-)	1,569	124	1,445	
70.	Equity investments	1,240	943	297	31.5
80.	Technical insurance reserves reassured with third parties	28	20	8	40.0
90.	Property and equipment	8,878	7,372	1,506	20.4
100.	Intangible assets	9,211	9,141	70	0.8
	Of which:				
	- goodwill	*4,055*	*4,227*	*-172*	*-4.1*
110.	Tax assets	15,467	17,258	-1,791	-10.4
	a) current	*1,716*	*3,320*	*-1,604*	*-48.3*
	b) deferred	*13,751*	*13,938*	*-187*	*-1.3*
120.	Non-current assets held for sale and discontinued operations	494	1,297	-803	-61.9
130.	Other assets	7,988	8,707	-719	-8.3
Total assets		**816,102**	**787,790**	**28,312**	**3.6**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2019	31.12.2018	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	519,382	513,942	5,440	1.1
	a) due to banks	*103,324*	*107,982*	*-4,658*	*-4.3*
	b) due to customers	*331,181*	*323,900*	*7,281*	*2.2*
	c) securities issued	*84,877*	*82,060*	*2,817*	*3.4*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	826	810	16	2.0
20.	Financial liabilities held for trading	45,226	41,895	3,331	8.0
30.	Financial liabilities designated at fair value	4	4	-	-
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	75,935	67,800	8,135	12.0
40.	Hedging derivatives	9,288	7,221	2,067	28.6
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	527	398	129	32.4
60.	Tax liabilities	2,321	2,391	-70	-2.9
	a) current	*455*	*163*	*292*	
	b) deferred	*1,866*	*2,228*	*-362*	*-16.2*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	41	258	-217	-84.1
80.	Other liabilities	12,070	11,670	400	3.4
90.	Employee termination indemnities	1,134	1,190	-56	-4.7
100.	Allowances for risks and charges	3,997	5,064	-1,067	-21.1
	a) commitments and guarantees given	*482*	*510*	*-28*	*-5.5*
	b) post-employment benefits	*232*	*261*	*-29*	*-11.1*
	c) other allowances for risks and charges	*3,283*	*4,293*	*-1,010*	*-23.5*
110.	Technical reserves	89,136	80,797	8,339	10.3
120.	Valuation reserves	-157	-913	-756	-82.8
125.	Valuation reserves pertaining to insurance companies	504	9	495	
130.	Redeemable shares	-	-	-	
140.	Equity instruments	4,103	4,103	-	-
150.	Reserves	13,279	13,006	273	2.1
160.	Share premium reserve	25,075	24,768	307	1.2
170.	Share capital	9,086	9,085	1	0.0
180.	Treasury shares (-)	-104	-84	20	23.8
190.	Minority interests (+/-)	247	326	-79	-24.2
200.	Net income (loss) (+/-)	4,182	4,050	132	3.3
Total liabilities and shareholders' equity		**816,102**	**787,790**	**28,312**	**3.6**

Consolidated Income Statement for 2019

(millions of euro)

		2019	2018	Changes amount	%
10.	Interest and similar income	10,193	10,486	-293	-2.8
	of which: interest income calculated using the effective interest rate method	*10,565*	*10,814*	*-249*	*-2.3*
20.	Interest and similar expense	-3,269	-3,144	125	4.0
30.	**Interest margin**	**6,924**	**7,342**	**-418**	**-5.7**
40.	Fee and commission income	9,658	9,548	110	1.2
50.	Fee and commission expense	-2,159	-2,023	136	6.7
60.	**Net fee and commission income**	**7,499**	**7,525**	**-26**	**-0.3**
70.	Dividend and similar income	117	94	23	24.5
80.	Profits (Losses) on trading	506	445	61	13.7
90.	Fair value adjustments in hedge accounting	-61	-111	-50	-45.0
100.	Profits (Losses) on disposal or repurchase of:	1,385	549	836	
	a) financial assets measured at amortised cost	*97*	*-19*	*116*	
	b) financial assets measured at fair value through other comprehensive income	*1,218*	*508*	*710*	
	c) financial liabilities	*70*	*60*	*10*	*16.7*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	123	298	-175	-58.7
	a) financial assets and liabilities designated at fair value	*-103*	*28*	*-131*	
	b) other financial assets mandatorily measured at fair value	*226*	*270*	*-44*	*-16.3*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	3,991	3,240	751	23.2
120.	**Net interest and other banking income**	**20,484**	**19,382**	**1,102**	**5.7**
130.	Net losses/recoveries for credit risks associated with:	-2,201	-2,509	-308	-12.3
	a) financial assets measured at amortised cost	*-2,175*	*-2,507*	*-332*	*-13.2*
	b) financial assets measured at fair value through other comprehensive income	*-26*	*-2*	*24*	
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-9	-26	-17	-65.4
140.	Profits/losses from changes in contracts without derecognition	-6	-11	-5	-45.5
150.	**Net income from banking activities**	**18,268**	**16,836**	**1,432**	**8.5**
160.	Net insurance premiums	10,147	8,180	1,967	24.0
170.	Other net insurance income (expense)	-12,673	-9,968	2,705	27.1
180.	**Net income from banking and insurance activities**	**15,742**	**15,048**	**694**	**4.6**
190.	Administrative expenses:	-9,692	-10,000	-308	-3.1
	a) personnel expenses	*-5,825*	*-5,931*	*-106*	*-1.8*
	b) other administrative expenses	*-3,867*	*-4,069*	*-202*	*-5.0*
200.	Net provisions for risks and charges	-73	-35	38	
	a) commitments and guarantees given	*23*	*88*	*-65*	*-73.9*
	b) other net provisions	*-96*	*-123*	*-27*	*-22.0*
210.	Net adjustments to / recoveries on property and equipment	-523	-383	140	36.6
220.	Net adjustments to / recoveries on intangible assets	-692	-596	96	16.1
230.	Other operating expenses (income)	774	733	41	5.6
240.	**Operating costs**	**-10,206**	**-10,281**	**-75**	**-0.7**

250.	Profits (Losses) on investments in associates and companies subject to joint control	53	177	-124	-70.1
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-13	-9	4	44.4
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	96	452	-356	-78.8
290.	**Income (Loss) before tax from continuing operations**	**5,672**	**5,387**	**285**	**5.3**
300.	Taxes on income from continuing operations	-1,564	-1,363	201	14.7
310.	**Income (Loss) after tax from continuing operations**	**4,108**	**4,024**	**84**	**2.1**
320.	Income (Loss) after tax from discontinued operations	64	48	16	33.3
330.	**Net income (loss)**	**4,172**	**4,072**	**100**	**2.5**
340.	Minority interests	10	-22	32	
350.	**Parent Company's net income (loss)**	**4,182**	**4,050**	**132**	**3.3**
	Basic EPS - Euro	**0.24**	**0.24**		
	Diluted EPS - Euro	**0.24**	**0.24**		

Consolidated Statement of Cash Flows at 31 December 2019

(millions of euro)

	2019	2018
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**9,813**	**7,148**
Net income (loss) (+/-)	4,172	4,072
Gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit and loss (+/-)	271	431
Gains/losses on financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-2,711	-718
Gains/losses on hedging activities (-/+)	61	111
Gains/losses on hedging activities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-	-
Net losses/recoveries for credit risk (+/-)	2,673	3,478
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,215	980
Net provisions for risks and charges and other costs/revenues (+/-)	73	129
Net insurance premiums to be collected (-)	1	13
Other insurance revenues/charges to be collected (-/+)	5,954	1,253
Taxes, duties and tax credits to be paid/collected(+/-)	-160	889
Net adjustments to/recoveries on discontinued operations net of tax effect (+/-)	-	-
Other adjustments (+/-)	-1,736	-3,490
2. Cash flow from / used in financial assets	**-15,270**	**917**
Financial assets held for trading	-4,912	731
Financial assets designated at fair value	16	12
Other financial assets mandatorily measured at fair value	-740	-132
Financial assets measured at fair value through other comprehensive income	-9,924	-456
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	-9,426	-1,294
Financial assets measured at amortised cost	6,792	1,869
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	340	-542
Other assets	2,584	729
3. Cash flow from / used in financial liabilities (*)	**9,890**	**-2,442**
Financial liabilities measured at amortised cost	3,679	-2,924
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	7	-502
Financial liabilities held for trading	2,403	995
Financial liabilities designated at fair value	-106	22
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	1,969	4,664
Other liabilities	1,938	-4,697
Net cash flow from (used in) operating activities	**4,433**	**5,623**
B. INVESTING ACTIVITIES		
1. Cash flow from	**359**	**278**
Sales of investments in associates and companies subject to joint control	10	-
Dividends collected on investments in associates and companies subject to joint control	9	12
Sales of property and equipment	340	-
Sales of intangible assets	-	-
Sales of subsidiaries and business branches	-	266
2. Cash flow used in	**-1,647**	**-2,327**
Purchases of investments in associates and companies subject to joint control	-182	-169
Purchases of property and equipment	-497	-112
Purchases of intangible assets	-968	-1,798
Purchases of subsidiaries and business branches	-	-248

Net cash flow from (used in) investing activities	**-1,288**	**-2,049**
C. FINANCING ACTIVITIES		
Issues/purchases of treasury shares	-20	1,094
Share capital increases	-234	-198
Dividend distribution and other	-3,494	-3,447
Disposal/acquisition of minority interests in subsidiaries	-14	-31
Net cash flow from (used in) financing activities	**-3,762**	**-2,582**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-617**	**992**
RECONCILIATION		
Financial statement items		
Cash and cash equivalents at the beginning of the year	10,350	9,353
Net increase (decrease) in cash and cash equivalents	-617	992
Cash and cash equivalents: foreign exchange effect	12	5
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**9,745**	**10,350**

KEY: (+) from (–) used in

(*) With regard to the disclosure required by par. 44 B of IAS 7, it is noted that the changes in liabilities deriving from financing activities amount to 9.9 billion euro (cash flow used) and comprise 13.4 billion euro in cash flows, 4.1 billion euro in fair value changes and -7.6 billion euro in other changes.

11.2 Auditing of annual financial information

11.2.1 Audit Report

The 2019 Consolidated financial statements, underwent a complete audit by the Independent Auditors, which issued their own unqualified audit report on 18 March 2020. That document was published together with the 2019 Consolidated financial statements, submitted to Consob, and is available to the public, together with the 2019 Consolidated financial statements, on the Issuer's website (link: https://group.intesasanpaolo.com/en/investor-relations/financial-reports) and at the registered office of the Issuer in Turin, Piazza San Carlo 156 and at the secondary registered office of Intesa Sanpaolo in Milan, Via Monte di Pietà, 8.

The Independent Auditors' Report on the 2019 Consolidated financial statements is presented as follows.

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Intesa Sanpaolo S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Intesa Sanpaolo Group (the "group"), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated shareholders' equity and consolidated statement of cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Intesa Sanpaolo Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Intesa Sanpaolo S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets measured at amortised cost"

Notes to the consolidated financial statements "Part B - Information on the consolidated balance sheet - Assets": Section 4 "Financial assets measured at amortised cost"

Notes to the consolidated financial statements "Part C - Information on the consolidated income statement": Section 8.1 "Net adjustments for credit risk associated with financial assets measured at amortised cost: breakdown"

Notes to the consolidated financial statements "Part E - Information on risks and relative hedging policies": Section 1.1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the group's core activities. Loans and receivables with customers recognised under financial assets measured at amortised cost, totalled €418,788 million at 31 December 2019, accounting for 51.3% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €2,173 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement and/or acquisition. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of	Our audit procedures included: — gaining understanding of the parent's and group companies' processes and IT environments in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; — analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); — analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein; we carried out these procedures with the assistance of experts of the KPMG network;

.Key audit matter	.Audit procedures addressing the key audit matter
impairment, the borrower's estimated repayment ability, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the parent's and group companies' customers operate. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	— selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; — selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — analysing the significant changes in the financial asset categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures on loans and receivables with customers recognised under financial assets at amortised cost in the consolidated financial statements.

Classification and measurement of financial assets and liabilities at fair value

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.1 "Financial assets measured at fair value through profit or loss", paragraph A.2.2 "Financial assets measured at fair value through other comprehensive income", paragraph A.2.4 "Hedging transactions", paragraph A.2.13 "Financial liabilities held for trading", paragraph A.2.14 "Financial liabilities designated at fair value", paragraph A.4 "Information on fair value"

Notes to the consolidated financial statements "Part B - Information on the consolidated balance sheet - Assets": Section 2 "Financial assets measured at fair value through profit or loss", Section 3 "Financial assets measured at fair value through other comprehensive income", Section 3-bis "Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39", Section 5 "Hedging derivatives"

Notes to the consolidated financial statements "Part B - Information on the consolidated balance sheet- Liabilities": Section 2 "Financial liabilities held for trading", Section 3 "Financial liabilities designated at fair value", Section 3-bis "Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39", Section 4 "Hedging derivatives"

Notes to the consolidated financial statements "Part C - Information on the consolidated income statement": Section 4 "Profits (losses) on trading", Section 5 "Fair value adjustments in hedge accounting ", Section 7 "Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss", Section 7-bis "Profits (losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39"

Notes to the consolidated financial statements "Part E - Information on risks and relative hedging policies": paragraph 1.2 "Market risks", paragraph 1.3 "Derivatives and hedging policies", paragraph 3.2 "Financial risks"

Key audit matter	Audit procedures addressing the key audit matter
Trading in and holding financial instruments are one of the parent's and group companies' core activities. The consolidated financial statements at 31 December 2019 include financial assets and financial liabilities at fair value totalling €293,055 million and €130,453 million, respectively. A portion thereof, equal to roughly €47,883 million and €112,031 million, respectively, is made up of financial assets and liabilities at fair value without a quoted price on an active market. The parent's and group companies' directors have classified them in levels 2 and 3 of the fair value hierarchy. As part of our audit, we paid particular attention to the financial instruments with fair value levels 2 and 3, as their classification and, above all, their measurement require a high level of judgement, given their special complexity.	Our audit procedures included: — gaining an understanding of the parent's and group companies' processes and IT environments in relation to the trading, classification and measurement of financial instruments; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3. We carried out these procedures with the assistance of experts of the KPMG network; — checking, on a sample basis, that the financial instruments had been correctly classified on the basis of their fair value level; — for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the main parameters used by the directors for their measurement. We carried out this procedure with the assistance of experts of the KPMG network — analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about financial instruments and related fair value levels in the consolidated financial statements.

Measurement of intangible assets with an indefinite useful life

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.7 "Intangible assets"

Notes to the consolidated financial statements "Part B - Information on the consolidated balance sheet - Assets": Section 10 "Intangible assets"

Notes to the consolidated financial statements "Part C - Information on the consolidated income statement": Section 15 "Net adjustments to/recoveries on intangible assets", Section 19 "Goodwill Impairment"

Key audit matter	Audit procedures addressing the key audit matter
As a result of a number of business combinations carried out in previous years, the group recognised intangible assets with an indefinite useful life, amounting to €5,937 million at the reporting date and comprising goodwill of €4,055 million and trademarks of €1,882 million. As disclosed in the notes to the consolidated financial statements, in accordance with IFRS 3, the parent's directors allocated the intangible assets with an indefinite useful life to certain cash-generating units ("CGU") they had identified As in the past, the directors tested the reporting-date carrying amounts for impairment in order to identify any impairment loss on the CGU to which the intangible assets with an indefinite useful life have been allocated compared to their recoverable amount. The directors calculated the recoverable amount on the basis of the value in use by discounting the expected future cash flows. Impairment testing requires complex valuations and a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account historical cash flows, the general economic performance and that of group's sector and the directors' forecasts about the group's future performance; — the financial parameters to be used to discount the cash flows. For the above reasons, we believe that the measurement of intangible assets with an indefinite useful life is a key audit matter.	Our audit procedures included: — gaining an understanding of the process adopted to prepare the impairment tests approved by the parent's directors; — gaining an understanding of the process used to draft the group's business plan approved by the parent's directors; — checking any discrepancies between the previous year historical and business plan figures, in order to check the accuracy of the forecasting process; — analysing the criteria used to identify the CGU and tracing the carrying amounts of the assets and liabilities allocated thereto to the consolidated financial statements; — analysing the key assumptions used by the directors to determine the CGU's value in use. Our analyses included checking that the method applied was consistent with that applied in the previous years and comparing the key assumptions used to external information, where available; we carried out these procedures with the assistance of experts of the KPMG network; — checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures about intangible assets with an indefinite useful life and the related impairment test in the consolidated financial statements.

Responsibilities of the parent's directors and management control committee for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The management control committee is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 10 May 2011, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2012 to 31 December 2020.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the management control committee, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254 of 30 December 2016

The directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016.

We have checked that the directors had approved such non-financial statement.

In accordance with article 3.10 of Legislative decree no. 254 of 30 December 2016, we attested the compliance of the non-financial statement separately.

Milan, 18 March 2020

KPMG S.p.A.

(signed on the original)

Mario Corti
Director

11.2.2 Other financial information subject to audit contained in the Registration Document

Except for the information deriving from the 2019 Consolidated Financial Statements and the Pro-forma consolidated financial statements, the Registration Document does not include other information that has been audited by the Independent Auditors.

11.2.3 Financial information contained in the Registration Document not obtained from the financial statements subject to audit by the Independent Auditors

The following financial information concerning the Issuer and contained in the Registration Document has not be taken from the audited financial statements of the Issuer:

(i) certain financial information at 31 March 2020, reported in Section 6 of Part B and excerpted from the Interim Statement at 31 March 2020 (including the "Consolidated Financial Statements" subject to review by the Independent Auditors KPMG for the sole purpose of issuing the certification required by Art. 26, paragraph 2, of the CRR and European Central Bank Decision no. 2015/656);

(ii) the Pro-forma consolidated financial statements at 31 December 2019, examined by the Independent Auditors; and

(iii) the capital adequacy ratios of the ISP Group at 31 December 2019 prepared on a pro-forma basis for illustrative purposes, contained in Paragraph 11.5.2 of Part B. That information has not been examined by the Independent Auditors, who have not issued any report in this regard.

Finally, Paragraph 5.1.6.1 of Part B, Section 5 of the Registration Document contains information about the Banking Business Units, the Additional Branches and the Insurance Business Units prepared for illustrative purposes by the Issuer on the basis of unaudited information.

11.3 Judicial and arbitration proceedings

Please note that, except as indicated as follows, during the period covered by the Registration Document, the Issuer and/or other Group companies have not been party to any administrative, judicial or arbitration proceedings that might have, or has recently had, significant repercussions on the financial situation or profitability of the Issuer and/or the Group.

Legal risks are thoroughly and individually analysed by the Bank and other Group companies. Provisions have been made to the Allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.

The total provisions for legal and tax disputes at 31 December 2019 amounted to 770 million euro. Excluding tax disputes, at 31 December 2019, a total of about 22,000 disputes were pending (excluding those involving Risanamento S.p.A. and Autostrade Lombarde S.p.A., which are not subject to management and coordination by Intesa Sanpaolo) with a total remedy sought of 5,635 million euro([81]) and allowances of around 588 million euro, based on the disputes posing a likely risk.

The lawsuits brought against the Issuer or other Group companies mainly concern claims relating to banking and investment products and services or on credit positions and revocatory actions account for 74% of the remedy sought and 67% of the provisions. The remaining disputes mainly consist of other civil and administrative proceedings and, for the remainder, labour disputes or criminal proceedings or proceedings related to operational violations.

A brief description of the most significant proceedings to which the Issuer and/or other Group companies are party at the Date of the Registration Document is given below. The detailed provisions illustrated as follows comprise just part of the total amount of the provisions illustrated above.

Civil litigation

The most important civil lawsuits involving the Group during the last 12 months before the Date of the Registration Document or involving the Group at the Date of the Registration Document are briefly described as follows.

Dispute concerning the Public Exchange Offer launched by the board of directors of UBI Banca

([81]) The figures for the remedy sought do not include claims of indeterminate value, i.e. those that do not contain a specific financial claim when the dispute is initiated. The value of these disputes will be determined during the course of the proceedings when sufficient information emerges for the valuation.

On 26 May 2020, the board of directors of UBI Banca announced that it had resolved to "*pursue a declaratory action aimed at ascertaining that, due to the occurrence of the "material adverse change" (MAC) condition affecting the public exchange offer launched by Intesa Sanpaolo S.p.A. ("ISP") – determined by the "Covid-19" pandemic – and ISP's failure to waive that condition in a timely way, the effects of the Notice issued by ISP on 17th February 2020, pursuant to Art. 102 of the Italian Consolidated Finance Law, have ceased, with all the relative consequences, including the application of the "passivity rule" to UBI Banca*". Subsequently, with a writ of summons notified on 28 May 2020, the board of directors of UBI Banca initiated an ordinary action seeking a declaratory judgement before the Court of Milan, requesting that it find that the condition had been allegedly fulfilled and the announcement by the Issuer had allegedly become unenforceable.

The Issuer believes that the action taken by the board of directors of UBI Banca is absolutely unfounded and, above all, taken without prior authorisation from the shareholders of UBI Banca. Therefore, the Issuer shall react in all appropriate venues to protect its interests, the interests of the market and the interests of the shareholders of UBI Banca to whom this Offer is addressed.

In any case, with regard to the MAC/MAE Condition, reference is made to what has been illustrated in Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document. Instead, in regard to the COVID-19 pandemic and its relevant effects on the MAC/MAE Condition, reference is made to what the Issuer announced on 5 June 2020, *"following the authorisation received from the European Central Bank, Intesa Sanpaolo believes, although it does not currently have information on possible adverse effects of the COVID-19 pandemic on UBI Banca, that reasonably the pandemic should not bear such effects as to negatively affect the activity of UBI Banca and/or the financial, capital, economic and income situation of UBI Banca and/or the companies of the UBI Group (in addition to not bearing similar effects for both the Offer and Intesa Sanpaolo); consequently, Intesa Sanpaolo will not include the COVID-19 pandemic and its effects as indicated at point (v) of paragraph 1.5 of the announcement published by the Bank on 17 February 2020 pursuant to Article 102, paragraph 1, of the Consolidated Law on Finance, and Article 37 of the Issuers' Regulation among the conditions for enforceability of the Offer."*

Disputes relating to anatocism and other current account or credit facility conditions

During 2019, disputes of this type – which for many years have been a significant part of the civil disputes brought against the Italian banking industry – decreased both in number and in total value of claims made compared to the previous year. Overall, the remedy sought with likely risk, including mediations, amounted to around 475 million euro with provisions of 134 million euro. As is the case for the other civil disputes, the assessment of the risk related to this type of litigation is carried out individually, taking into account the claims made, the defences submitted, the progress of the proceedings and case-law decisions, for each dispute.

You are reminded that in 2014 and 2016, Article 120 of the Consolidated Law on Banking, which governs the compounding of interest in banking transactions, was amended with the establishment of the ban on anatocism and the delegation of the CICR (Interdepartmental Committee for Credit and Savings) to regulate this matter. In February 2017, the Italian Antitrust Authority initiated proceedings against Intesa Sanpaolo for alleged unfair business practices involving, among other things, the methods used to request the above-mentioned authorisation from customers for the charging of the interest to the account imposed by the new regulations introduced in 2016. The Authority completed the proceedings in October 2017, ruling that Intesa Sanpaolo had implemented an "aggressive" policy aimed at acquiring the aforementioned authorisation, by soliciting customers to provide it through various means of communications and without putting them in a position to consider the consequences of that choice in terms of the interest calculation on the compounded debt interest. As a result, the Authority issued a fine of 2 million euro against Intesa Sanpaolo. Intesa Sanpaolo has submitted an appeal with the Lazio Regional Administrative Court, on the grounds that the ruling was unfounded. The proceedings are still pending at the Date of the Registration Document.

Investment services litigation

With regard to investment services litigation, the most important series of cases consists of lawsuits over derivatives, although these are for insignificant amounts in terms of their overall economic impact. The total remedy sought for the disputes with likely risk for this type of litigation amounted to around 150 million euro with provisions of 51 million euro.

Litigation relating to loans in CHF

Privredna Banka Zagreb ("**PBZ**"), an ISP Group company, and other Croatian banks are (not belonging to the Group) are defending themselves in a class action lawsuit brought by Potrošač – Croatian Union of the Consumer Protection Association ("**Potrošač**"), in relation to loans denominated or indexed in Swiss francs granted in the past. According to the plaintiff, the defendant banks behaved improperly by allegedly using illegitimate interest rate forecasts, which could be changed unilaterally by the bank, and by denominating the loans granted in Swiss francs (or indexing them to Swiss francs) without allegedly duly informing consumers of the risks before the signing of the respective loan agreements.

In September 2019, the Croatian Supreme Court, in the class action brought by Potrošač, dismissed the appeal filed by the defendant banks against the decision of the High Commercial Court in 2018 and upheld the finding of the lower courts that the banks had harmed the collective interests and rights of the consumers by including illegal and invalid clauses in the loan agreements concerning the denomination in Swiss francs (or indexing to that currency). The decision of the Supreme Court was challenged by PBZ before the Croatian Constitutional Court, on the grounds that the claim was unfounded. At the Date of the Registration Document, it is not possible to foresee when the Court will rule on the appeal.

On the basis of the aforementioned action for the protection of the collective interests of consumers, a number of customers filed individual lawsuits against PBZ, despite the fact that most of them had freely agreed to convert the loans originally denominated in Swiss francs (or indexed to that currency) into euro, with retroactive effect, in accordance with the Act on the Amendments to the Consumer Credit Act (Croatian Official Gazette 102/2015 – the Conversion Law). During 2019, the number of such individual cases brought against PBZ increased to a few thousand. It cannot be ruled out that further litigation may be brought against PBZ in the future in relation to these types of loans. Based on the information available to the Issuer, the provisions made by PBZ at the end of 2019 appear to be reasonably sufficient to cover the risks associated with the cases brought against the subsidiary PBZ.

In March 2020, the Croatian Supreme Court, in proceedings referred to as a model case (i.e. a proceeding before the Croatian Supreme Court whose effects are binding on the lower courts and which is intended to ensure uniform case law), ruled that the conversion agreements entered into between the banks and the borrower consumers under the aforementioned Conversion Law have legal effect and are valid even though the clauses of the loan agreements relating to the Swiss franc or the floating interest rate are null and void. This decision, which must be adhered to by the Croatian courts, will have a positive impact on the individual disputes concerning loans in Swiss francs (or indexed to that currency), converted in accordance with the Conversion Law, which should therefore be settled in favour of the Bank.

This matter will be closely monitored in order to take appropriate action, where necessary, in accordance with any related developments.

ENPAM lawsuit

In June 2015, Fondazione ENPAM – Ente Nazionale di Previdenza ed Assistenza Medici e degli Odontoiatri ("**ENPAM**") sued Cassa di Risparmio di Firenze ("**CR Firenze**", subsequently merged with the Issuer), along with other defendants including JP Morgan Chase & Co and BNP Paribas, before the Court of Milan.

ENPAM's claims related to the trading (in 2005) of several complex financial products, and the subsequent "*swap*" (in 2006) of those products with other similar products named "CLN Corsair 74,000,000". The latter were credit linked notes, i.e. securities whose repayment of principal at maturity was tied to the credit risk associated with a tranche of a synthetic CDO([82]). Due to the defaults on the CDO portfolio, the investment allegedly resulted in significant losses, for which compensation is sought.

In the writ of summons, ENPAM submitted several petitions for enquiries and rulings, in particular for contractual and tort liability and breach of Articles 23, 24 and 30 of the Consolidated Law on Finance, asking for the repayment of an amount of around 222 million euro and compensation for damages on an equitable basis. The part relating to the position of CR Firenze should be around 103 million euro (plus interest and purported additional damages).

CR Firenze was sued as the transferee of the Italian branch of Cortal Consors S.A. (subsequently merged into BNP Paribas), which had provided ENPAM with the investment services within which the abovementioned securities had been subscribed.

CR Firenze raised various objections at the preliminary stage (including a lack of standing to be sued and the time bar). On the merits, it argued, among other positions, that the cited provisions of the Consolidated Law on Finance were not applicable, that there was no evidence of the damage and its

([82]) A CDO or Collateralized Debt Obligation is a fixed income security guaranteed by a portfolio of bonds, loans and other instruments.

amount and, subordinately, that ENPAM contributed to causing the loss. If an unfavourable judgement is rendered, CR Firenze has requested that the court determine its internal share of the total liability of the defendants and that the other defendants be ordered to hold it harmless.

In February 2018, the judge ordered a court-appointed expert's review aimed at determining, among other matters:

- whether the securities were fit for the purpose indicated in the entity's Charter and Investment Guidelines;
- the difference, if any, between the performance achieved by ENPAM and the performance that would have resulted if other investments consistent with the entity's Charter and Investment Guidelines had been undertaken (also considering the need for diversification of the risk).

In 2019, upon invitation from the court-appointed expert, discussions were initiated between the parties to consider a possible settlement solution.

In the court-appointed expert report filed during the proceedings, estimates of the damage were made, by comparing the return generated by the securities purchased with that of a hypothetical "counterfactual scenario" of the purchase of securities in line with those indicated in the Charter and the Guidelines of ENPAM. For the security that CR Firenze was involved in trading, according to the estimate which appears to be more well-founded, the damage in terms of principal was allegedly 14.1 million euro, which, together with interest, would amount to around 15 million euro or 18.7 million euro (depending on the calculation method used). Initially scheduled for 4 June 2020, the hearing for presentation of the conclusions has been postponed until 25 June 2020.

Florida 2000

During 2018, Florida 2000 s.r.l. and two directors of the company challenged the legitimacy of the contractual terms and conditions applied to the accounts held with the Bank, requesting that the latter be ordered to pay back 22.6 million euro in interest and fees that were not due, plus compensation for damages quantified as an additional amount of 22.6 million euro.

Based on the results of the court-appointed expert review and case-law, it appears likely that the claim for repayment will be upheld, but only for a very small amount, whereas the claim for damages is unlikely to be upheld. At the Date of the Registration Document, the case was awaiting decision by the judge.

Alitalia Group: claw-back actions

In August 2011, several companies of the Alitalia Group (Alitalia Linee Aeree S.p.A., Alitalia Servizi S.p.A., Alitalia Airport S.p.A. and Alitalia Express S.p.A., all companies in extraordinary administration) brought five bankruptcy claw-back proceedings against the Bank and the former CR Firenze (of which four against the Bank and one against the former CR Firenze) before the Court of Rome, requesting the repayment of a total of 44.6 million euro.

When the proceedings were initiated, a line of defence was adopted based mainly on the grounds that the summons were invalid due to the vagueness of the claims, that the condition of knowledge of the Alitalia Group's state of insolvency (subject first of the Air France plan and then of the subsequent rescue conducted by the Italian Government) did not apply, and that the credited items were not eligible for claw back, due to the specific nature of the account movements.

In March 2016, the Court of Rome upheld one of the claims made by Alitalia Servizi S.p.A., ordering the Bank to repay around 17 million euro, plus incidental costs.

Considering that the ruling was issued before the deadline for filing of the final arguments, the Bank lodged an appeal, raising inter alia a preliminary objection that the judgement was void and requesting suspension of its provisional enforceability. The Court of Appeal accepted the request for suspension with an order dated 15 July 2016. The final arguments have been filed in the case and, at the Date of the Registration Document, the judgment is pending.

In contrast, the Bank won the first instance cases against Alitalia Linee Aeree S.p.A. and Alitalia Express S.p.A. and the appeal proceedings are underway at the Date of the Registration Document. With regard to the lawsuit with Alitalia Airport S.p.A., the judgement issued at first instance, which has become final, decided in favour of Intesa Sanpaolo.

The lawsuit against the former CR Firenze also ended favourably on first instance, with the Court of Appeal proceedings now pending.

Tirrenia di Navigazione in A.S.: claw-back Actions

In July 2013, Tirrenia di Navigazione in A.S. ("**Tirrenia**") filed two bankruptcy claw-back actions before the Court of Rome against the former Cassa di Risparmio di Venezia S.p.A. ("**CR Venezia**", a company subsequently merged with the Issuer) for 2.7 million euro and against Banco di Napoli ("**Banco di Napoli**", a company merged with Sanpaolo IMI S.p.A. in 2002) for 33.8 million euro.

In both cases, the plaintiff claimed that there was knowledge of the state of insolvency for the entire half year prior to admission to extraordinary administration on the basis of media reports, the non-renewal of shipping concessions, the absence of state subsidies (because they were considered state aid), and the information from the central credit register.

The claim was quantified on the same basis as the so-called "return of profits" earned on Tirrenia's accounts, corresponding to the difference between the maximum debt exposure and the final balance of the accounts generated in the half year prior to the declaration of insolvency.

The case against the former CR Venezia was concluded at first instance in 2016 with it being ordered to pay 2.8 million euro. The appeal filed by the Bank is pending at the Date of the Registration Document.

With regard to the case against the former Banco di Napoli, the most significant dispute concerns a currency adjustment of 28 million euro, whose recognition has a substantial impact on the total amounts that can be clawed back, and a court-appointed expert review is now underway. The hearing for the submission of the final arguments has been set for 17 September 2020.

Discussions aimed at settling both disputes were underway at the Date of the Registration Document.

<u>Dargent Lawsuit</u>

In 2001, the trustee in bankruptcy for the bankruptcy of the real estate entrepreneur Philippe Dargent claimed compensation of 55.6 million euro from the Bank for its allegedly "improper financial support" provided to the entrepreneur. The claim of the trustee in bankruptcy has consistently been rejected by the courts of different instance which dealt with the case for 17 years, until the Court of Colmar, on 23 May 2018, ordered the Bank to pay compensation of around 23 million euro (equal to the insolvency liabilities, minus the bank's credit claim and the proceeds from the sale of several assets). An appeal against the Colmar Court of Appeal ruling has been lodged with the French Court of Cassation. The amount of the payment ordered has been temporarily deposited with the Treasury Funds of the French Law Society.

The defence briefs were submitted in 2019 and a hearing before the French Court of Cassation was held in November 2019, which did not result in any significant findings.

Subsequently, on 22 January 2020, the French Supreme Court of Cassation quashed the decision of the Court of Appeal of Colmar and referred the matter to the Court of Appeal of Metz, because, in particular:

- it failed to demonstrate and, in any case, justify the reasons why it considered the entire asset deficit to be compensable damage rather than only the part attributable to the Bank's alleged liability and used an incorrect criterion for determining any damage that was compensable;
- even if the Bank were required to pay damages, that circumstance would not prevent it from being allowed to participate in the insolvency distribution for the recovery of its preferential claim.

In consequence of the quashing of the judgement issued by the Court of Appeal of Colmar, the Bank has requested and obtained return of the aforementioned amount of about 23 million euro held on deposit with the Treasury Funds of the French Law Society. The trustee in bankruptcy, where appropriate, may submit the matter to the Court of Appeal of Metz, which however in such case must take into account the findings of the French Court of Cassation.

<u>Disputes regarding tax-collection companies</u>

In the context of the government's decision to re-assume responsibility for tax collection, Intesa Sanpaolo sold to Equitalia S.p.A., now the Italian Revenue Agency - Collections Division, full ownership of Gest Line S.p.A. and ETR/ESATRI, companies that managed tax-collection activities, undertaking to indemnify the buyer against any expenses associated with the collection activity carried out up to the time of purchase of the equity investments.

In particular, such expenses refer to liabilities for disputes (with tax authorities, taxpayers and employees) and out-of-period expenses and capital losses with respect to the financial situation at the time of the sale.

At the Date of the Registration Document, a technical roundtable is underway with the Italian Revenue Agency – Collections Division in order to assess the parties' claims.

<u>Fondazione Monte dei Paschi di Siena</u>

During 2014, Fondazione Monte dei Paschi di Siena ("**FMPS**") brought an action for compensation for the damages allegedly suffered as a result of a loan granted in 2011 by a pool of 13 banks (including Intesa Sanpaolo and Banca IMI S.p.A.) and intended to provide it with the resources to subscribe for a capital increase of Monte dei Paschi di Siena S.p.A. ("**MPS**"). The damages claimed were allegedly due to the reduction in the market value of the MPS shares purchased with the sums disbursed by the banks. In the proceedings, FMPS sued eight former directors of the foundation that were in office in 2011 and the 13 banks in the pool. The banks have been charged with tort liability due to their participation in the alleged violation by the former directors of the debt-equity ratio limit set in the charter. The claim for damages has been quantified at around 286 million euro, jointly and severally for all the defendants.

The defence adopted by the banks included the argument that: (i) the alleged breach of the aforementioned charter limit did not apply, because it was based on an incorrect valuation of FMPS balance sheet items; (ii) in the loan agreement, FMPS itself assured the banks that the charter limit had not been breached: therefore, any breach of the FMPS charter would at most give rise to the sole responsibility of the former directors of the Foundation; lastly, (iii) there was no causal link between the alleged misconduct and the damaging event.

In November 2019, the Court of Florence rejected a number of the preliminary objections made by the banks and scheduled a hearing for 18 June 2020 to decide on the petitions for preliminary rulings, stating that the hearing be held in written form and giving the parties deadlines of 5 and 12 June 2020 for the submission of "summary defence statements". At the Date of the Registration Document, the case was pending in relation to the preliminary motions made. To be able to make a risk assessment of the proceedings, we need to wait for the court's decision on the matter, as well as the completion of any preliminary investigation.

Private banker (Sanpaolo Invest)

An inspection conducted by the Audit function identified serious irregularities by a private banker of Sanpaolo Invest SIM S.p.A. ("**Sanpaolo Invest**").

The checks carried out revealed serious irregularities affecting several customers, including misappropriation of funds and reports with false incremental amounts. On 28 June 2019, Sanpaolo Invest terminated the agency contract with the private banker due to just cause and communicated the findings to the Judicial Authority and the Supervisory Body for financial advisors, which first suspended and then removed the private banker from the Register of Financial Advisors in December 2019.

On request by Sanpaolo Invest, the Courts confiscated a total of around 7 million euro from several customers who had unduly benefited from the sums misappropriated by the private banker from his other customers. At the same time, the Sanpaolo Invest initiated out-of-court and legal actions against the unlawful beneficiaries for the recovery of the amounts misappropriated.

At the Date of the Registration Document, Sanpaolo Invest has received a total of 60 complaints for misappropriations with a total remedy sought of approximately 24 million euro, of which 17 million euro relating solely to the misappropriations and the remaining 7 million euro relating to further damages. The audits run by the Internal Audit Department and the Legal Department of the Bank found that the misappropriated amounts totalled 13 million euro. Sanpaolo Invest also received another 208 claims for a total remedy of around 20 million euro, relating to false accounting and unauthorised transactions, as well as requests for reimbursement of fees for the advanced advisory services.

During the first quarter of 2020, Sanpaolo Invest accepted and reimbursed more than 3 million euro in claims, in addition to approximately 1 million euro already paid in 2019.At the same time, Sanpaolo Invest continued out-of-court and legal actions against the unlawful beneficiaries for the recovery of the amounts misappropriated.

The risk of disbursement resulting from the illegal acts committed by the private banker is covered by a provision of 10 million euro. This provision was determined on the basis of an assessment of the claims for the confirmed appropriations and the claims relating to incorrect reports and unauthorised transactions, without considering the recovery actions already initiated, the discovery orders issued, and the coverage provided by the insurance policy, which Sanpaolo Invest promptly triggered in accordance with the policy conditions.

Ruling of the EU Court of Justice of 11 September 2019 on credit agreements for consumers - so-called Lexitor ruling

Article 16, paragraph 1, of Directive 2008/48 on credit agreements for consumers states that in the event of early repayment of the loan the consumer is "*entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract*". In this regard, judgement C-383/18 of 11 September 2019 of the Court of Justice of the European Union ("Lexitor ruling"), established that this provision must be interpreted as meaning that the right to a reduction in the total cost of the credit includes all the costs incurred by the consumer and therefore also includes the costs relating to services prior to or connected with the signing of the contract (upfront costs such as processing costs or agency fees).

The cited Article 16, paragraph 1, of Directive 2008/48 has been transposed in Italy through Article 125-*sexies* of the Consolidated Law on Banking, which prescribes that in the event of early repayment, "*the consumer is entitled to a reduction in the total cost of the credit, equal to the amount of interest and costs due for the remaining life of the contract*". On the basis of this rule, the Bank of Italy, the Financial Banking Arbitrator and case law have held that the obligation to repay only relates to the charges that have accrued during the course of the relationship (recurring costs) and have been paid in advance by the customer to the lender. In the event of early repayment, these costs must be repaid in the amount not yet accrued and the obligation to repay does not include the upfront costs.

Following the Lexitor judgment, the question has arisen as to whether Article 125-*sexies* of the Consolidated Law on Banking should be interpreted in accordance with the principle laid down therein or whether the new principle requires a legislative amendment.

According to the EU principle of "consistent interpretation", national courts are required to interpret the rules in their own jurisdiction in a manner consistent with the European provisions. However, if the national rule has an unambiguous interpretation, it cannot be (re)interpreted by the court in order to bring it into line with the various provisions of a European directive: the principles recognised by European Union law prevent the national court from being required to make an interpretation that goes against the provisions of the domestic law. In this regard, we note that Article 125-*sexies* of the Consolidated Law on Banking is clear in its wording and its scope: it states that, in the event of early repayment, the obligation to repay relates only to recurring costs and therefore does not include upfront costs. The unambiguity of the scope of the provision is confirmed by the fact that – as previously mentioned – it has always been interpreted and applied in this way.

However, in December 2019 the Bank of Italy issued "*guidance*" for the implementation of the principle established by the EU Court of Justice, clarifying that all costs (including upfront costs) should be included among the costs to be refunded in the event of early repayment, both for new relationships and for existing relationships.

Intesa Sanpaolo has decided to follow the Bank of Italy "*guidance*", even though it believes that the legal arguments set out above regarding the fact that Article 125-*sexies* of the Consolidated Law on Banking cannot be interpreted in a manner that complies with the Lexitor ruling are well founded. Accordingly, Intesa Sanpaolo reserves the right to reconsider this operational stance in the light of future developments. A provision has therefore been made in the allowance for risks and charges corresponding to the estimated higher charges resulting from the decision to follow the Bank of Italy "*guidance*".

With regard, on the other hand, to disputes relating to terminated relationships, the few court decisions have been discordant and, at the Date of the Registration Document, no prevailing case-law has yet emerged. In view of this and in the light of the legal arguments set out above (which will be broadened and included in the defences presented in the abovementioned disputes), at the Date of the Registration Document, there is no evidence to consider that a negative outcome will be likely.

Disputes connected with the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation

With regard to the risks connected with the possible outcomes for the Intesa Sanpaolo Group of the lawsuits relating to Banca Popolare di Vicenza in compulsory administrative liquidation ("**Banca Popolare di Vicenza**") and Veneto Banca in compulsory administrative liquidation (and/or their directors and top management) ("**Veneto Banca**" and, together with Banca Popolare di Vicenza, the "**former Venetian Banks**"), the following is noted:

a) based on the agreements between the two Banks in compulsory administrative liquidation and Intesa Sanpaolo (Sale Contract of 26 June 2017 (**2017 Sale Contract**) and second acknowledgement agreement of 17 January 2018), two distinct categories of disputes have been identified (also relating to the subsidiaries of the former Venetian banks included in the sale):

   - the "previous disputes", included among the liabilities of the aggregate set transferred to Intesa Sanpaolo, which include civil disputes relating to judgements already pending at 26 June 2017, with some exceptions, and in any case different from those included under the Excluded Disputes (as defined herein) (the “**Previous Disputes**”);

- -the “excluded disputes”, which remain under the responsibility of the former Venetian banks and which concern, among other things: (i) disputes brought (also before 26 June 2017) by shareholders and convertible and/or subordinate bondholders of one of the two former Venetian banks; (ii) disputes relating to non-performing loans; (iii) disputes relating to relationships terminated at the date of the transfer; and (iv) all disputes (whatever their subject) arising after the sale and relating to acts or events occurring prior to the sale (the “**Excluded Disputes**”);

b) the relevant provisions were transferred to Intesa Sanpaolo along with the Previous Disputes. In any case, if and to the extent the provisions transferred prove insufficient, Intesa Sanpaolo will be entitled to be indemnified by the former Venetian Banks, at the terms provided for in the 2017 Sale Contract.

c) after 26 June 2017, a number of lawsuits included within the Excluded Disputes were initiated or resumed against Intesa Sanpaolo. In regard to these lawsuits, Intesa Sanpaolo is pleading and will plead its non-involvement and lack of capacity to be sued, both on the basis of the provisions of Decree Law 99/2017 (in particular, see Article 3) and the agreements signed with the former Venetian Banks and in compliance with the European Commission provisions on State Aid (Decision C(2017) 4501 final and Attachment B to the 2017 Sale Contract, which cites Decision C(2017) 4501 final), which prohibit Intesa Sanpaolo from taking responsibility for any claims made by the shareholders and subordinated bondholders of the former Venetian Banks).

   If there were to be a ruling against Intesa Sanpaolo (and in any event for the charges incurred by Intesa Sanpaolo for any reason in relation to its involvement in any Excluded Disputes), it would have the right to be fully reimbursed by the former Venetian Banks.

   Moreover, the former Venetian Banks have contractually acknowledged their capacity to be sued with respect to the Excluded Disputes, such that they have entered appearances in various proceedings initiated (or re-initiated) by various shareholders and convertible and/or subordinate bondholders against Intesa Sanpaolo (or in any case included in the category of Excluded Disputes), asking for the declaration of their exclusive capacity to be sued and the consequent exclusion of Intesa Sanpaolo from those proceedings;

d) pursuant to the agreements between the two former Venetian Banks and Intesa Sanpaolo, even disputes regarding the marketing of shares/convertible and/or subordinated bonds initiated against Banca Nuova S.p.A. (“**Banca Nuova**”) and Banca Apulia S.p.A. (“**Banca Apulia**”) (both subsequently merged by incorporation into Intesa Sanpaolo) are also included in the Excluded Disputes (and therefore are subject to the same rules as described above, as a result of the abovementioned provisions and based on the criteria set out in the retransfer agreements signed on 10 July 2017, as amended).

The disputes in the Excluded Disputes include 63 disputes (for a total remedy sought of around 87 million euro) at 31 December 2019, involving claims relating to loans sold to Intesa Sanpaolo and deriving from so-called “*operazioni baciate*”; this term refers to loans granted by the former Venetian banks (or their Italian subsidiaries Banca Nuova and Banca Apulia) for the purpose of, or in any case related to, investments in shares or convertible and/or subordinated bonds of the two former Venetian Banks.

The most recurrent claims relate to:

– the violation by the former Venetian banks (or their subsidiaries) of the requirements of the rules on investment services; the customers claim that they were induced to purchase the shares on the basis of false or misleading information on the product’s risk characteristics;

– the invalidity of the “*baciata*” transaction due to the breach of Article 2358 of the Italian Civil Code, which prohibits companies from granting loans for the purchase of treasury shares, except in certain limited cases.

The first ruling on this matter was issued in January 2020, which declared that the loan sold was invalid. An appeal will be filed against this ruling. Since this is the only decision on this matter at the Date of the Registration Document, it is not possible to draw any legal conclusions regarding the validity of this type of loan sold to Intesa Sanpaolo.

With regard to the risks arising from these disputes, it should be borne in mind that the 2017 Sale Contract establishes the following:

- that any liability, charge and/or negative effect that may arise to Intesa Sanpaolo from actions, disputes or claims made by shareholders and subordinated bondholders constitutes an Excluded Liability under the 2017 Sale Contract and, as such, must be subject to indemnification by the former Venetian Banks;
- the obligation of each of the former Venetian Banks to indemnify the Bank against any damage arising from, or connected to, the violation or non-compliance of the representations and warranties issued by the two former Venetian Banks with respect to the aggregate set transferred to Intesa Sanpaolo, and, in particular, those relating to the full propriety, validity and effectiveness of the loans and contracts transferred.

On the basis of these provisions, Intesa Sanpaolo is entitled to be indemnified by the former Venetian Banks against any negative effect incurred if these loans are totally or partially invalid, unrecoverable, or in any case not repaid as a result of legal disputes.

Intesa Sanpaolo has already made a formal reservation in this regard to the two former Venetian Banks for all the loans acquired and arising from loans potentially qualifying as "*operazioni baciate*", even if they have not (yet) been formally challenged by customers.

In 2019, Intesa Sanpaolo sent several claims to the former Venetian Banks containing requests (or reservations of the right to make subsequent requests) for reimbursement/indemnification of damages already incurred or potentially incurred and violations of the above-mentioned representations and warranties, in relation to Previous Disputes and Excluded Disputes, as well as in relation to the value and recoverability of several assets transferred to Intesa Sanpaolo.

To enable the former Venetian Banks to perform a more thorough examination of the claims made, Intesa Sanpaolo granted an extension (with respect to the contractual provisions) of the deadline for challenging the claims made up to 22 November 2019. Subsequently, upon request from the former Venetian banks, Intesa Sanpaolo granted a further extension of this initial deadline, initially up to 31 March 2020 and, most recently, to 30 November 2020.

In this regard, it should also be noted that Paragraph 11.1.9 of the 2017 Sale Contract establishes that "*the precise and timely payment of any obligations and liabilities assumed in favour of the ISP by BPVi and/or VB shall be guaranteed by the Issuing Body [i.e. the Ministry of the Economy and Finance]: (i) with regard to the indemnification obligations assumed by BPVi and/or VB and relating to the Previous Disputes, up to the maximum amount of the remedy sought for each of the Previous Disputes as indicated in the case documents, net of the specific risk allowances transferred to ISP with the Aggregate Set; and (ii) with regard to the remaining obligations and liabilities assumed by BPVi and/or VB, up to the maximum amount of 1.5 billion euro*" (the "**Indemnification Guarantee**").

This provision is consistent with and implements Article 4, paragraph 1, letter c) of Decree Law 99/2017: the Ministry of the Economy and Finance "*grants the Government independent first demand guarantee on the performance of the obligations of the entity in liquidation arising from commitments, representations and warranties issued by the entity in liquidation in the sale contract, for a maximum amount equal to the sum of 1,500 million euro plus the result of the difference between the value of the past disputes of the entities in liquidation, as indicated in the case documents, and the related risk provision, up to a maximum of 491 million euro*".

The Indemnification Guarantee is therefore an essential prerequisite of the 2017 Sale Contract. At the Date of the Registration Document, this guarantee has not yet been formalised by a specific Decree from the Ministry of the Economy and Finance. The issuance of the guarantee by the government is a required procedure that is envisaged, not only by the Sale Contract 2017, but also by the above-mentioned Decree Law 99/2017.

Moreover, as part of the criminal proceedings before the Court of Rome for the alleged market rigging and obstructing the Supervisory Authorities in the performance of their functions with respect to officers and executives of Veneto Banca, in January 2018 the preliminary hearing judge decided that Intesa Sanpaolo could be charged with civil liability. According to the judge, the exclusion from the sale to Intesa Sanpaolo of the debts, responsibilities and liabilities deriving from the sale of shares and subordinated bonds – envisaged by Decree Law 99/2017 – would not be objectionable by third parties, while Article 2560 of the Italian Civil Code would be applicable in the case in question and Intesa Sanpaolo should therefore take on those liabilities.

As a result of this decision, more than 3,800 civil plaintiffs holding Veneto Banca shares or subordinated bonds joined the proceedings. Intesa Sanpaolo therefore entered an appearance requesting its exclusion from the proceedings, in application of the provisions of Decree Law 99/2017, of the rules established for the compulsory administrative liquidation of banks and, before that, of the principles and rules contained in the bankruptcy law, in addition to the constitutional principles and decisions made at EU level with regard to the operation relating to the former Venetian banks. In turn, Veneto Banca in compulsory administrative liquidation intervened voluntarily affirming its exclusive, substantial and procedural capacity to be sued.

In March 2018, the preliminary hearing judge declared his lack of territorial jurisdiction, transferring the files to the Public Prosecutor's Office of Treviso. The charge of civil liability and the joinders of the civil parties were therefore removed.

Finally, it should be noted that, in the criminal proceedings before the Court of Vicenza against the directors and executives of Banca Popolare di Vicenza, the preliminary hearing judge rejected the request for authorisation to charge Intesa Sanpaolo with civil liability, arguing on the basis of the provisions of the 2017 Sale Contract and the special provisions contained in Decree Law 99/2017.

IMI/SIR dispute

After the final judgement which established the criminal liability of the corrupt judge Metta (and his accomplices Rovelli, Acampora, Pacifico, and Previti), the defendants were ordered to pay compensation for damages, with the determination of those damages referred to the civil courts. Intesa Sanpaolo then brought a case before the Court of Rome to obtain an order of compensation for damages from those responsible.

In its ruling of May 2015, the Court of Rome quantified the financial and non-financial damages for Intesa Sanpaolo and ordered Acampora and Metta – the latter also jointly liable with the Office of the President of the Council of Ministers (pursuant to Law no. 117/1988 on the accountability of the judiciary) – to pay Intesa Sanpaolo 173 million euro net of tax, plus legal interest accruing from 1 February 2015 to the date of final payment, plus legal expenses. The amount awarded took account of the amounts received in the meantime by the Bank as part of the settlements with the Rovelli family and with the counterparties Previti and Pacifico.

In July 2016, the Rome Court of Appeal stayed the enforcement of the judgment of first instance with respect to the amount in excess of 130 million euro, in addition to ancillary charges and expenses, and adjourned the hearing of the final pleadings to June 2018. As a result of this decision, in December 2016 the Office of the President of the Council of Ministers credited Intesa Sanpaolo with the sum of 131,173,551.58 euro (corresponding to the 130 million euro of the order, in addition to legal interest and reimbursement of expenses). To avoid dispute, only the exact amount of the order, without applying the gross-up, was demanded and collected.

On 16 April 2020, the ruling of the Court of Appeal of Rome was filed, which essentially upheld the lower Court's ruling, while reducing the amount of non-financial damages to 8 million euro (compared to 77 million euro that had been quantified by the court of first instance), and set the amount to be paid at 108 million euro, to be considered net of tax, plus legal interest and expenses. The legal actions to safeguard the Bank's claims are being assessed at the Date of the Registration Document.

Administrative litigation

Offering of diamonds

In October 2015, the Bank signed a partnership agreement with Diamond Private Investment ("**DPI**") governing how diamond offerings were made by DPI to the customers of Intesa Sanpaolo. The aim of this initiative was to provide customers with a diversification solution with the characteristics of a "safe haven asset" in which to allocate a marginal part of their assets over the long-term. Diamonds had already been sold for several years by other leading national banking networks.

This recommendation activity was carried out primarily in 2016, with a significant decline starting from the end of that year. A total of around 8,000 customers purchased diamonds, for a total of around 130 million euro. The marketing process was based on criteria of transparency, with safeguards progressively enhanced over time, including quality controls on the diamonds and the fairness of the prices applied by DPI.

In February 2017, the AGCM (the Italian Competition Authority) brought proceedings against companies that marketed diamonds, (DPI and other companies), for alleged conduct in breach of the provisions on unfair business practices. In April 2017, those proceedings were extended to the banks that recommended the services of those companies.

At the end of those proceedings, on 30 October 2017, the AGCM notified the penalties imposed for the alleged breach of Legislative Decree 206 of 6 September 2005 ("Consumer Code") through the conduct of DPI and of the banks which the proceedings had been extended to, essentially consisting in having provided partial, deceptive and misleading information on the characteristics of the diamond purchases, the methods used to calculate the price – presented as being the market price – and the performance of the market. The Authority issued a fine of 3 million euro against Intesa Sanpaolo, reduced from the initial fine of 3.5 million euro, after the Authority had recognised the value of the measures taken by the Bank from 2016 to strengthen the safeguards on the offering process aimed, in particular, at ensuring proper information to customers.

Following the order by the AGCM, the Bank paid the amount of the fine and filed an appeal with the Lazio Regional Administrative Court against the order.

Moreover, from November 2017, the Bank:

- terminated the partnership agreement with DPI and ceased the activity, which had already been suspended in October 2017;
- started a process that provides for the payment to customers of the original cost incurred for the purchase of the diamonds and the withdrawal of the stones, in order to satisfy the customers' resale needs which, due to the illiquidity that had arisen in the market, are not met by DPI; and
- sent a communication in January 2018 to the diamond-holding customers reiterating the nature of the stones as durable goods, and also confirming the Bank's willingness to intervene directly in relation to any realisation needs expressed by the customers and not met by DPI.

As at 31 December 2019, a total of 6,595 repurchase requests had been received and fulfilled by the Bank, for a total value of approximately 111.9 million euro, with the flow of requests steadily decreasing over the last several quarters.

The valuation of the repurchased diamonds is carried out using the values provided by the IDEX Diamond Retail Benchmark, one of the main online trading platforms used in the main markets by over 7,000 traders.

In February 2019, an order for preventive criminal seizure of 11.1 million euro was served, corresponding to the fee and commission income paid by DPI to the Bank. The preliminary investigations initiated by the Public Prosecutor's Office of Milan also concern four other banks (more involved) and two companies that sell diamonds. The Issuer was charged with the administrative offence of self-money laundering pursuant to Legislative Decree 231/2001.

Tax litigation

The Group's tax litigation risks are covered by adequate provisions to the allowances for risks and charges.

Pending litigation proceedings at 31 December 2019 totalled 175 million euro, considering both administrative and judicial proceedings at various instances. The actual risks were quantified at 62 million euro.

Specifically in regard to the Issuer, there were 612 pending litigation proceedings at 31 December 2019, for a total amount of 111 million euro, considering both administrative and judicial proceedings at various instances. The actual risks at 31 December 2019 were quantified at 54 million euro. 177 disputes concerning a total of 172 million euro in challenged amounts were settled in 2019 with a disbursement of around 18 million euro.

At the Group's other Italian companies, tax disputes totalled 53 million euro as at 31 December 2019, covered by specific provisions of 1 million euro.

Tax disputes involving international subsidiaries, totalling 11 million euro, are covered by provisions of 7 million euro.

The Group carries receivables of 39 million euro on its balance sheet to account for amounts paid on a provisional basis in cases of assessments ([83]), 28 million euro of which related to the Issuer. The portion

([83]) The provisional payments in question were made in compliance with specific legal provisions, which provide for the mandatory payment based on an automatic mechanism totally independent of whether the related tax claims are actually founded and, thus, irrespective of the higher or lower level of risk of a negative outcome in the related proceedings. Thus, these payments were made solely because of the enforceable nature of the administrative acts that set forth the related tax claim, which does not lose its effectiveness even in the event of an appeal (no suspensive effect) and has no impact on the assessment of the actual risk of a negative outcome, which must be of the allowance for risks, which relates to provisional tax assessments, amounts to 25.5 million euro, of which 25 million euro for Intesa Sanpaolo.

The most important tax disputes involving the Group at the Date of the Registration Document are briefly described as follows.

Mediocredito Italiano S.p.A.

With regard to the merged company Mediocredito Italiano S.p.A., on 17 April 2019 the Milan Tax Police (Guardia di Finanza) initiated a general audit of direct taxes for the tax years 2015 and 2017 and of VAT for the years 2014 and 2015, which ended with a Tax Audit Report that, for the year 2014, contested the VAT exemption applied, in accordance with Article 8-bis of Presidential Decree 633/72, by the company to the nautical leases, and of the exemption established in Article 7-bis of Presidential Decree 633/72 for the buyback of a vessel. The value of the dispute is 5 million euro. In December 2019, an appeal was filed against the assessment notice regarding VAT for the year 2014.

Intesa Sanpaolo Private Banking

Tax claims were pending against Intesa Sanpaolo Private Banking S.p.A. ("**ISPB**") and Intesa Sanpaolo as consolidating entity at the Date of the Registration Document, with regard to the deduction of the amortisation charge for the goodwill arising from the transfers of the private banking business lines of Intesa Sanpaolo and Cassa dei Risparmi di Forlì e della Romagna, in the years 2009 and 2010, as realigned by Intesa Sanpaolo Private Banking in accordance with Article 15, paragraph 10, of Decree Law 185 of 29 November 2008.

The following is noted in this regard:

– the favourable ruling no. 2763/2019, filed on 26 June 2019, by the Lombardy Regional Tax Commission, which rejected the main appeal by the Italian Revenue Agency against the ruling no. 7028/2017 by the Milan Provincial Tax Commission, which had in turn upheld the (combined) appeals against the 2011 IRES and 2011 IRAP assessment notices (total claim amount of 7.3 million euro, of which 3.8 million euro for taxes and 3.5 million euro for penalties). The court of second instance also upheld the company's cross-appeal on the preliminary matter of the lapse of the tax administration's power of assessment: the release of the goodwill had been reported in the tax return for the 2010 tax year, and the notices were served in 2017, i.e. beyond the time limits laid down in Article 43 of Presidential Decree 600/73;

– the notification, in October 2019, of the appeal to the Supreme Court of Cassation by the Italian Revenue Agency against the abovementioned ruling no. 2763/2019 of the Lombardy Regional Tax Commission relating to the year 2011;

– also in October 2019, the ruling of the Lombardy Regional Tax Commission, which was contrary to the previous rulings, upheld the appeals of the Italian Revenue Agency, with rulings no. 5172/2019 and 5173/2019 relating to the year 2012, and declared that the IRES and IRAP assessment notices were legitimate.

In relation to this dispute, on 8 and 10 April 2019 the Italian Revenue Agency, Lombardy Regional Revenue Office - Large Taxpayers Office, served assessment notices on ISPB and the Issuer, as consolidating entity, for IRES and IRAP for the tax years 2014 and 2015.

The amount deducted by ISPB and now contested by the Lombardy Regional Revenue Office concerns:

– for the year 2014, the same amount already adjusted for the years 2012 and 2013, equal to 11.9 million euro, corresponding to a higher IRES of 3.3 million euro and a higher IRAP of 0.6 million euro;

– for the year 2015, the same amount already adjusted for previous years plus the amortisation deriving from the deeds of transfer of the business lines of Cassa di Risparmio di Pistoia and Casse di Risparmio dell'Umbria, amounting to 12.1 million euro, which correspond to a higher IRES of 3.3 million euro and a higher IRAP of 0.7 million euro.

The total amount claimed against Intesa Sanpaolo Private Banking, also including the claims made in 2011, 2012 and 2013, amounts to 42.3 million euro for tax, penalties and interest. The risk of liability has been assessed as remote, because the legitimacy of the exemption of goodwill that is newly generated by the transferee has been expressly acknowledged by the Agency in its Circular no. 8/E of 2010.

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measured using the criterion set forth in IAS 37 for liabilities.

11.4 Significant change in the issuer's financial position

Since 31 March 2020, the date of the most recent interim financial information published by the Issuer (see Part B, Section 6, Paragraph 6.1 of the Registration Document), no significant changes in the financial position or commercial situation of the Issuer have occurred at the Date of the Registration Document.

That said, the beginning of 2020 was dominated by a new disturbing factor, i.e. the COVID-19 (so-called coronavirus) pandemic, with its implications for public health, economic activity and commerce, capable of exerting a significant negative effect on global growth. The World Health Organisation declared an international emergency, in response to which the nations affected by cases of contagion (including Italy) implemented specific measures to contain the pandemic, with major impacts on the general economy and the financial markets.

In its press release published on 5 May 2020, the Issuer stated its belief that currently available information only permits outlining the general trends of a scenario in the aftermath of the COVID-19 epidemic, even if it is susceptible to unpredictable changes, given the significant uncertainties surrounding the extraordinary nature of the COVID-19 pandemic.

This hypothetical scenario can be summarised in the forecasts for Italian GDP, which is expected to decrease in the range of 8%-10.5% in 2020 and rebound by around 4.5%-7% in 2021.

In this scenario, in which the soundness of the strategic actions envisaged in the Intesa Sanpaolo 2018-2021 Business Plan is confirmed, the Group will be able to continue to count on its strengths, which consist of its resilient and well-diversified business model, focused on wealth management & protection services and in particular on the development of non-motor P&C insurance products, in addition to strategic flexibility in managing operating costs and proactive management of non-performing loans.

Furthermore, in 2020, the Intesa Sanpaolo Group can count on a buffer, to be used against the possible negative economic impacts stemming from the COVID-19 pandemic, consisting of 300 million euro of provisions set aside in the first quarter and the capital gain on the Nexi transaction over the year. This would make it possible to use a total of around 1.5 billion euro of pre-tax adjustments to loans for the full year.

Considerations relating to the possible macroeconomic scenario and Intesa Sanpaolo's inherent strengths, together with the envisaged use of the aforementioned buffer, lead to an estimated net income for the Group that may be no lower than around 3 billion euro in 2020 and no lower than around 3.5 billion in 2021, assuming a potential cost of risk of up to around 90 basis points in 2020 and up to around 70 basis points in 2021.

The dividend policy indicated in the 2018-2021 Business Plan, envisaging the distribution of cash dividends corresponding to a payout ratio of 75% of net income for 2020 and 70% for 2021, is confirmed. This is subject to ECB indications in respect of dividend distribution after 1 October 2020, the term of the recommendation of 27 March 2020.

The Business Plan projection of a pro-forma fully loaded Common Equity Tier 1 ratio above 13%([84]) in 2021 is also confirmed, even taking into account the potential distribution of the 2019 suspended dividend, subject to ECB guidance concerning the distribution of dividends after next 1 October.

11.5 Pro-forma financial information

Introduction

This Paragraph contains the pro-forma consolidated balance sheet and the pro-forma consolidated income statement for the year ended 31 December 2019, and the explanatory notes, of the ISP Group (the "**Pro-Forma Consolidated Financial Statements**"), prepared essentially to illustrate the retroactive effects of the proposed Acquisition of UBI Banca, to be carried out through the Public Exchange Offer for all UBI Shares, whose launch was approved by the Board of Directors of Intesa Sanpaolo on 17 February 2020.

It is noted in this regard that, unlike the cases that ordinarily entail preparation of pro-forma data, the

([84]) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward. Above 12% when excluding the aforementioned DTA absorptions.

represented circumstances have not effectively materialised at the preparation date of this Registration Document. Notwithstanding these limits, the Issuer has decided to prepare the Pro-Forma Consolidated Financial Statements by using the base assumptions and hypothetical assumptions referring to certain events and circumstances that had not materialised at the preparation date of the Pro-Forma Consolidated Financial Statements. The Pro-Forma Consolidated Financial Statements have been prepared solely for the purpose of including them in the Registration Document. This Registration Document presents the Pro-Forma Consolidated Financial Statements prepared by the Issuer, although the materiality thresholds prescribed in Commission Delegated Regulation (EU) 980/2019 have not been exceeded.

The Pro-Forma Consolidated Financial Statements, prepared in compliance with the provisions of CONSOB notice no. DEM/1052803 of 5 July 2001, were drawn up in order to simulate, according to measurement criteria consistent with the historical data and compliant with reference regulations, the effects of the Acquisition on the financial position and results of the ISP Group, as if the Acquisition had virtually taken place on 31 December 2019 in relation to the effects on the balance sheet and on 1 January 2019 in relation to those on the pro-forma consolidated income statement.

Summary description of the Acquisition and Public Exchange Offer

The Acquisition is to be carried out through the Public Exchange Offer made by ISP – pursuant to and for the purposes of Articles 102 and 106, paragraph 4, of the Consolidated Law on Finance, and the applicable implementing provisions contained in the Issuers' Regulation – on all of the UBI Shares, and specifically a maximum of 1,144,285,146 ordinary shares, i.e. all the ordinary shares issued by UBI Banca as at the Date of the Registration Document (including the 9,251,800 own shares held by UBI Banca). The UBI Shares cannot be tendered in acceptance of the Offer if they are held, directly or indirectly (including through trust companies or third parties), by the Issuer and, therefore, such shares will not be considered as subject of the Offer.

If all the Conditions Precedent of the Offer are fulfilled and the Offer is finalised, the Issuer will pay a Consideration, for each UBI Share tendered in acceptance of the Offer, not subject to any adjustment, represented by 1.7000 ISP Shares arising from the Public Exchange Offer Share Capital Increase.

Therefore, in case of total acceptance of the Offer, the shareholders of UBI Banca will receive a maximum 1,945,284,755 newly issued Shares of the Issuer arising from the Public Exchange Offer Share Capital Increase.

Pro-Forma Consolidated Financial Statements

Basis of preparation of the Pro-Forma Consolidated Financial Statements

The information contained in the Pro-Forma Consolidated Financial Statements represents a simulation, provided merely for illustrative purposes, of the possible effects that might result from the Acquisition. More specifically, as the pro-forma data were prepared to retroactively reflect the effects of subsequent transactions, despite compliance with the generally accepted rules and the use of reasonable assumptions, there are limitations inherent in the nature of these pro-forma figures. By their very nature, they are unable to offer a representation of the prospective financial position and results of the ISP Group. Therefore, the following aspects have to be considered for proper interpretation of the information provided by the Pro-Forma Consolidated Financial Statements:

- since these consist of representations constructed on hypotheses, the same results represented in the Pro-Forma Consolidated Financial Statements would not necessarily be obtained if the Acquisition were actually realised at the reference dates used for preparation of the Pro-Forma Consolidated Financial Statements;
- in no way do the pro-forma data attempt to represent a forecast of future results. Therefore, they must not be used in that sense: the pro-forma data do not reflect the prospective data, since they are prepared only to represent the effects of the Acquisition that can be isolated and objectively measured, without considering the potential effects deriving from changes in the management policies and operational decisions of the Issuer in consequence of the outcome of this transaction. Hence, the pro-forma representations do not aim to illustrate a present or prospective financial position and results of the effects of the Acquisition;
- given the different purposes of the pro-forma data from those of normal financial statements, and since the effects are calculated differently in reference to the pro-forma consolidated balance sheet and the pro-forma consolidated income statement, they must be read and interpreted separately, without seeking any links between them at the accounting level.

In accordance with the provisions of Consob Communication no. DEM/1052803 of 5 July 2001, the Pro-Forma Consolidated Financial Statements do not show either the costs or synergies that will derive from the proposed transaction for the entity resulting from the integration of the UBI Group into the ISP Group. In particular, the costs for integration of the UBI Group in the ISP Group, which are estimated to be about 1.3 billion (before tax and one-off) have not been subjected to pro-forma adjustments because they involve hypothetical future actions which forecasts state might be carried out only if the Acquisition is completed through the Public Exchange Offer, in order to achieve the objectives of the transaction (which also include the aforementioned synergies), on the basis of agreements and contracts that will also be signed only if the aforementioned Acquisition is completed.

The Pro-Forma Consolidated Financial Statements have been prepared both on the basis of the 2019 Consolidated Financial Statements of the ISP Group and of the 2019 Consolidated Financial Statements of the UBI Group, in compliance with the IAS/IFRS endorsed by the European Union, and the measures issued in implementation of Article 9 of Legislative Decree 38/05 and Article 43 of Legislative Decree 136/15, and applying the pro-forma adjustments as described in the following paragraphs. The reader is referred to the contents of the respective consolidated financial statements at 31 December 2019 ("Part A – Accounting Policies") in regard to the accounting standards implemented by the ISP Group and the UBI Group for the preparation of consolidated historic data. In this regard, please note that preliminary analyses show that at 31 December 2019, the two banking groups essentially apply the aforementioned standards in the same manner. Nevertheless, certain differences might exist due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities. In this regard, the ISP Group implemented the revaluation model for owner-occupied properties and valuable art assets in its 2019 Consolidated Financial Statements, while the UBI Group used the cost method in its 2019 Consolidated Financial Statements. Then, the ISP Group used the fair value method, while the UBI Group used the cost method for investment properties. Moreover, beginning 1 January 2018, the date on which IFRS 9 came into force, the ISP Group decided to exercise the option of adopting the Deferral Approach, according to which the financial assets and liabilities of the subsidiary insurance companies continue to be recognised in accordance with the provisions of IAS 39. In contrast, the UBI Group recognises the values of the assets and liabilities and results for the period from subsidiary insurance companies in its own Consolidated Financial Statements in accordance with IFRS 9. Regardless, in the case of the 2019 Consolidated Financial Statements of the ISP Group, the differences represented hereinabove will be eliminated during application of the purchase price allocation method prescribed in IFRS 3, through a process of alignment of the options, allowed by IAS/IFRS, adopted by the ISP Group and through recognition of the fair value of the assets and liabilities of the acquired entity, considering valuation parameters and techniques consistent with those used by the Issuer.

Moreover, the Pro-Forma Consolidated Financial Statements do not reflect the effects of disposal of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units because, at the Date of the Registration Document, the Issuer does not possess detailed information or accounting figures or objective elements for the Banking Business Unit in its entirety and Insurance Business Units (the subject of the BPER Agreement and the Unipol Agreement, respectively) and the Additional UBI Branches (the subject of the ISP Commitments) that would permit the determination of the quantitative composition thereof, the accounting reconstruction of the balance sheet and income statement of the Banking Business Unit, the Insurance Business Units and the Additional UBI Branches, or the calculation of their amounts analytically and in such a way as to permit the preparation and presentation of pro-forma consolidated financial statements designed to give a retroactive view of the effects of the proposed sale of the Banking Business Unit and the Insurance Business Units, as well as of the potential sale of the Additional UBI Branches. The only data available to ISP are those concerning its own 31 branches, included in the Banking Business Unit pursuant to the supplemental agreement to the BPER Agreement of 15 June 2020 in order to optimise the local coverage, which represent an insignificant part of the Banking Business Unit as a whole, which is composed of a total of 532 branches, of which 501 branches owned by UBI Banca. As previously mentioned, the Issuer does not have detailed information or accounting figures or objective and verifiable elements that would permit the preparation and presentation of Pro-Forma Consolidated Financial Statements designed to give a retroactive view of the effects of the proposed sale of the Banking Business Unit.

For information about the principal details concerning the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units, see Part B, Section 5, Paragraph 5.1.6.1, of the Registration Document.

The consolidated accounting figures of the ISP Group and the UBI Group are published on the basis of the templates prescribed in Bank of Italy Circular 262/05.

The 2019 Consolidated Financial Statements of the ISP Group were audited by the Independent Auditors, which issued their own unqualified audit report on 18 March 2020.

The 2019 Consolidated Financial Statements of the UBI Group were audited by Deloitte & Touche S.p.A. (“**Deloitte**”), which issued its own unqualified audit report on 6 March 2020.

By setting itself the objective of achieving control of UBI Banca, the Acquisition through a Public Exchange Offer represents a business combination for ISP in accordance with IAS/IFRS. More specifically, the recognition of business combinations is regulated by IFRS 3. Due to the precedence given to substance over form, that standard does not distinguish accounting treatment according to the different types of non-recurring finance transactions (merger, spin-off, contribution, etc.), but it does envisage a single accounting treatment, the “acquisition method”. This means that, from the point of view of IAS/IFRS, the legal form used to realise the transaction is irrelevant with respect to the accounting treatment to be applied to the transaction itself.

The “acquisition method” prescribed by IFRS 3 envisages that the Acquisition takes the following steps.

Identifying the acquirer

IAS/IFRS require that an acquirer be identified for any business combination. In the specific case, it is clear that the acquirer is ISP, as the offeror in the Public Exchange Offer.

Determining the cost of the combination

IFRS 3 requires that the cost of a business combination be equal to the sum of the fair value, at the exchange date: (i) of the transferred assets, (ii) the liabilities incurred and (iii) the equity instruments issued by the acquirer in return for control of the acquired entity. Therefore, for the Acquisition through the Public Exchange Offer made by ISP, the cost of the Acquisition will be represented by the fair value of the Shares issued by the Issuer in exchange for the UBI Shares. Since they are listed shares, the fair value of the issued shares will be represented by the stock exchange price on the trading day immediately prior to the transaction execution date.

Moreover, according to IFRS 3, the business combination cost must include the fair value at the acquisition date of the stakes in the acquired company previously held by the acquirer.

Allocating the cost of the combination (“Purchase Price Allocation”).

Pursuant to IFRS 3, the Acquisition must be recognised according to the acquisition method. This method requires that at the acquisition date, the acquirer allocate the cost of the combination (the “PPA”, or “Purchase Price Allocation”) to the identifiable assets, liabilities and contingent liabilities of the acquired entity (including any intangible assets that were previously not recognised by it), recognising their fair value at that date, except for the assets that are classifiable as held for sale, which will instead be recognised at fair value net of costs of sale.

The remaining difference between the fair value of the issued shares and the value, measured at fair value, of the assets net of liabilities and contingent liabilities, while also considering the intangible assets not recognised in the financial statements of the acquired company:

- if positive, must be recognised as goodwill on the balance sheet;
- if negative, must be recognised as income on the income statement of the entity resulting from the business combination (negative goodwill).

Moreover, notwithstanding the Conditions Precedent of the Offer, if the Public Exchange Offer is not fully subscribed, a minority interest will remain, representing the remaining UBI Shares that were not exchanged for the ISP Shares. In this regard, IFRS 3 prescribes that for each business combination, the acquirer must also recognise the value of any minority interest at fair value or in proportion to the minority investment in the net identifiable assets of the acquired company.

During preparation of the Pro-Forma Consolidated Financial Statements, no fair value measurement of the assets, including any previously unrecognised intangible assets, liabilities and identifiable contingent liabilities of the acquired entity was made because those fair values will have to be determined in reference to the future acquisition date and using valuation techniques and information sources consistent with those used by the Issuer in preparation of its own financial statements. Moreover, IFRS 3 grants an acquiring entity 12 months after the effective date of the transaction to determine the final figure for those values. All that was done to prepare the Pro-Forma Consolidated Financial Statements was to reverse the intangible assets of the UBI Group, in accordance with what will be done once the Acquisition is recognised in the accounts as part of the “Purchase Price Allocation” process pursuant to IFRS 3. More specifically, in addition to reversing the goodwill and intangible assets recognised by the UBI Group after previous Purchase Price Allocations, and considering the intention of ISP to proceed with merger by incorporation of UBI Banca, which inter alia will entail migration of the merged entity to the information systems of the Issuer, the component of intangible assets traceable to software will also be reversed. Therefore, during this phase, and except as stated in the paragraph "Pro-forma adjustments", the fair value of the assets and liabilities of the acquired entity has been assumed to be aligned with the carrying value of those same assets and liabilities as reported in the 2019 Consolidated Financial Statements of UBI Banca.

On the basis of the information available at the Date of the Registration Document, negative goodwill will appear after the Acquisition and will be recognised in the Consolidated Financial Statements of ISP. The negative goodwill shown in the Pro-Forma Consolidated Financial Statements conventionally represents the difference between the consolidated shareholders' equity of the UBI Group at the reference date (adjusted as specified in the paragraph "Pro-forma adjustments") and the preliminary cost of the combination (determined according to what is stated in the paragraph "Pro-forma adjustments"). Therefore, the final determination of negative goodwill will be subject to the changes connected with the following aspects:

1) the net book value of the UBI Group at the acquisition date;

2) determination at the acquisition date of the higher/lower value ("fair value") of the assets and liabilities of the UBI Group as compared with their book values and valuation of the additional intangible assets, liabilities and contingent liabilities, which might not be presently recognised in the balance sheet and income statement of the acquired entity, but whose recognition is required in the purchase price allocation process;

3) the stock market price of ISP Shares on the trading day immediately preceding the transaction execution date, which will be used to determine the final value of the business combination cost.

In relation to the impacts associated with point 2), the main balance sheet items of the UBI Group whose fair value has to be determined for comparison with their book values are represented by "Financial assets measured at amortised cost" (Loans to banks and Loans to customers), "Equity investments", "Property and equipment" (particularly owner-occupied properties, valuable art assets, and investment property) and "Securities issued". In addition, the values of any currently unrecognised intangible assets (e.g. client relationship intangibles) and contingent liabilities will also have to be recognised. Moreover, the premises for recognition of DTAs on tax losses carried forward and not yet recognised in the financial statements by the UBI Group will have to be checked.

Furthermore, it is expected that all the adjustments shown in the Pro-Forma Consolidated Financial Statements will have a permanent impact on the ISP Group after the Public Exchange Offer, excluding the adjustment made to recognise negative goodwill and the incidental expenses connected with the Public Exchange Offer, which will be incurred on a one-off basis to complete the Acquisition. With reference to the negative goodwill, although the IAS/IFRS provide that it has to be recognised in the income statement, for the purposes of the Pro-Forma Consolidated Financial Statements published in this Paragraph, given its non-recurrent nature and the fact that its amount can vary in accordance with the above and pursuant to Consob Communication no. DEM/1052803 of 5 July 2001, the negative goodwill was allocated to a separate liability caption on the pro-forma consolidated balance sheet without any impact on the pro-forma consolidated income statement. The reader is referred to Part B, Section 7, Paragraph 7.3 of this Registration Document concerning the observations on the use of negative goodwill, and particularly in regard to the impact on the income targets of the ISP Group for 2020.

The sale of the Banking Business Unit, the Insurance Business Units and the Additional UBI Branches under the ISP Commitments

ISP and BPER signed the BPER Agreement, which provides for BPER's commitment to acquire the Banking Business Unit composed of bank branches of the ISP Group, as integrated upon completion of the Offer (that will consist of branches of the ISP Group after its integration with UBI Banca and not represented only by branches of the former UBI Banca) and related staff and customer relationships. Note that the Banking Business Unit also includes 31 branches of the Issuer in order to optimise the local coverage. The consideration for the acquisition of the Banking Business Unit, as defined by the supplementary agreements to the BPER Agreement of 19 March 2020 and 15 June 2020, is set as a cash consideration of the lesser between 0.55 times the value of the Common Equity Tier 1 capital of the Banking Business Unit (in turn determined by applying the Common Equity Tier 1 Fully Phased ratio of UBI Banca to the RWAs of the Banking Business Unit) and 78% of the implicit multiple that Intesa Sanpaolo will pay for UBI Banca's Common Equity Tier 1 capital. In accordance with the BPER Agreement, the consideration as set above will be paid to UBI Banca (except for the 31 branches belonging to the Issuer). Pursuant to the BPER Agreement, the finalisation of the transfer of the Banking Business Unit is subject to: (a) the completion of the Public Exchange Offer (and, thus, fulfilment of the Conditions Precedent of the Public Exchange Offer or to the waiver of all or part of these by ISP), including, where applicable, the waiver of the Percentage Threshold Condition, without prejudice to the Minimum Threshold Condition), (b) the appointment of a new board of directors of UBI Banca, the majority of which will be individuals drawn from the list that will be presented by Intesa Sanpaolo, (c) the participation of UBI Banca in the BPER Agreement, (d) the completion of the BPER share capital increase announced on 17 February 2020 to support the acquisition of the Banking Business Unit, of a maximum amount of 1 billion euro, (e) obtaining the necessary authorisations from the competent antitrust and supervisory authorities, as well as (f) carrying out of the trade union procedure pursuant to article 47 of Italian Law 428/1990 as subsequently amended (see Part B, Section 14, Paragraph 14.1.1 of the Registration Document).

ISP and Unipol also signed the Unipol Agreement, under which Unipol committed to acquire, directly or through subsidiaries – for a cash consideration calculated as specified below – the Insurance Business Units, i.e. the business lines referring to one or more of the insurance companies currently held by UBI Banca (i.e. BancAssurance Popolari S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A.), composed of the life insurance policies taken out by the customers of the Banking Business Unit, related technical reserves and associated covering assets, and the related assets, liabilities and legal relationships. In particular, pursuant to the Unipol Agreement, the Insurance Business Units shall be accurately defined and, thus, transferred to Unipol as soon as it is possible to access the data and information of said insurance companies and the Banking Business Unit, as well as subject to the occurrence of specific conditions, including (a) the completion of the Public Exchange Offer (and, thus, in particular, upon fulfilment of the Conditions Precedent of the Public Exchange Offer or to their waiver by Intesa Sanpaolo) and the resulting acquisition of control of UBI Banca by the Issuer; (b) the completion of the sale to BPER of the Banking Business Unit pursuant to the BPER Agreement; (c) the reacquisition of control of Lombarda Vita S.p.A. and/or Aviva Vita S.p.A. by UBI Banca; (d) the carrying out of the trade union procedure pursuant to article 47 of Italian Law 428/1990 as subsequently amended; as well as (e) obtaining the necessary authorisations from the competent supervisory and antitrust authorities. It is specified that the consideration for the transfer of the Insurance Business Units shall be determined based on the same measurement criteria used to determine the price paid by UBI Banca for the purpose of the possible reacquisition of control of Lombarda Vita S.p.A. and Aviva Vita S.p.A., as well as, concerning the Insurance Business Units of BancAssurance Popolari S.p.A., referring to its equity value (see Part B, Section 14, Paragraph 14.1.2 of the Registration Document).

Moreover, in the event that the AGCM found any critical antitrust issues remaining in certain local areas (where there are no branches to be sold to BPER) even after the sale of the Banking Business Unit to BPER, the Issuer engaged to make structural commitments for the sale of Additional UBI Branches. In particular, in the notification sent to the AGCM on 15 June 2020, ISP made the commitment to enter into contracts with one or more independent third parties, within 9 months after settlement of the Offer, for the sale of Additional UBI Branches (the "**ISP Commitments**") (see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document). The Pro-Forma Consolidated Financial Statements do not reflect the effects of sale of the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units. At the Date of the Registration Document, the Issuer does not possess detailed information or accounting figures or objective elements for the Banking Business Unit in its entirety and Insurance Business Units (the subject of the BPER Agreement and the Unipol Agreement, respectively) and the Additional UBI Branches (the subject of the ISP Commitments) that would permit the determination of the quantitative composition thereof, the accounting reconstruction of the balance sheet and income statement of the Banking Business Unit, the Insurance Business Units and the Additional UBI Branches, or the calculation of their amounts analytically and in such a way as to permit the preparation and presentation of pro-forma consolidated financial statements designed to give a retroactive view of the effects of the proposed sale of the Banking Business Unit and the Insurance Business Units, as well as of the potential sale of the Additional UBI Branches.

Considering (i) the business profile of ISP and the operations of its product factories, which will not experience any changes from sale of the aforementioned business units to BPER and Unipol, and (ii) the limited contribution of the sold business units to the entity resulting from the Merger (estimated to amount to about 6% of the total net loans of the combined entity), the Issuer believes that the impacts on and risks of the corporate business of the ISP Group deriving from execution of the BPER Agreement and the Unipol Agreement, as well as from the possible fulfilment of the ISP Commitments, are limited.

More specifically, the BPER Agreement identifies the branches included in the Banking Business Unit. After finalisation of the Acquisition, the Banking Business Unit will be audited on the basis of the accounting figures of UBI Banca, and in compliance with the applied accounting standards. Moreover, the consideration for the transfer is not predetermined, but rather calculated on the basis of a certain percentage applied to what will be the Common Equity Tier 1 capital of the Banking Business Unit and, therefore, cannot be determined in absolute terms at the Date of the Registration Document.

Furthermore, the scope envisaged in the Unipol Agreement is unknown because (i) it refers to business units that include certain assets and liabilities of the bancassurance vehicles in which UBI Banca has an equity interest and pertaining to the Banking Business Unit customers and (ii) as illustrated hereinabove, the branches and, therefore, the customers to be included in the Banking Business Unit have not yet been identified. Moreover, it is noted that at 31 December 2019, the reference date of the Pro-Forma Consolidated Financial Statements, two of the aforementioned bancassurance vehicles (i.e. Lombarda Vita S.p.A. and Aviva Vita S.p.A.) were not consolidated on a line-by-line basis on the balance sheet and income statement of the UBI Group at the same date. In fact, transfer of those business units is conditioned, inter alia, on reacquisition of control of the aforementioned bancassurance vehicles by UBI Banca.

For more information about the principal details concerning the Banking Business Unit, the Additional UBI Branches and the Insurance Business Units, see Part B, Section 5, Paragraph 5.1.6.1, of the Registration Document.

As previously mentioned, the Pro-Forma Consolidated Financial Statements do not intend in any way to represent a forecast of future results of the post-Acquisition ISP Group and, therefore, do not include the effects deriving from performance of the actions described above and the additional ones to be taken. For more information about the profit estimates and forecasts, see Part B, Section 7, of the Registration Document.

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In any event, it is noted that the balance sheet and income statement indicators of the ISP Group after the Public Exchange Offer and possible execution of the aforementioned agreements will differ from what is indicated in the Pro-Forma Consolidated Financial Statements. In this regard, it is noted that once they have been identified and until the transfer completion date, the assets and liabilities pertaining to the branches included in the Banking Business Unit (the subject of the BPER Agreement) and the Additional UBI Branches (the subject of the ISP Commitments) will be classified under “Non-current assets held for sale and discontinued operations” and “Liabilities associated with non-current assets held for sale and discontinued operations” pursuant to IFRS 5 and the loss deriving from the transfer, considering that the consideration provides for a discount on the book value of the Banking Business Unit (which can be approximated with equity in terms of Common Equity Tier 1), will be allocated in the consolidated financial statements to a reduction of the negative goodwill, since the impact of the BPER Agreement will have to be included in the “Purchase Price Allocation” process of the Acquisition.

Format and content of the Pro-Forma Consolidated Financial Statements

The pro-forma consolidated balance sheet and income statement figures included in this document were prepared in accordance with Consob Communication no. DEM/1052803 of 5 July 2001 and in accordance with the preparation guidelines set out in the technical document appended to it. Therefore, the Pro-Forma Financial Statements have been prepared by applying to the final balance sheet and income statement figures at 31 December 2019 of the ISP Group all the adjustments necessary for retroactively representing at that date the effects of the Acquisition and associated Public Exchange Offer Share Capital Increase.

The Pro-Forma Consolidated Financial Statements are composed of the Pro-Forma Consolidated Balance Sheet and the Pro-Forma Consolidated Income Statement at 31 December 2019.

Given the complexity and variety of the situations resulting from the transactions described above, the pro-forma consolidated figures are presented by showing:

- the Consolidated Financial Statements of the ISP Group for the year ended 31 December 2019 in the column “ISP Group 31.12.2019”;
- the Consolidated Financial Statements of the UBI Group for the year ended 31 December 2019 in the column “UBI Group 31.12.2019”;
- the estimated accounting effects connected with the Acquisition through the Public Exchange Offer proposed by ISP in the column “Pro-forma adjustments”;
- the effects of netting of the most important balance sheet and income statement entries between the two banking Groups in the column “Netting”;

- the pro-forma consolidated balance sheet amounts at 31 December 2019 and the pro-forma consolidated income statement amounts for the year 2019 resulting from the sum of the preceding columns are shown in the column "Pro-forma 31.12.2019".

Pro-Forma Consolidated Financial Statements at 31 December 2019

Pro-Forma Consolidated Balance Sheet at 31 December 2019

(millions of euro)

Assets		ISP Group 31.12.2019	UBI Group 31.12.2019	Pro-forma adjustments	Netting	Pro-forma 31.12.2019
10.	Cash and cash equivalents	9,745	695			10,440
20.	Financial assets measured at fair value through profit or loss	49,414	1,759	-3	-1,102	50,068
	a) financial assets held for trading	*45,152*	*428*	*-3*	*-1,102*	*44,475*
	b) financial assets designated at fair value	*195*	*10*			*205*
	c) other financial assets mandatorily measured at fair value	*4,067*	*1,320*			*5,387*
30.	Financial assets measured at fair value through other comprehensive income	72,410	12,222		-179	84,453
35.	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	168,202	-		-385	167,817
40.	Financial assets measured at amortised cost	467,815	101,736		-837	568,714
	a) due from banks	*49,027*	*11,921*		*-837*	*60,111*
	b) loans to customers	*418,788*	*89,815*			*508,603*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	612	-			612
50.	Hedging derivatives	3,029	35			3,064
60.	Fair value change of financial assets in hedged portfolios (+/-)	1,569	547			2,116
70.	Equity investments	1,240	287			1,527
80.	Technical insurance reserves reassured with third parties	28	-			28
90.	Property and equipment	8,878	2,298			11,176
100.	Intangible assets	9,211	1,740	-1,740		9,211
	Of which:					
	- goodwill	*4,055*	*1,465*	*-1,465*		*4,055*
110.	Tax assets	15,467	3,740	25		19,232
	a) current	*1,716*	*1,084*	*25*		*2,825*
	b) deferred	*13,751*	*2,656*			*16,407*
120.	Non-current assets held for sale and discontinued operations	494	265			759
130.	Other assets	7,988	1,201		-1	9,188
Total assets		**816,102**	**126,525**	**-1,718**	**-2,504**	**938,405**

(millions of euro)

Liabilities and Shareholders' Equity		ISP Group 31.12.2019	UBI Group 31.12.2019	Pro-forma adjustments	Netting	Pro-forma 31.12.2019
10.	Financial liabilities measured at amortised cost	519,382	109,795		-1,465	627,712
	a) due to banks	*103,324*	*14,368*		*-710*	*116,982*
	b) due to customers	*331,181*	*72,577*			*403,758*
	c) securities issued	*84,877*	*22,850*		*-755*	*106,972*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	826	-			826
20.	Financial liabilities held for trading	45,226	555		-1,034	44,747
30.	Financial liabilities designated at fair value	4	198			202

35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	75,935	-			75,935
40.	Hedging derivatives	9,288	387			9,675
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	527	145			672
60.	Tax liabilities	2,321	171		-1	2,491
	a) current	*455*	*65*			*520*
	b) deferred	*1,866*	*106*		*-1*	*1,971*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	41	2			43
80.	Other liabilities	12,070	2,736	75	-1	14,880
90.	Employee termination indemnities	1,134	290			1,424
100.	Allowances for risks and charges	3,997	489			4,486
	a) commitments and guarantees given	*482*	*54*			*536*
	b) post-employment benefits	*232*	*87*			*319*
	c) other allowances for risks and charges	*3,283*	*349*			*3,632*
110.	Technical reserves	89,136	2,210			91,346
120.	Valuation reserves	-157	-80	80	-2	-159
125.	Valuation reserves pertaining to insurance companies	504	-			504
130.	Redeemable shares	-	-			-
140.	Equity instruments	4,103	-			4,103
150.	Reserves	13,279	3,208	-3,169	2	13,320
160.	Share premium reserve	25,075	3,295	551		28,921
170.	Share capital	9,086	2,843	-1,832		10,097
180.	Treasury shares (-)	-104	-28	-11		-143
190.	Minority interests (+/-)	247	58			305
200.	Net income (loss) (+/-)	4,182	251	-295	-3	4,135
	Negative goodwill	-	-	2,883		2,883
Total liabilities and equity		**816,102**	**126,525**	**-1,718**	**-2,504**	**938,405**

Pro-Forma Consolidated Income Statement for 2019

(millions of euro)

		ISP Group 2019	UBI Group 2019	Pro-forma adjustments	Netting	Pro-forma 2019
10.	Interest and similar income	10,193	2,180		-16	12,357
	of which: interest income calculated using the effective interest rate method	*10,565*	*1,971*			*12,536*
20.	Interest and similar expense	-3,269	-378		16	-3,631
30.	**Interest margin**	**6,924**	**1,802**			**8,726**
40.	Fee and commission income	9,658	1,895		-8	11,545
50.	Fee and commission expense	-2,159	-229		8	-2,380
60.	**Net fee and commission income**	**7,499**	**1,666**			**9,165**
70.	Dividend and similar income	117	8			125
80.	Profits (Losses) on trading	506	29		-3	532
90.	Fair value adjustments in hedge accounting	-61	-15			-76
100.	Profits (Losses) on disposal or repurchase of:	1,385	-22		-1	1,362
	a) financial assets measured at amortised cost	*97*	*-51*			*46*
	b) financial assets measured at fair value through other comprehensive income	*1,218*	*33*		*-1*	*1,250*

	c) financial liabilities	*70*	*-4*			*66*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	123	115			238
	a) financial assets and liabilities designated at fair value	*-103*	*1*			*-102*
	b) other financial assets mandatorily measured at fair value	*226*	*114*			*340*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	3,991	-			3,991
120.	**Net interest and other banking income**	**20,484**	**3,583**		**-4**	**24,063**
130.	Net losses/recoveries for credit risks associated with:	-2,201	-744			-2,945
	a) financial assets measured at amortised cost	*-2,175*	*-741*			*-2,916*
	b) financial assets measured at fair value through other comprehensive income	*-26*	*-3*			*-29*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-9	-			-9
140.	Profits/losses from changes in contracts without derecognition	-6	-25			-31
150.	**Net income from banking activities**	**18,268**	**2,814**		**-4**	**21,078**
160.	Net insurance premiums	10,147	314			10,461
170.	Other net insurance income (expense)	-12,673	-337			-13,010
180.	**Net income from banking and insurance activities**	**15,742**	**2,791**		**-4**	**18,529**
190.	Administrative expenses:	-9,692	-2,493	-65		-12,250
	a) personnel expenses	*-5,825*	*-1,561*			*-7,386*
	b) other administrative expenses	*-3,867*	*-932*	*-65*		*-4,864*
200.	Net provisions for risks and charges	-73	-25			-98
	a) commitments and guarantees given	*23*	*-*			*23*
	b) other net provisions	*-96*	*-25*			*-121*
210.	Net adjustments to / recoveries on property and equipment	-523	-158			-681
220.	Net adjustments to / recoveries on intangible assets	-692	-77			-769
230.	Other operating expenses (income)	774	283			1,057
240.	**Operating costs**	**-10,206**	**-2,470**	**-65**		**-12,741**
250.	Profits (Losses) on investments in associates and companies subject to joint control	53	40			93
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-13	-			-13
270.	Goodwill impairment	-	-			-
280.	Profits (Losses) on disposal of investments	96	6			102
290.	**Income (Loss) before tax from continuing operations**	**5,672**	**367**	**-65**	**-4**	**5,970**
300.	Taxes on income from continuing operations	-1,564	-82	21	1	-1,624
310.	**Income (Loss) after tax from continuing operations**	**4,108**	**285**	**-44**	**-3**	**4,346**
320.	Income (Loss) after tax from discontinued operations	64	-			64
330.	**Net income (loss)**	**4,172**	**285**	**-44**	**-3**	**4,410**
340.	Minority interests	10	-34			-24
350.	**Parent Company's net income (loss)**	**4,182**	**251**	**-44**	**-3**	**4,386**

Notes on the methods used in preparation of the Pro-Forma Consolidated Financial Statements

Purpose of presenting the Pro-Forma Consolidated Financial Statements

As previously mentioned, the purpose of presenting the Pro-Forma Consolidated Financial Statements is to give a retroactive representation – according to reporting standards consistent with those followed in preparation of the financial statements – of the income statement and balance sheet accounting effects of the Acquisition to be realised through the Public Exchange Offer.

Base assumptions used to prepare the Pro-Forma Consolidated Financial Statements

The main assumptions used to prepare the Pro-Forma Consolidated Financial Statements are illustrated as follows.

The financial statements presented hereinabove were obtained by aggregating the figures published in the 2019 consolidated financial statements of the ISP Group and of the UBI Group prepared in compliance with the IAS/IFRS endorsed by the European Union, and the measures issued in implementation of Article 9 of Legislative Decree 38/05 and Article 43 of Legislative Decree 136/15. The consolidated financial statements at 31 December 2019 were audited by the Independent Auditors of ISP and by Deloitte for UBI Banca, respectively.

The accounting standards used to prepare the Pro-Forma Consolidated Financial Statements are the same as those used to prepare the consolidated financial statements at 31 December 2019 of the ISP Group and the UBI Group, i.e. the IAS/IFRS endorsed by the European Union.

The pro-forma adjustments applied to the Acquisition through the Public Exchange Offer, as illustrated hereunder, were made through implementation of the general rule that the transactions referred to in the balance sheet are assumed to have taken place at the ending date of the reference period, while for the income statement, the transactions are assumed to have occurred at the beginning of that same period.

As mentioned in the introduction, at the preparation date of this pro-forma financial information, certain information ordinarily available at the preparation date of pro-forma figures is still unknown, since the Public Exchange Offer has yet to begin, its conditions precedent have yet to be fulfilled and, consequently, its results are still unknown.

Several hypothetical assumptions have had to be made so that all the transactions envisaged in the Acquisition can be represented in the Pro-Forma Consolidated Financial Statements, as described below:

- success of the Public Exchange Offer and, therefore, the acquisition of 100% of the share capital of UBI Banca by Intesa Sanpaolo;
- in consequence of the foregoing, the complete issuance, subscription and payment of the Public Exchange Offer Share Capital Increase;
- to determine the total cost of the combination, calculation of a unit value of 2.502 euro per ISP Share, represented by the closing stock market price reported on 14 February 2020, i.e. the date corresponding to the last Trading Day prior to the date on which ISP announced the Public Exchange Offer (i.e. 17 February 2020).

The cost of the combination, represented by the fair value of the New Shares to be issued in service of the Public Exchange Offer and the fair value of the UBI Shares already owned by ISP, must be considered a preliminary figure, since the elements necessary for its final calculation are still unknown. In particular, the fair value of the New Shares issued by ISP will be represented by the stock exchange price on the trading day immediately prior to the Acquisition execution date.

The difference between the total cost of the combination and the consolidated shareholders' equity of the UBI Group at 31 December 2019 (adjusted as detailed in the paragraph “Pro-forma adjustments”) has been allocated on a preliminary basis, due to its negative sign, to the specific liability caption *negative goodwill* on the pro-forma consolidated balance sheet, without making any allocation, because the Public Exchange Offer will be accounted for using the “acquisition method”, which entails identification of the fair value of the net assets and allocation of the cost of the transaction at the execution date of the Acquisition. Although the IAS/IFRS provide that negative goodwill has to be recognised in the income statement, for the purposes of the Pro-Forma Consolidated Financial Statements published in the Registration Document, given its non-recurrent nature and the fact that its amount can vary as previously stated, the negative goodwill was allocated to a separate liability caption on the pro-forma consolidated balance sheet without any impact on the pro-forma consolidated income statement.

Pro-forma adjustments

The preliminary cost of the Acquisition is 4,866 million euro, which is the sum of:

- the fair value of the New ISP Shares to be issued in service of the Public Exchange Offer, assuming that the Public Exchange Offer is fully subscribed, i.e. considering 1,143,120,251 UBI Shares tendered in acceptance of the Offer, equal to the total of all shares of UBI Banca (1,144,285,146 shares, including 9,251,800 treasury shares owned by UBI Banca), net of 1,164,895 UBI Shares owned by ISP at 31 December 2019, i.e. the reporting date of the Pro-Forma Consolidated Financial Statements, corresponding to 1,943,304,442 New ISP Shares. The fair value of the New ISP Shares is 4,863 million euro on the basis of the stock exchange price of ISP Shares at 14 February 2020, with 1,011 million euro recognised in share capital, ascribing it a contractual per-share nominal value of 0.52 euro to the issued shares, and a share premium of 3,852 million euro; and
- fair value of 3 million euro at 31 December 2019 for the 1,164,895 UBI Shares already owned by

ISP. The latter, recognised as “Financial assets measured at fair value through profit or loss” in the 2019 Consolidated Financial Statements of ISP, were netted as part of the pro-forma adjustments.

The preliminary cost of the Acquisition was compared with the consolidated shareholders' equity of the UBI Group at 31 December 2019, inclusive of the profit for the period, inasmuch as the Pro-Forma Consolidated Financial Statements were prepared as if the Acquisition had virtually taken place on 31 December 2019 in relation to the effects on the pro-forma consolidated balance sheet and on 1 January 2019 in relation to those on the pro-forma consolidated income statement. As previously mentioned, the shareholders' equity of the UBI Group compared with the preliminary cost of the Acquisition reflects the reversal of the intangible assets of the UBI Group, in accordance with what will be done once the Acquisition is recognised in the accounts as part of the “Purchase Price Allocation” process pursuant to IFRS 3. The shareholders' equity of the UBI Group determined in this way totals 7,749 million euro.

The difference that emerged after comparison between the preliminary cost of the Acquisition and the consolidated shareholders' equity of the UBI Group, determined as described in the preceding paragraph, totals 2,883 million euro and has been recognised on a preliminary basis in the specific liability caption *Negative goodwill* on the pro-forma consolidated balance sheet. The table below provides more details on calculation of the Negative goodwill.

(millions of euro)

ISP capital increase (a)	4,863
- of which share capital	*1,011*
- of which share premium	*3,852*
Fair value of UBI Banca shares already owned by ISP (b)	3
Total Acquisition Cost (c) = (a) + (b)	**4,866**
Net book value of the UBI Group at 31 December 2019 (d) (1)	9,489
Intangible assets of the UBI Group at 31 December 2019 (e) (2)	1,740
Net book value of the UBI Group at 31 December 2019 to be compared with the Acquisition Cost (f) = (d) - (e)	**7,749**
Negative goodwill (f) - (c)	**2,883**

(1) = sum of items 120. Valuation reserves, 150. Reserves, 160. Share premium reserve, 170. Share capital, 180. Treasury shares, 200. Income (Loss) under liabilities on the balance sheet of the UBI Group at 31 December 2019

(2) = caption 100. Intangible assets on the balance sheet of the UBI Group at 31 December 2019

The pro-forma adjustments also considered the effect connected with the incidental expenses of the Public Exchange Offer, estimated to total 75 million euro in non-recurring charges, insofar as they are incurred exclusively for the purpose of realising the Acquisition. Of the total amount mentioned hereinabove, and on the basis of the preliminary information available at this time, 10 million euro has been considered directly ascribable to issuance of the New Shares servicing the Public Exchange Offer and, on the basis of the provisions of IAS 32, allocated, net of the associated tax effect, to reduce the share premium reserve. The remainder of the estimated incidental costs, amounting to 65 million euro, has been recognised in the income statement, as prescribed by IFRS 3, under administrative expenses on the pro-forma consolidated income statement.

Moreover, as part of the pro-forma adjustments, the New ISP Shares issued to service the treasury shares owned by UBI Banca and having a value of 39 million euro have been recognised as a reduction in caption “180. Treasury shares”, based on the stock market price of ISP Shares at 14 February 2020, as a balancing entry for a corresponding increase in caption “150. Reserves”. In fact, if the treasury shares owned by UBI Banca are tendered in acceptance of the Offer, UBI Banca will receive new ISP Shares which, for the purposes of the Pro-Forma Consolidated Financial Statements, must be considered to be treasury shares.

The scope of consolidation was not modified to include any equity interests owned by both banking groups in the same entities, if the accumulated ownership percentages establish the premises for line-by-line consolidation or consolidation by the equity method.

The elements that will imply a difference between the final Negative goodwill and the provisional amount indicated in the Pro-Forma Consolidated Financial Statements at 31 December 2019 include the price of

ISP Shares on the trading day immediately prior to the execution date of the Acquisition.

The following table indicates the change in Negative goodwill in response to a change of -20 cents (up to -100 cents) in the ISP Share price from the per-share value of 2.502 euro taken as reference for the Pro-Forma Consolidated Financial Statements:

Amounts in millions of euro (excluding market price and number of shares)

	Price -100 cents	Price -80 cents	Price -60 cents	Price -40 cents	Price -20 cents	Values used for the Pro-Forma Consolidated Financial Statements
Reference price (a)	1.502	1.702	1.902	2.102	2.302	2.502
No. of shares to be issued (b)	1,943,304,442	1,943,304,442	1,943,304,442	1,943,304,442	1,943,304,442	1,943,304,442
ISP capital increase (c) = (a) x (b)	2,920	3,309	3,697	4,086	4,474	4,863
Fair value of UBI Banca shares already owned by ISP (d)	3	3	3	3	3	3
Total Acquisition Cost (e) = (c) + (d)	**2,923**	**3,312**	**3,700**	**4,089**	**4,477**	**4,866**
Net tangible book value of UBI Group at 31 December 2019 (f)	**7,749**	**7,749**	**7,749**	**7,749**	**7,749**	**7,749**
Negative goodwill before PPA adjustments (f) - (e)	**4,826**	**4,437**	**4,049**	**3,660**	**3,272**	**2,883**
Changes	1,943	1,554	1,166	777	389	

For every 20 cents in reduction of the per-share value of an ISP Share from the value of 2.502 euro (taken as reference for the Pro-Forma Consolidated Financial Statements), the Acquisition cost – which will be ultimately determined on the basis of the stock market price of the ISP Shares on the day prior to the one on which the Offer took statutory effect – will be reduced by 389 million euro and, consequently, the Negative goodwill will increase by the same amount.

Moreover, notwithstanding the Conditions Precedent of the Offer, if the Public Exchange Offer is not fully subscribed, given the possibility allowed by IFRS 3 to measure at fair value any minority interest in the acquired entity, and in the specific case representing any remaining UBI Shares that were not exchanged for the ISP Shares, the amount of Negative goodwill recognised in the Consolidated Financial Statements of ISP would nonetheless be determined in reference to all of the UBI Shares, with it thus being the same amount as the one in the hypothesis that the Public Exchange Offer be fully subscribed.

Netting

The "Netting" column shows the most important reciprocal items from the balance sheets and income statements of the ISP Group and the UBI Group, represented by:

- "Financial assets measured at fair value through profit or loss" for 1,102 million euro that refer entirely to "Assets held for trading" (1,034 million euro represented by derivative instruments and 68 million euro represented by debt securities), "Financial assets measured at fair value through other comprehensive income" for 179 million euros (entirely represented by debt securities), "Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39" for 385 million euro (represented by debt securities held by the insurance companies of the Intesa Sanpaolo Group in support of the insured) that are netted with "Financial liabilities held for trading" for 1,034 million euro (represented exclusively by derivatives) and "Financial liabilities measured at amortised cost" represented by "securities issued" for 628 million euro. The netting of those items led to the recognition of a negative effect on the pro-forma consolidated shareholders' equity amounting to 3 million euro (2 million euro net of tax effects) and a positive effect on the pro-forma consolidated income statement amounting to 4 million euro (3 million euro net of tax effects), where 1 million euro is ascribable to valuation gains/losses and 3 million euro to gains/losses on sale of debt securities;
- "Financial assets measured at amortised cost" totalling 837 million euro (710 million euro

represented by loans to banks, of which a portion is ascribable to cash collateral and security deposits for trading in derivatives and 127 million euro represented by debt securities), which are netted with “Financial liabilities measured at amortised cost” totalling 837 million euro (710 million euro represented by amounts due to banks and 127 million euro represented by “Securities issued”);

- “Other assets” totalling 1 million euro (represented by placement fee and commission income) that undergo netting with “Other Liabilities”;
- “Interest income” and “Interest expense” totalling 16 million euro;
- “Fee and commission income” and “Fee and commission expense” totalling 8 million euro.

The tax effects associated with the netted balance sheet and income statement amounts have been calculated on the basis of a nominal rate of 33%.

The netting of mutual relationships was determined on the basis of the net amounts and the financial statement items documented in the accounting records for ISP Group counterparties. An exact reconciliation of the corresponding net amounts of the UBI Group was impossible because the Issuer did not have access to the detailed accounting records of the UBI Group at the Date of the Registration Document. The mutual relationships may be reconciled exactly only after completion of the Acquisition.

11.5.1 Independent Auditors’ Report on the examination of the pro-forma consolidated figures

The Independent Auditors’ Report on the Pro-Forma Consolidated Financial Statements at 31 December 2019 (concerning (i) the reasonableness of the basic assumptions used to prepare the pro-forma accounts, (ii) the proper application of the method used, and (iii) the fairness of the accounting standards used to prepare the pro-forma accounts) was issued on 19 June 2020 and is reproduced as follows.

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(Translation from the Italian original which remains the definitive version)

Report on examination of the pro-forma consolidated balance sheet and the pro-forma consolidated income statement as at and for the year ended 31 December 2019 and related explanatory notes of the Intesa Sanpaolo Group

To the board of directors of
Intesa Sanpaolo S.p.A.

1 We have examined the pro-forma consolidated balance sheet, the pro-forma consolidated income statement and related explanatory notes of Intesa Sanpaolo S.p.A. (the "parent") and its subsidiaries (the "Intesa Sanpaolo Group") as at and for the year ended 31 December 2019 (the "pro-forma consolidated financial statements") included in paragraph 11.5 of the registration document for the voluntary public exchange offer pursuant to articles 102 and 106.4 of the Consolidated Law on Finance (the "public exchange offer") on all of the ordinary shares of Unione Banche Italiane S.p.A. ("UBI Banca") listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. (the "registration document").

These pro-forma consolidated financial statements have been derived from the consolidated financial statements of the Intesa Sanpaolo Group and the consolidated financial statements of UBI Banca and its subsidiaries (the "UBI Banca Group") at 31 December 2019 prepared in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and the pro-forma adjustments thereto, which we have examined.

We audited the consolidated financial statements of the Intesa Sanpaolo Group at 31 December 2019 and issued our report thereon on 18 March 2020.

Other auditors audited the consolidated financial statements of the UBI Banca Group at 31 December 2019 and issued their report thereon on 6 March 2020.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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The pro-forma consolidated financial statements have been prepared on the basis of the assumptions described in the explanatory notes to retroactively present the effects of the acquisition of the UBI Banca Group (the "acquisition") to be carried out through the public exchange offer.

2 The pro-forma consolidated financial statements have been prepared in accordance with Commission Delegated Regulation (EU) no. 2019/980 and for the purposes of their inclusion in the registration document.

The pro-forma consolidated financial statements have been prepared to reflect, in accordance with accounting policies that are consistent with the historical data and compliant with the relevant legislation, the effects of the acquisition to be carried out through the public exchange offer on the Intesa Sanpaolo Group's financial position and financial performance as if it had occurred on 31 December 2019 and on 1 January 2019, respectively. Had the acquisition to be carried out through the voluntary public exchange offer actually occurred on such dates, the outcome may not necessarily have been that presented.

The pro-forma consolidated financial statements are the responsibility of the parent's directors. We are responsible for expressing an opinion on the reasonableness of the assumptions adopted by the directors in the preparation of the pro-forma consolidated financial statements and the correctness of the methodology used to prepare them. Furthermore, we are responsible for expressing an opinion on the correctness of the accounting policies applied.

3 We conducted our examination in accordance with the standards recommended by Consob (the Italian Commission for listed companies and the stock exchange) in Recommendation no. DEM/1061609 dated 9 August 2001, which regulates the examination of pro-forma financial information. We have carried out all the procedures which we have deemed to be necessary for the purposes of our engagement.

4 In our opinion, the general assumptions that Intesa Sanpaolo S.p.A. has adopted in the preparation of the pro-forma consolidated financial statements to retroactively present the effect of the acquisition to be carried out through the voluntary public exchange offer are reasonable and the methodology used to prepare them has been correctly applied for the disclosure purposes described above. Furthermore, we believe that the accounting policies applied to prepare the pro-forma consolidated financial statements are correct.

Milan, 19 June 2020

KPMG S.p.A.

(signed on the original)

Mario Corti
Director

11.5.2 The capital adequacy ratios of the ISP Group at 31 December 2019 calculated on a pro-forma basis

In addition to the Pro-Forma Consolidated Financial Statements at 31 December 2019, examined by the Independent Auditors and reproduced in the preceding paragraphs, the expected pro-forma effects of the Acquisition on the regulatory position of the Intesa Sanpaolo Group as at 31 December 2019 are presented as follows. In particular, the following table shows the data concerning own funds, the risk assets of the Group, and the capital ratios at 31 December 2019, compared with the same pro-forma values calculated on the assumption that the Acquisition will be completed. The capital adequacy ratios have been calculated both in light of the transitional approach of the impact of IFRS 9 (IFRS 9 Transitional) and considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded).

Capital ratios of the Intesa Sanpaolo Group

(*thousands of euro*)	**31/12/2019** **IFRS 9 "Transitional"**	**31/12/2019** **IFRS 9 "Fully Loaded"**	**31/12/2019 (pro-forma)** **IFRS 9 "Transitional"**	**31/12/2019 (pro-forma)** **IFRS 9 "Fully Loaded"**
Common Equity Tier 1 Capital	41,542	38,952	48,760	46,170
Additional Tier 1 Capital	4,096	4,096	4,096	4,096
Tier 1 Capital (*Common Equity Tier 1 + Additional Tier 1*)	45,638	43,048	52,856	50,266
Tier 2 Capital	7,057	7,905	9,113	9,961
Total Own Funds	52,695	50,953	61,969	60,227
Risk-Weighted Assets	298,524	300,510	356,610	358,564
Common Equity Tier 1 Ratio (Common Equity Tier 1 Capital after filters and deductions / Risk-Weighted Assets)	**13.9%**	**13.0%**	**13.7%**	**12.9%**
Tier 1 Ratio (Tier 1 Capital after filters and deductions / Risk-Weighted Assets)	**15.3%**	**14.3%**	**14.8%**	**14.0%**
Total Capital Ratio (Total Own Funds / Risk-Weighted Assets)	**17.7%**	**17.0%**	**17.4%**	**16.8%**

Note: unaudited figures.

For the sake of consistency with the capital adequacy ratios of the ISP Group at 31 December 2019, the corresponding pro-forma values contained in the preceding table have been calculated considering the net income for the year net of the component that the Issuer's Board of Directors, during its meeting on 25 February 2020, had proposed be allocated to dividends for a total of 3,362 million euro.

With regard to the figures presented hereinabove, it is noted that the pro-forma capital ratios at 31 December 2019 assume the recognition of 2,883 million euro in Negative goodwill, based on the fair value of the total cost of the combination calculated, for the amount ascribable to the Public Exchange Offer Share Capital Increase, on the basis of the official price of the ISP Shares published at the end of trading on 14 February 2020 (2.502 euro), i.e. the date of the last Trading Day prior to the date on which ISP announced the Public Exchange Offer (17 February 2020). The final calculation of the Negative goodwill will be subject to certain changes tied to the following key aspects: (i) the final amount of the Public Exchange Offer Share Capital Increase to be recognised in the accounts that will be determined on the basis of the fair value of the New Shares issued that will correspond to the price of the ISP Shares on the trading day immediately before the settlement date of the Public Exchange Offer; (ii) the higher/lower values (fair value) of the assets and liabilities of the UBI Group with respect to the book values and of the additional intangible assets and contingent liabilities, which might also not be recognised in the balance sheet of the acquired entity, and which will be found after the Purchase Price Allocation process prescribed in IFRS 3.

Moreover, the calculation of the pro-forma capital ratios at 31 December 2019 does not take into account the circumstance that the Negative goodwill, and the risk-weighted assets, will be reduced by the sale to BPER of the Banking Business Unit, the possible sale of the Additional UBI Branches (the subject of the ISP Commitments) and use of the aforementioned Negative goodwill to cover the charges for integration and the adjustments to loans. Moreover, it is noted that the Negative goodwill was included in the Common Equity Tier 1 Ratio in application of the rules in force at the Date of the Registration Document. It cannot be ruled out that those rules may be changed so that such inclusion will no longer be allowed in future (see Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document).

* * *

The information provided hereinabove has been added merely to present the expected pro-forma effects of the Acquisition on the regulatory position of the Intesa Sanpaolo Group as at 31 December 2019.

Therefore, this information has been provided merely for illustrative purposes. Therefore, potential investors are recommended to consider that this information: (i) is the result of independent operational processing by the ISP Group; (ii) does not constitute pro-forma consolidated statement and, consequently, (iii) has not been examined by the Independent Auditors, who have not issued any report in this regard.

11.6 Dividend policy

At the Date of the Registration Document, the Issuer has implemented a policy for the distribution of future dividends, which is periodically remitted for decision by the shareholders' meeting, without prejudice to the possibility of allocating, pursuant to Article 29 of the Articles of Association, a portion of its net income to charity and support for social and cultural initiatives, through specific accrual of a special allowance.

The 2018-2021 Business Plan contains a commitment for the ISP Group to distribute cash dividends corresponding to a payout ratio (i.e. the ratio of the total dividends to be distributed to net income for the year) of 75% for 2020([85]) and 70% for 2021. In accordance with ECB Recommendation 2020/19 of 27 March 2020 on the dividend policy in the context resulting from the COVID-19 (so-called coronavirus) pandemic ([86]), the Board of Directors of the Issuer decided on 31 March 2020 to suspend the proposal to distribute cash dividends to shareholders of approximately 3.4 billion euro (equal to 19.2 euro cents per Share), on the agenda of the Ordinary Shareholders' Meeting of 27 April 2020. On proposal by the Board of Directors, the Shareholders' Meeting resolved to allocate the net income for the year 2019 to reserves. In the press release published on 5 May 2020, following approval by the Board of Directors, on the same date, of the consolidated results at 31 March 2020, the Issuer confirmed the dividend policy, already indicated in the 2018-2021 Business Plan (commitment to distribute cash dividends corresponding to a payout ratio on net income of 75% for 2020 and 70% for 2021).

The European Central Bank has indicated that it will consider whether its recommendation concerning the dividend policy will be extended beyond 1 October 2020. Subject to the recommendations to be provided by the ECB and to the monitoring of the soundness of the Group's capital base in relation to the evolution of the situation resulting from the COVID-19 pandemic, the Board of Directors of Intesa Sanpaolo intends to call a Shareholders' Meeting after 1 October to implement the distribution of part of the reserves to shareholders before the end of 2020, also taking into account the financial support to households and disbursements by the foundations that is especially needed in the situation resulting from the COVID-19 (so-called coronavirus) pandemic.

Moreover, as announced in the press release published on 5 May 2020, the Issuer updated the Group dividend policy of the entity resulting from integration of the UBI Group into the ISP Group, communicated on 17 February 2020 when the Offer was announced, aligning it with the aforementioned policy indicated in the 2018-2021 Business Plan of the ISP Group, declaring that it envisages the distribution of cash dividends corresponding to a payout ratio (i.e. the ratio of the total dividends to be distributed to net income for the year) of 75% of the net income of the entity resulting from integration of the UBI Group into the ISP Group for 2020 (having excluded the contribution of the negative goodwill ([87]) not allocated to cover charges for integration and reduce the risk profile from the net income) and 70% for 2021, rather than the distribution of a cash dividend per share of 0.20 euro for 2020 and more than 0.20 euro per share for 2021([88]). It is pointed out in this regard that, in any case, even considering the uncertainties surrounding, in particular, the public health and economic impacts and developments resulting from the COVID-19 pandemic, there is the risk that the events and/or the related effects at the basis of the Strategic Targets of the Acquisition (including dividend distribution objectives) do not occur to the extent

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([85]) The 2020 net income considered for the purposes of the payout ratio does not include the effects on the income statement of the Acquisition transaction, including the recognition of negative goodwill.

([86]) For the full text of ECB Recommendation 2020/19 of 27 March 2020, please use the following link: https://www.ecb.europa.eu/ecb/legal/pdf/ecb_2020_19_f_sign.pdf.

([87]) The actual determination of the Negative goodwill will result following the outcome of the PPA procedure provided for under IFRS 3.

([88])By way of comparison, in the final year of the 2018-2021 Business Plan of the ISP Group, the dividend policy announced on 5 May 2020 equates – considering the expected net income of the ISP Group of no lower than 3.5 billion euro in 2021, as announced on the same date – to an expected dividend per share for the stand-alone ISP Group of no less than 0.14 euro, compared to 0.24 euro based on the net income of 6 billion euro announced on 6 February 2018 at the moment of approval of the 2018-2021 Business Plan, and to an expected dividend per share for the entity resulting from the integration of the UBI Group into the ISP Group of no lower than the aforesaid value projected for the ISP Group, compared to the value above 0.20 announced on 17 February 2020.

and at the times illustrated. Moreover, it cannot be excluded that events may occur in the near future that would result in the extension of ECB Recommendation 2020/19 concerning the dividend policy and that would (wholly or partially) prevent or postpone the distribution of dividends and/or reserves and, therefore, achievement of the dividend and/or reserve distribution objectives. Lastly, the distribution of dividends and/or reserves might, in the future, be prevented or limited by the need to comply with the capital requirements established by the legal and/or regulatory rules applicable to the ISP Group or by other or different requirements imposed by the Supervisory Authority.

11.6.1 Amount of the dividend per share for the last year

Following up on what the Issuer communicated on 31 March 2020, the Ordinary Shareholders' Meeting resolved on 27 April 2020 to allocate the net income for 2019 (about 4.2 billion euro at the consolidated level) to reserves after the allocation of 12,500,000 to the allowance for charity and social and cultural initiatives.

12. ADDITIONAL INFORMATION

12.1 Share capital

At the Date of the Registration Document, the Issuer's share capital, fully subscribed and paid-in, amounted to 9,085,663,010.32 euro, divided into 17,509,728,425 ordinary shares without nominal value.

12.1.1 Amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription

At the Date of the Registration Document, there were no convertible securities, exchangeable securities or securities with warrants. Please note that, on 27 February 2020, the Issuer issued a total of 1.5 billion euro in Additional Tier 1 (AT1) instruments.

12.1.2 Information about and terms of any acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital and the related conditions

On 27 April 2020, the Issuer's Extraordinary Shareholders' Meeting decided to assign the Board of Directors, pursuant to Art. 2443 of the Italian Civil Code, the right, to be exercised by 31 December 2020, to increase the share capital in one or more divisible tranches, without option rights pursuant to article 2441, paragraph 4, first line of the Italian Civil Code, issuing a maximum number of 1,945,284,755 New Shares to be paid for through contribution in kind to service the Public Exchange Offer for all UBI Shares, as well as any subsequent procedures pursuant to Articles 108 and 111 of the Consolidated Law on Finance.

On 16 June 2020, the Issuer's Board of Directors exercised said delegation and approved the Public Exchange Offer Share Capital Increase, against payment and to be carried out on one or more tranches, with exclusion of the option right pursuant to article 2441, paragraph 4, of the Italian Civil Code, for a maximum nominal amount of 1,011,548,072.60 euro, to be carried out by issuing a maximum number of 1,945,284,755 New Shares without nominal value, bearing regular dividend rights and having the same characteristics as the Shares already outstanding at the issue date, to be paid for through contribution in kind of the UBI Shares tendered in acceptance of the Public Exchange Offer.

13. DISCLOSURE REQUIREMENTS

13.1 Summary of the information communicated pursuant to Regulation (EU) 596/2014

Intesa Sanpaolo is a company with ordinary shares listed on the MTA market and, as such, is subject to the transparency and disclosure obligations, on an ongoing and recurring basis, set out in the laws and regulations applicable to listed companies, including, merely by way of example, the provisions of the Market Abuse Regulation. Intesa Sanpaolo makes price sensitive press releases available to the public pursuant to the applicable legal and regulatory provisions.

This Section provides a summary of the information communicated to the market in the last 12 months, pursuant to the Market Abuse Regulation, as well as selected information which, though not considered price sensitive by the Issuer, is deemed relevant. This information can be found on the Issuer's website, in the "Investor Relations" section (https://group.intesasanpaolo.com/en/investor-relations/press-releases), at the authorised storage mechanism (https://www.emarketstorage.com/bims/comunicati/comunicati.html), and on the website of Borsa Italiana (www.borsaitaliana.it).

Date of press release	**Category**	**Summary of content**
17 June 2020	Strategic transactions	Intesa Sanpaolo has received prior authorisation from IVASS for indirect acquisition of UBI Banca Group interests in insurance companies
16 June 2020	Strategic transactions	Board of Directors approves capital increase functional to public exchange offer for UBI Banca
15 June 2020	Strategic transactions	Agreement for disposal to BPER of going concern of the group resulting from public exchange offer for UBI Banca shares supplemented
8 June 2020	Strategic transactions	Intesa Sanpaolo has received prior authorisation from the Bank of Italy for indirect acquisition of control of companies of UBI Banca Group
5 June 2020	Strategic transactions	Intesa Sanpaolo has received prior authorisation from ECB for acquisition of control of UBI Banca.
12 May 2020	*Rating*	Fitch Ratings has lowered the Bank's long-term rating, with stable outlook, and its short-term rating
12 May 2020	*Rating*	DBRS Morningstar confirms the Bank's ratings and revises trend from stable to negative following similar action on Italy's trend
5 May 2020	Financial information	Board of Directors approves consolidated results as at 31 March 2020
31 March 2020	Dividend policy	Suspension of the proposed cash distribution to shareholders of around 3.4 billion euro, equal to 19.2 euro cents per ISP Share, in compliance with the European

		Central Bank communication of 27 March 2020 concerning the dividend policy in the situation resulting from the COVID-19 pandemic.
19 March 2020	Strategic transactions	Redetermination of the consideration for the disposal to BPER Banca of going concern of the Group resulting from the combination with UBI Banca
17 February 2020	Strategic transactions	Combination with UBI Banca to enhance value creation of a European leader through a stronger Italian footprint
17 February 2020	Strategic transactions	Notice pursuant to Article 102, paragraph 1, of the Consolidated Law on Finance – Voluntary Public Exchange Offer on UBI Banca shares
19 December 2019	Strategic transactions	Intesa Sanpaolo and Nexi reach a strategic agreement in respect of payment systems
9 September 2019	Financial information	Intesa Sanpaolo authorised by ECB to apply Danish Compromise
31 July 2019	Strategic transactions	Intesa Sanpaolo and Prelios sign a strategic agreement in respect of unlikely-to-pay loans

The following press releases are also noted, which can be viewed on the Issuer's website, in the "Newsroom" section (https://group.intesasanpaolo.com/en/newsroom), and on the website of the subsidiary Intesa Sanpaolo Vita (https://www.intesasanpaolovita.it/en/about-us/press-center/press-release):

Date of press release	**Category**	**Summary of content**
18 May 2020	Strategic transactions	Intesa Sanpaolo Vita takes control of RBM Assicurazione Salute
31 July 2019	Strategic transactions	Sisal Group and Intesa Sanpaolo: agreement to give rise to a network of over 50,000 non-captive points of sale throughout the country

14. MATERIAL CONTRACTS

14.1 Acquisition and sale contracts

14.1.1 Agreement with BPER

The BPER Agreement was signed on 17 February 2020 and was subsequently supplemented on 19 March 2020 and 15 June 2020, respectively.

More specifically, the BPER Agreement provides for BPER's commitment to purchase the Banking Business Unit composed of 532 bank branches of the ISP Group as modified upon completion of the Offer (i.e. what will be comprised by branches of the ISP Group after its integration with UBI Banca and not represented only by branches of the former UBI Banca) and related staff and customer relationships, for a cash consideration indicated below.

Though neither the Bank nor BPER possessed accounting data or information that are not public relating to UBI Banca, the BPER Agreement was conceived in order to anticipate the initiatives which, once the specific conditions precedent have been met, will result in the transfer of the Banking Business Unit in time frames that enable the quick, efficient integration of UBI Banca into the ISP Group upon completion of the Public Exchange Offer; the main purpose of the agreement is to prevent the occurrence of situations of potential relevance for antitrust purposes arising from the integration of the UBI Group into the ISP Group.

On 15 June 2020, the Issuer, in order to remove the specific critical antitrust issues identified by the AGCM (the Italian Antitrust Authority) with the Notification of the Results of the Review of 5 June 2020, negotiated and signed an agreement supplementing the BPER Agreement, through which the number of branches to be transferred was increased (from 400-500 to 532), with precise identification of the addresses and consequent redefinition of the estimate of the amounts involved: net loans to customers of 26.2 billion euro (compared with 21.5 billion euro as previously estimated) and direct deposits of 29.3 billion euro (as compared with 19.6 billion euro). Please note that:

- in order to optimise the local coverage, selected ISP branches (31) were included in the Banking Business Unit for a total of about 1.5 billion euro of gross loans and about 2.2 billion euro of direct deposits;
- the additional loans with respect to the provisions of the BPER Agreement signed on 17 February 2020, amounting to 4.5 billion euro, consist entirely of performing loans.

The supplementary agreement of 15 June 2020 is subject to the condition that (i) ISP obtains authorisation from the antitrust authority for the acquisition of exclusive control of UBI Banca with the sale to BPER of the Banking Business Unit composed of the branches and the related amounts as detailed and redefined in the supplementary agreement and other commitments or remedies proposed by ISP (i.e. the ISP Commitments); and (ii) BPER obtains authorisation from the antitrust authority for the purchase of the Banking Business Unit composed of the branches and the relative amounts as detailed and redefined in the supplementary agreement and any commitments or remedies proposed by BPER. It is understood, as already provided for in the BPER Agreement, that the condition of ISP obtaining the necessary authorisation from the antitrust authorities for the acquisition of exclusive control of UBI Banca has been included in the interest of ISP, which may therefore waive (or not waive) the condition at its sole discretion, and that the condition of BPER obtaining the necessary authorisation from the antitrust authorities for the purchase of the Banking Business Unit has been included in the interest of BPER, which may therefore waive (or not waive) the condition at its sole discretion.

The expansion of the Banking Business Unit to be sold in no way affects the validity of the Strategic Targets of the Transaction, particularly with regard to the expected synergies which are still estimated as 700 million euro. In addition, the redetermination of the Banking Business Unit is considered to have a marginal impact on the capital ratio CET 1 ratio, confirming an expected pro-forma fully loaded Common Equity Tier I Ratio for the Group at above 13% in 2021 as resulting from the combination.

The consideration for the acquisition of the Banking Business Unit, as defined by the supplementary agreements to the BPER Agreement signed, respectively, on 19 March 2020 and 15 June 2020, is set as a cash consideration of the lesser amount between 0.55 times the value of the Common Equity Tier 1 capital of the Banking Business Unit (in turn determined by applying the Common Equity Tier 1 Fully Phased ratio of UBI Banca to the RWAs of the Banking Business Unit) and 78% of the implicit multiple that Intesa Sanpaolo will pay for UBI Banca's Common Equity Tier 1 capital. In accordance with the BPER Agreement, the consideration as set above will be paid to UBI Banca (except for the 31 branches belonging to the Issuer).

The consideration for the sale of the Banking Business Unit depends on the figures for the Banking Business Unit at the reference date which are subject to change. For example, based on the mechanism for determining the consideration described above, the estimated consideration for the Banking Business Unit would be approximately 660 million euro as at 19 June 2020.

It should be noted that, under the BPER Agreement, the finalisation of the transfer of the Banking Business Unit is subject to: (a) the completion of the Public Exchange Offer (and, thus, fulfilment of the Conditions Precedent of the Public Exchange Offer or to the waiver of all or part of these by Intesa Sanpaolo, including, where applicable, the waiver of the Percentage Threshold Condition, without prejudice to the Minimum Threshold Condition); (b) the appointment of a new board of directors of UBI Banca, the majority of which will be persons drawn from the list that will be presented by ISP; (c) the participation of UBI Banca in the BPER Agreement in compliance with the applicable regulations; (d) the completion of the BPER share capital increase announced on 17 February 2020 to support the acquisition of the Banking Business Unit, of a maximum amount of 1 billion euro; (e) obtaining the necessary authorisations from the competent antitrust and supervisory authorities, as well as (f) the carrying out of the trade union procedure pursuant to article 47 of Italian Law 428/1990 as subsequently amended. The supplementary agreement of 15 June 2020 has kept all the conditions precedent provided for in the BPER Agreement of 17 February 2020.

The condition precedent at letter b) is established in the interests of both BPER and ISP, but may be waived at the sole discretion of ISP. The condition precedent at letter d) may be waived exclusively by BPER. The conditions precedent at letter e) are established in the interests of BPER or ISP (and may therefore be waived by BPER or ISP, depending on the case). The conditions precedent at letters c) and f) (the latter corresponding to a legal obligation) cannot be waived and are imposed both in the interest of ISP and of BPER.

At the Date of the Registration Document, the conditions precedent are still pending, except, with reference to the condition above in point e), for obtaining the authorisations from the Serbian antitrust authority (Republic of Serbia – Commission for Protection of Competition) and Albanian antitrust authority (Competition Authority of Albania) (reference is made to Part B, Section 5, Paragraph 5.1.6.1 of the Registration Document).

It should be noted that, in any case, the effectiveness of the Public Exchange Offer is not conditioned on completion of the transfer to BPER of the Banking Business Unit in performance of the BPER Agreement.

The Banking Business Unit (with the assets, liabilities and relationships which comprise it) will be transferred to BPER in the state in which it is found at the date of transfer, 'as is'. Therefore, ISP has not issued (and UBI Banca will not issue) any representations or warranties other than those imperatively required by law in relation to the notarised deed of transfer of the branches.

With reference to the interim period, i.e. until the completion of the transfer of the Banking Business Unit, ISP has undertaken to do everything in its power and permitted by the applicable legislation, so that, following the installation of the new board of directors of UBI Banca appointed based on the list presented by ISP, UBI Banca will limit itself to the ordinary and proper management of the branches. The same holds true for the ISP branches included in the Banking Business Unit.

14.1.2 Agreement with Unipol

On 17 February 2020, the Issuer and Unipol signed the Unipol Agreement, under which Unipol committed to acquire, directly or through subsidiaries – for the cash consideration indicated below – the business units referring to the insurance companies currently held by UBI Banca (i.e. BancAssurance Popolari S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A.), composed of the life insurance policies taken out by the customers of the Banking Business Unit and the related assets, liabilities and legal relationships.

The aim of the Unipol Agreement is to accelerate the integration of UBI Banca into the Group of the Issuer and, therefore, the achievement of the business objectives through the transfer of the policies and insurance policies taken out by customers of the Banking Business Unit to be transferred to BPER.

In particular, pursuant to the Unipol Agreement, the Insurance Business Units shall be accurately defined and, thus, transferred to Unipol as soon as it is possible to access the data and information of said insurance companies and the Banking Business Unit, as well as subject to the occurrence of the following conditions: (a) the completion of the Public Exchange Offer (and, thus, in particular, upon fulfilment of the Conditions Precedent of the Public Exchange Offer or to their waiver by Intesa Sanpaolo) and the resulting acquisition of control of UBI Banca by the Issuer; (b) the completion of the sale to BPER of the Banking Business Unit pursuant to the BPER Agreement; (c) the reacquisition of control of Lombarda Vita S.p.A. and/or Aviva Vita S.p.A. by UBI Banca; (d) the carrying out of the trade union procedure pursuant to article 47 of Italian Law 428/1990 as subsequently amended; as well as (e) obtaining the necessary authorisations from the competent supervisory and antitrust authorities. The condition precedent related to Unipol obtaining antitrust authorisation (i) prescribes that the Antitrust Authority receives notice that the review prescribed by Law 287 of 10 October 1990 has not been launched or, if that review has begun, that it has been completed with a declaration of authorisation without conditions and/or commitments to acquire each Insurance Business Unit and (ii) is imposed in the exclusive interest of Unipol, which may thus waive it. Should the condition precedent not be fulfilled with reference to an Insurance Business Unit, the Agreement will be considered terminated with reference to that Business Unit; however, it should be noted that Unipol assumed the commitment to acquire the unit attributable to BancAssurance Popolari S.p.A. (provided, naturally, that the further conditions precedent applicable to the latter have been fulfilled) only together with one of the Insurance Business Units attributable to Lombarda Vita S.p.A. or Aviva Vita S.p.A.

At the Date of the Registration Document, none of the conditions precedent stipulated in the Unipol Agreement had been met or waived (where possible).

It should be noted that, in any case, the effectiveness of the Public Exchange Offer is not subject to completion of the transfer to Unipol of the Insurance Business Units in performance of the Unipol Agreement.

In relation to the sale of the Insurance Business Units, please note that as at the Date of the Registration Document earnings, equity and actuarial metrics sufficient to provide even a preliminary value estimate are not available. It is specified that the consideration for the transfer of the Insurance Business Units shall be determined based on the same measurement criteria used to determine the price paid by UBI Banca for the purpose of the possible reacquisition of control of Lombarda Vita S.p.A. and Aviva Vita S.p.A., as well as, concerning the Insurance Business Unit of BancAssurance Popolari S.p.A., referring to its equity value. In accordance with the Unipol Agreement, the consideration as determined above will be paid to UBI Banca. The impacts on the financial position and operating results of the ISP Group deriving from the sale of the Insurance Business Units is considered not to be significant and, in any event, given the situation described above regarding the determination of the consideration, substantially neutral.

With reference to the interim period, i.e. until the completion of the transfer of each Insurance Business Unit, the Issuer has undertaken to do everything in its power and permitted by the applicable legislation, so that, following the installation of the new board of directors of UBI Banca appointed on the base of the list presented by the Issuer, UBI Banca, BancAssurance Popolari S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A. will undertake to perform the Unipol Agreement and each of these companies will limit itself to the ordinary and proper management of its activity.

The Insurance Business Units (with the assets, liabilities and relationships which comprise them) will be transferred to Unipol "as is" at the date of transfer. The Issuer has not issued (and UBI Banca will not issue) any representations or warranties "*other than those expressly provided for by law in relation to the notarised deed of transfer of each Business Unit*".

The time frames for the accurate definition of the Insurance Business Units cannot currently be predicted since (i) they depend on access to information concerning UBI Banca which are not available to the Issuer and (ii) as shown, the Unipol Agreement may only be performed following the fulfilment of certain conditions which are not under the control of the Issuer, including the performance of the BPER Agreement and the re-acquisition of control of Lombarda Vita S.p.A. and/or Aviva Vita S.p.A. by UBI Banca.

14.1.3 Acquisition of RBM Assicurazione Salute

On 19 December 2019, Intesa Sanpaolo Vita S.p.A. ("**Intesa Sanpaolo Vita**") signed an investment agreement with RBHold S.p.A. ("**RBH**"), which entails Intesa Sanpaolo Vita's entry, with a controlling stake, in the capital of RBM Assicurazione Salute S.p.A. ("**RBM**"), a company in the "RBH Group". In execution of that agreement, on 11 May 2020, having obtained the necessary authorisations from AGCM and IVASS, Intesa Sanpaolo Vita purchased 50% plus one share in cash of RBM at the price (subject to a post-closing adjustment) of 300 million euro. Subsequently, in the three-year period 2026-2029, the shareholding of Intesa Sanpaolo Vita may increase to 100%, with the purchase price predetermined using a mixed formula (equity and income) based on the achievement of pre-set growth targets. RBM Assicurazione Salute was the only independent player until the entry of the Intesa Sanpaolo Vita Group, with net income of around 45 million euro in 2019([89]), in addition to partnerships with over 130

([89]) Source: RBM's Solvency Financial Condition Report at 31 December 2019.

supplementary healthcare funds and care assistance funds in Italy. The new company – which, thanks to RBM's distinctive offering of collective policies, has a total of 606 million euro of premium income in the healthcare business and a market share of 20.8% – having changed its name to “Intesa Sanpaolo RBM Salute”, will target both RBM's traditional customers and the Bank's retail and corporate customers, adding its healthcare services to the current "XME Protezione" product developed by Intesa Sanpaolo Assicura S.p.A.

For that purpose, the Insurance Division of Intesa Sanpaolo will benefit from numerous growth factors:

- driving force of RBM’s direct channel (through consolidated relationships with social partners, companies, professional associations and pension funds and the public administration);
- expanded offering of collective healthcare policies of RBM;
- full development of the bancassurance distribution model, to small – medium corporate and retail customers;
- establishment of an insurance agency to sell personalised products, mainly dedicated to large corporate customers.

In addition, thanks to that transaction, a service agreement was reached with Previmedical S.p.A. (part of the RBH Group), a strategic partner, which will make available to customers of Intesa Sanpaolo RBM Salute the largest medical network covered by the agreement in Italy (with over 113,000 structures), with excellent service quality and favourable economic terms and conditions as compared to the market average.

Lastly, the transaction will enable the pooling of specialist skills, experiences and instruments, responding to new healthcare needs. Intesa Sanpaolo RBM Salute will mainly target: healthcare funds provided by contract, large companies, small and medium-sized enterprises, professional pension funds, public entities and households, in order to ensure all individuals adequate protection of their health.

14.1.4 Strategic partnership with Nexi

On 19 December 2019, Intesa Sanpaolo signed a strategic agreement with Nexi S.p.A., a company listed on the MTA market (“**Nexi**”), in respect of payment systems, which provides for the following, as specifically described and clarified in this paragraph 14.1.4:

- the transfer to Nexi Payments S.p.A. (“**Nexi Payments**”, 98.92% controlled by Nexi) of the business unit of Intesa Sanpaolo (the “**Business Unit**”) concerning the acquiring activity conducted with respect to its customers/merchants for a value of 1 billion euro, which has already been subject to an appraisal pursuant to Article 2343-ter of the Italian Civil Code (the “**Transfer**”);
- a long-term partnership, with the Group of which Nexi is a member (the “**Nexi Group**”) to become the sole partner of Intesa Sanpaolo in the acquiring sector and the latter to distribute the acquiring services provided by the Nexi Group and maintain the relationship with its customers.

At the Date of the Registration Document, the completion of the transaction is subject to the fulfilment of conditions precedent in line with market practices for similar transactions, including: (i) the issuing of the authorisation by the European Commission in accordance with Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the Merger Regulation); (ii) that no injunction or other order, decree or judgement has been issued by a court or other competent authority and that no law or other measure has been approved which makes the Transfer illegal or invalid or otherwise prevents its execution; (iii) the lack of legislative changes or sectoral agreements likely to significantly affect the value of the Business Unit and its profitability; (iv) that there have been no events or circumstances that require a new evaluation of the Business Unit pursuant to Article 2343-*quater*, paragraph 2, of the Italian Civil Code.

The final deadline agreed between the parties for the fulfilment of all the aforementioned conditions precedent is 31 October 2020 (a deadline which may possibly be extended by a further 60 days).

Once the Transfer has been completed, Intesa Sanpaolo will sell to Nexi – for a cash consideration of 1 billion euro – the Nexi Payments shares received from Intesa Sanpaolo in return for the Transfer.

Once the sale of the Nexi Payments shares has been completed, Intesa Sanpaolo will acquire from Mercury UK HoldCo Limited, the reference shareholder of Nexi, existing Nexi shares equal to a 9.9% shareholding of Intesa Sanpaolo in the share capital of Nexi, for a cash consideration of 652,575,000 euro.

Through the transaction, the Intesa Sanpaolo Group intends to consolidate its commercial relations with the Nexi Group, enhancing its acquiring activities, continuing to maintain relationships with its customers/merchants, as well as its presence in the acquiring sector through the investment in the share capital of Nexi. As explained in the presentation to the market of the results for the first quarter of 2020 of the Intesa Sanpaolo Group, the transaction will also enable the Intesa Sanpaolo Group to obtain an estimated net capital gain of about 900 million euro, based on the information available at the date of the Registration Document, which will constitute part of the additional buffer to be used to address any negative economic effects produced by the COVID-19 pandemic. The estimate of that net gain reflects the valuation of the transferred business unit, that is 1 billion euro net of the presently estimated amounts (taking into account the balance sheet aggregates as at 31 May 2020 and an estimate referring to June 2020) for the price adjustments prescribed by the contractual agreements, the carrying amount of the transferred business unit, the incidental costs, set at the maximum amount approved by the Board of Directors of Intesa Sanpaolo, incurred for execution of the transaction and the related tax effects. The amount of the estimated gain also includes the effect of the difference between the purchase price, set at 652,575,000 euro, of 9.9% of the share capital of Nexi, and the corresponding value resulting from the market listing of the Nexi shares. Specifically, the amount of the estimated net capital gain amounting to around 900 million euro, corresponds to the sum of (i) the estimated net capital gain deriving from the transfer of the business unit (equal to approximately 780 million euro) and (ii) the estimated positive effect (day-one profit*)* of approximately 120 million euro based on the difference between the purchase price and a prudential valuation of the Nexi shares of 12.5 euro per share. The value of the Nexi shares used to estimate the day-one-profit is 17% lower than the market price recorded on 19 June 2020 and 15% lower than the average price in the last month prior to 19 June 2020.

The exact amount of the gain deriving from the transaction will only be known after closing. Based on the information available to Intesa Sanpaolo as at the Date of the Registration Document, there is good reason to believe that the transaction can be closed within the next 15 days.

The Business Unit - Description

The Business Unit is composed of a set of tangible and intangible assets organised by Intesa Sanpaolo for operating the “merchant acquiring” activities. Simply by way of example, the Business Unit includes special arrangements with merchants, contracts with other customers, contracts with suppliers, accrued income and prepaid expenses and accrued expenses and deferred income and the staff necessary for carrying out the merchant acquiring activities. Merchant acquiring consists in the set of services that enable the operators/points of sale – physical and/or virtual – (known as “merchants”) to accept payments with cards or other digital instruments belonging to credit and/or debit circuits, through both physical and virtual channels. The merchants sign a contract with the party authorised to provide payment services (the “acquirer”) (entitled the “exclusive purchasing contract”) through which the merchants are authorised to accept a payment instrument in accordance with the rules of the reference circuit, accompanied by the management of the associated financial flows.

The parties have agreed that the cash flows generated by the Business Unit from 1 January 2020 until the date of completion of the Transaction, as identified according to conventional criteria, are also part of the Business Unit and are therefore accounted for and transferred by Intesa Sanpaolo to Nexi Payments on the completion of the Transfer.

The parties have also agreed on compensation mechanisms exclusively for Nexi Payments, aimed, inter alia, at settling any difference between the 2019 EBITDA estimated by the parties and the 2019 EBITDA actually recorded, as well as between the merchant fees shown by Intesa Sanpaolo and those actually generated by the Business Unit during the 24 months following the completion of the Transfer. An earn-out is envisaged in favour of Intesa Sanpaolo, to be paid after 30 June 2025 solely in the event of over-performance of the profitability of the Business Unit considered as a whole during the period 2021-2024 with respect to the targets defined in the business plan for the period 1 January 2020-31 December 2029. Lastly, a series of representations and warranties are envisaged in relation to the Business Unit (such as, for example, the validity of the contracts subject to transfer, the absence of disputes, compliance with the law in the management of activities and relations with employees), the infringement of which will require the payment of specific compensation by Intesa Sanpaolo to Nexi Payments, as is usual practice in similar transactions. Intesa Sanpaolo is also required to hold Nexi Payments harmless in relation to any liability not expressly included in the Business Unit.

The following was also agreed: (i) a commitment by Intesa Sanpaolo not to carry out, directly or indirectly, activities in competition with those of the Business Unit and (ii) a mutual commitment by the parties not to solicit the employees of the other party. These obligations will be in effect for two years following the date of completion of the transaction.

The Distribution Agreement

Essentially at the same time as the completion of the Transfer, it is envisaged that Intesa Sanpaolo and Nexi Payments will sign a distribution agreement (the "**Distribution Agreement**") for marketing and distribution by Intesa Sanpaolo to the merchant customers (existing and future) of Intesa Sanpaolo (and the Italian companies within the Intesa Sanpaolo Group), of Nexi Group products and services (present and future) in the "Merchant Digital Acceptance" sector ("**M&DA Products**") within the territories of a significant number of European countries. The term of the Distribution Agreement, which establishes an exclusive commitment in favour of Nexi Payments, is twenty-five years from the date on which the transaction is completed. It may be tacitly renewed for a further ten years (unless one party notifies the other of its desire to terminate it, at least one year in advance). However, there will be no automatic extension of the exclusive commitment to any new companies that might become part of the Group and whose primary or predominant activity differs from that of Merchant Digital Acceptance.

As regards the economic aspects, in accordance with usual practice, Nexi Payments may be required to pay Intesa Sanpaolo an annual consideration determined according to the net revenues of Nexi Payments generated from the supply of M&DA Products through the sales network of Intesa Sanpaolo and its Italian subsidiaries, based on the minimum targets agreed between the parties.

Issuing & ATM Agreement

Moreover, again essentially at the same time as the completion of the Transfer and in consideration of the new structure resulting from the Transfer, it is envisaged that the existing commercial contracts between Intesa Sanpaolo and Mercury Payment Services S.p.A. ("**Mercury Payment Services**", 100% controlled by Nexi, which operates in the processing sector in relation to payment services), be redefined, through the conclusion of a contract entitled the "*Issuing & ATM Agreement*".

The purpose of the "*Issuing & ATM Agreement*" is to govern – in light of the new structure resulting from the Transfer – the terms and conditions for the provision, by Mercury Payment Services to Intesa Sanpaolo, of the services pertaining to issuing (of payment cards), as well as services associated with the management of withdrawal and cash advance transactions made with payment cards on Intesa Sanpaolo Group ATMs (processing). The term of the "*Issuing & ATM Agreement*" is twenty-five years from the date of completion of the Transaction. It may be renewed for a further ten years, in line with that envisaged for the Distribution Agreement.

14.1.5 Strategic partnership with Prelios

On 31 July 2019, Intesa Sanpaolo and Prelios S.p.A. ("**Prelios**") reached a binding agreement to form a strategic partnership in respect of loans classified as unlikely-to-pay (UTP). After having received the necessary authorisations from the competent authorities, at the end of November 2019 Intesa Sanpaolo and Prelios finalised the agreement concerning the strategic partnership in respect of loans classified as UTP. The agreement, which entails the outsourcing of management of over 60% of the ISP Group's current stock of UTP, will enable the Group to free up resources to focus on the prevention of credit deterioration and management of early delinquency. Moreover, this business partnership with a leading player in the UTP segment will further improve management performance, including through the use of real estate expertise and the ongoing support from Prelios' sector experts and the further acceleration of the digitisation of management through dedicated investments in platforms and advanced analytics. This strategic target is joined by the opportunity to assign to Prelios a portfolio of UTP worth around 3 billion euro of gross book value, at a price in line with its carrying value, in order to accelerate the non-performing loan reduction target set out in the 2018-2021 Business Plan.

More specifically, the agreement consisted of the following two transactions:

- a 10-year contract for the management of UTP Corporate and SME loans of the Intesa Sanpaolo Group by Prelios, initially covering a portfolio worth around 6.7 billion euro of gross book value, with terms and conditions in line with market standards and with a fee structure mostly composed of a variable component, calculated based on collections. The fee structure also specifically includes a fee aimed at maximising the return of positions to performing status, calculated on the gross book value of loans returning to that status;
- the disposal and securitisation of a portfolio of UTP Corporate and SME loans of the Intesa Sanpaolo Group amounting to around 3 billion euro of gross book value, at a price of around 2 billion euro, in line with the carrying value. The capital structure of the securitisation vehicle was determined as follows, in order to obtain the full accounting and regulatory derecognition of the portfolio:
    - a senior tranche equivalent to 70% of the portfolio price, underwritten by Intesa Sanpaolo;

- junior and mezzanine tranches equivalent to the remaining 30% of the portfolio price, underwritten to the tune of 5% by Intesa Sanpaolo and the remaining 95% by Prelios and third-party investors.

14.1.6 Agreement with the Sisal Group to establish a NewCo to distribute financial products

On 31 July 2019, Intesa Sanpaolo, through Banca 5 S.p.A. ("**Banca 5**"), and Sisal Group, through SisalPay S.p.A. ("**SisalPay**"), signed an agreement to set up a NewCo, via contribution, which will offer banking products and payment and transactional services at over 50,000 merchants located throughout the entire country, which are visited by around 45 million individuals daily. In a highly competitive scenario such as that of proximity payment, the new company - 70%-owned by Sisal Group and 30%-owned by Banca 5 - is the first Italian network with a "proximity banking" model, which, by integrating physical and digital channels, in accordance with the principles of social responsibility, provides significant benefits for consumers and the network of merchants involved in the agreement, by offering simple banking products and payment services. The new network, which has been operational since the beginning of 2020, will add to the offering of products and services of Banca 5 and SisalPay, including:

- cash withdrawal up to a maximum of 250 euro per day;
- collections for participating entities (for example, refunds on behalf of large companies) and payment notices (such as payments by notice (MAV) and payment of fines/taxes by notice (RAV)) for Intesa Sanpaolo customers;
- payments of bills, taxes and "pagoPA" services for payments to the public administration;
- telephone and prepaid card top-ups;
- purchase of transport tickets and passes;
- purchase codes for the most common marketplaces and Apps.

After having obtained the necessary authorisations, the transaction was completed in December 2019.

14.1.7 Acquisition of shareholding in Autostrade Lombarde S.p.A.

On 31 December 2018, following the agreements reached with the Gavio Group, Intesa Sanpaolo acquired control of Autostrade Lombarde S.p.A. ("**Autostrade Lombarde**"), by law pursuant to Article 2359 *et seq.* of the Italian Civil Code and on an accounting basis pursuant to IFRS 10, increasing its shareholding from 42.45% to 55.79%. Autostrade Lombarde is the concessionaire of the Milan-Brescia motorway section (A35), through its operating subsidiary Brebemi S.p.A. In this regard, Intesa Sanpaolo did not consider that the conditions applied for management and coordination of Autostrade Lombarde and the companies indirectly controlled through the latter, pursuant to Article 2497 *et seq.* of the Italian Civil Code.

14.1.8 Sale of the shareholding in SEC Servizi

On 30 November 2018, the Group's entire equity investment in SEC Servizi was sold to Accenture for around 15 million euro.

14.1.9 Acquisition of the acquiring business line of Nexi

Effective 1 August 2018, Intesa Sanpaolo acquired from Nexi Payments the business unit regarding acquiring of payment card transactions connected to international networks, carried out by Nexi in favour of customers of the former Venetian banks, now customers of Intesa Sanpaolo.

These acquiring activities are now part of the Business Unit subject to transfer to Nexi and the long-term partnership described in Paragraph 14.1.4 above.

14.1.10 Strategic partnership agreement with Intrum Italy

On 17 April 2018, Intesa Sanpaolo and Intrum Italy S.p.A. ("**Intrum**") signed an agreement to form a strategic partnership in respect of non-performing loans (NPLs), which entails:

- the creation of a leader in the management of NPLs in the Italian market, through the integration of the Italian NPL platforms of Intesa Sanpaolo and Intrum, with the following features:
  - around 40 billion euro serviced;
  - 51% of the new platform to be held by Intrum and 49% to be held by Intesa Sanpaolo;
  - a 10-year contract for the management of Intesa Sanpaolo's bad loan portfolios, with terms and conditions in line with market standards;

  - major commercial development plans for the new platform in the domestic market;
  - around 1,000 employees involved, including around 600 people from the Intesa Sanpaolo Group;
- disposal and securitisation of a sizeable bad-loan portfolio of the Intesa Sanpaolo Group – a landmark transaction for the Italian market – amounting to 10.8 billion euro of gross book value at a price, of around 3.1 billion euro, in line with the carrying amount already determined for the portion of the Group's saleable bad loans, taking into account the sale scenario.

The transaction was completed on 3 December 2018.

14.2 Additional transactions

14.2.1 Share capital transactions

On 27 April 2018, the Shareholders' Meeting:

- approved the mandatory conversion of the outstanding savings shares – following the cancellation of 61 savings shares by an authorised intermediary, with the reduction of those shares to 932,490,500 – into 969,790,120 newly issued ordinary shares of the Issuer, with regular economic rights and the same features of the ordinary shares outstanding at the conversion date, at a conversion ratio of 1.04 ordinary shares for each savings share with concurrent removal of the indication of the nominal value of all of the shares of Intesa Sanpaolo outstanding as at the relative date of effectiveness of the conversion, pursuant to Article 2328 and 2346 of the Italian Civil Code, so that the share capital remains unchanged and divided into only ordinary shares;
- established that the mandatory conversion of the savings shares under the item above (and therefore also the effectiveness of any withdrawals that may be exercised by the savings shareholders entitled thereto and of the cancellation of the 61 savings shares) take place subject to:
  - the approval of the mandatory conversion, along with the relative amendments to the Articles of Association, pursuant to Article 146, paragraph 1, letter b) of the Consolidated Law on Finance by the special meeting of the savings shareholders;
  - the authorisations of the European Central Bank required under the current legal and regulatory framework, for the purposes of the amendments to the Articles of Association, the inclusion of the ordinary shares that are issued in connection with the conversion in the CET 1 and the possible purchase by the Issuer of own shares at the end of the liquidation procedure relating to withdrawing shareholders; and
  - the amount owed to those who elect to exercise the withdrawal right not exceeding 400 million euro at the end of the pre-emption and pre-emptive rights offering period concerning any offer to the Intesa Sanpaolo shareholders of the shares held by the withdrawing savings shareholders pursuant to Article 2437-quater, paragraphs 1 and 2 of the Italian Civil Code;

14.2.2 LECOIP 2.0 Incentive Package

On 27 April 2018, the Shareholders' Meeting granted powers, pursuant to Article 2443 of the Italian Civil Code, to the Board of Directors, for the implementation of the 2018-2021 LECOIP 2.0 Long-term Investment Plan based on financial instruments, to:

- increase the share capital without payment, in one or more tranches, by 27 October 2019, pursuant to Article 2349, paragraph 1, of the Italian Civil Code, for a maximum amount of 400,000,000 euro (inclusive of share premium) with the issuance of up to 170,000,000 Shares;
- increase the share capital with payment, in one or more tranches, by 27 October 2019, for a maximum amount of 1,200,000,000 euro (inclusive of share premium, and net of a discount at issue), excluding option rights in favour of the employees of the Intesa Sanpaolo Group, with the issuance of up to 555,000,000 Shares. The share issue price will be inclusive of a discount from the market price of the Shares, calculated as the average of market prices observable in the 30-day period immediately prior to the issue date.

On 8 June 2018, the Board of Directors decided to launch the Long-term Incentive Plans, based on financial instruments, approved at the Shareholders' Meeting held on 27 April 2018, described above. Specifically, the Board decided to exercise its powers, granted by the Bank's Shareholders' Meeting, to carry out a capital increase, in favour of Group employees, in order to implement the 2018-2021 LECOIP 2.0 Long-term Incentive Plan. The capital increase will be:

- without payment, for a maximum amount of 400,000,000 euro (inclusive of share premium) through the issue of a maximum number of 170,000,000 Shares ("**Free Shares**");
- with payment, with the exclusion, pursuant to Article 2441, paragraph 8, of the Italian Civil Code, of the option right, for a maximum amount (inclusive of share premium), net of a discount at issue, of 1,200,000,000 euro, through the issue of a maximum number of 555,000,000 Shares and applying a maximum discount of 18.5% to the market price calculated as the average of the prices recorded in the 30 days prior to the issue date ("**Matching Shares**").

On 25 June, the period ended for exercising the right to withdraw from the subscription to the offer of the Certificates issued by J.P. Morgan and reserved for Professionals and Managers employed by the Group in Italy under the Incentive Plan. A total of 55,229 Group employees, 81.1% of those eligible, have participated in LECOIP 2.0 for a countervalue of Free Shares and Matching Shares equal to around 184 million euro. The launch of the 2018-2021 Long-term Incentive Plans and, therefore, of the capital increase to service the LECOIP 2.0 Plan, took place on 11 July 2018. On 11 July 2018, a total of 25,147,152 Free Shares and 47,411,243 Matching Shares were assigned to the Group's employees, and 507,908,765 Discounted Shares were subscribed by the Group's employees. The numbers were calculated on the basis of the arithmetic average of the Volume Weighted Average Price (VWAP) of the Shares recorded on each business day in the 30 preceding calendar days, which is equal to 2.5416 euro. Consequently, a total of 72,558,395 Certificates – corresponding to the abovementioned sum of Free Shares plus Matching Shares – were assigned to the Group's employees.

14.3 Mergers

The mergers by incorporation carried out by the Issuer with companies that it did not fully control are illustrated as follows.

14.3.1 Merger by incorporation of Banca Apulia

On 14 May 2019, the deed relating to the merger by incorporation of Banca Apulia S.p.A. ("**Banca Apulia**") into Intesa Sanpaolo was signed.

In accordance with the exchange ratio established in the merger plan, 0.335 ISP Shares were assigned for every ordinary share and every preferred share of Banca Apulia held by entities other than ISP (absorbing company).

With regard to the exchange transaction, ISP increased its share capital by 128,646.96 euro through the issue of 247,398 ISP Shares, which were assigned to shareholders of Banca Apulia. The legal effects of the merger started on 27 May 2019 and were posted to the financial statements of the absorbing company from 1 January 2019 also for tax purposes.

14.3.2 Merger by incorporation of Cassa di Risparmio di Pistoia e della Lucchesia

The deed relating to the merger by incorporation of Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. ("**CR Pistoia e Lucchesia**") into Intesa Sanpaolo was signed on 5 February 2019.

In accordance with the exchange ratio established in the merger plan, 0.639 ISP Shares were assigned for every ordinary share of CR Pistoia e Lucchesia held by entities other than ISP (absorbing company).

With regard to the exchange transaction, ISP increased its share capital by 64,511.72 euro through the issue of 124,061 ISP Shares, which were assigned to shareholders of CR Pistoia e Lucchesia. The legal effects of the merger started on 25 February 2019 and were posted to the financial statements of the absorbing company from 1 January 2019 also for tax purposes.

14.3.3 Merger by incorporation of Cassa dei Risparmi di Forlì e della Romagna

The deed relating to the merger by incorporation of Cassa dei Risparmi di Forlì e della Romagna S.p.A. ("**CR Forlì e Romagna**") into Intesa Sanpaolo was signed on 10 October 2018. The merger deed was registered with the competent Company Registers, and the merger came into legal effect from 26 November 2018, while the accounting and tax effects started from 1 January 2018.

In accordance with the exchange ratio established in the merger plan, the following were assigned:

- 0.696 ISP Shares for every ordinary share of CR Forlì e della Romagna held by entities other than ISP (absorbing company);
- 0.737 ISP Shares for every preference share of CR Forlì e della Romagna held by entities other than ISP (absorbing company).

With regard to the exchange transaction, Intesa Sanpaolo increased its share capital by 1,413,269.52 euro through the issue of 2,717,826 ISP Shares, which were assigned to shareholders of CR Forlì e Romagna.

15. DOCUMENTS AVAILABLE

For the life of the Registration Document, copies of the following documents may be viewed on the Issuer's website (group.intesasanpaolo.com):

- the Issuer's updated Articles of Association;
- the 2019 Consolidated Financial Statements, including the Independent Auditors' Report;
- the Interim Statement as at 31 March 2020;
- Procedures on Related-Party Transactions;
- the "*Report according to article no. 2343-ter, letter b) of the Italian Civil Code with reference to maximum no. of 1,144,285,146 ordinary shares of Unione di Banche Italiane S.p.A. to be contributed in kind in the context of the Voluntary Public Exchange Offer launched by Intesa Sanpaolo S.p.A. on 17 February 2020, pursuant and for the purposes of Articles 102 and 106, paragraph 4, of Legislative Decree no. 58 dated 24 February 1998, as subsequently amended",* issued by PricewaterhouseCoopers Advisory S.p.A. on 13 March 2020 together with the related *Addendum*, dated 31 March 2020, as illustrated in Part B, Section 4, Paragraph 4.3 of the Securities Note;
- the "*Report according to article no. 2343-ter, letter b) of the Italian Civil Code with reference to maximum no. of 1,144,285,146 ordinary shares of Unione di Banche Italiane S.p.A. to be contributed in kind in the context of the Voluntary Public Exchange Offer announced by Intesa Sanpaolo S.p.A. on 17 February 2020, pursuant and for the purposes of Articles 102 and 106, paragraph 4, of Legislative Decree no. 58 dated 24 February 1998, as subsequently amended",* issued by PricewaterhouseCoopers Advisory S.p.A. on 15 June 2020, as illustrated in Part B, Section 4, Paragraph 4.3 of the Securities Note;
- the "*Independent Limited Assurance Report on the methods adopted by the Intesa Sanpaolo S.p.A.'s Directors to determine the Exchange Ratio in connection with the Voluntary Public Exchange Offer launched by Intesa Sanpaolo S.p.A. on all the shares of Unione di Banche Italiane S.p.A.*" ("*ISAE 3000 Revised*") issued by KPMG S.p.A. on 25 March 2020, as illustrated in Part B, Section 4, Paragraph 4.3 of the Securities Note;
- the "*Independent Auditors' report on the issue price of the shares resulting from the capital increase without option rights pursuant to article 2441, paragraph 4, first sentence, and paragraph 6 of the Italian Civil Code and article 158, paragraph 1, of Legislative Decree 58/98*", issued by KPMG S.p.A., dated 16 June 2020, as illustrated in Part B, Section 4, Paragraph 4.3 of the Securities Note;
- this Registration Document.

Below is a table of the documents incorporated by reference in the Registration Document, including the hyperlinks to those documents.

Document incorporated by reference	**Hyperlink**
2019 Consolidated Financial Statements	https://group.intesasanpaolo.com/content/dam/portalgroup/repository-documenti/investor-relations/bilanci-relazioni-en/2019/20200430_BILANCI_2019_Def_uk.pdf

DEFINITIONS

Below is a list of the main definitions and the main terms used in the Registration Document. Except where otherwise specified, these definitions and terms shall have the meaning indicated below. Please note that for the definitions set out below, where required by the context, the singular shall include the plural and vice versa.

BPER Agreement	This shall mean the agreement signed by the Issuer and BPER on 17 February 2020, as subsequently supplemented by the parties, respectively on 19 March 2020 and 15 June 2020, pursuant to which BPER undertook to acquire a business unit composed of 532 bank branches of the ISP Group, as integrated upon completion of the Offer (that will consist of branches of the ISP Group after its integration with UBI Banca and not represented only by branches of the former UBI Banca) and related staff and customer relationships.
Unipol Agreement	This shall mean the agreement signed by the Issuer and Unipol on 17 February 2017, under which Unipol agreed to purchase business units comprising certain assets and liabilities of the bancassurance vehicles held by UBI Banca, if and insofar as the Public Exchange Offer is completed, and following the possible acquisition of control of Lombarda Vita S.p.A. and/or Aviva Vita S.p.A. by UBI Banca. All of the foregoing is subject, inter alia, to the completion of the sale of the Banking Business Unit to BPER in accordance with the BPER Agreement, at the terms and conditions set forth therein and described in Part B, Section 14, Paragraph 14.1.2, of the Registration Document.
Acquisition	This shall mean the acquisition of UBI Banca by Intesa Sanpaolo, to be carried out through the Public Exchange Offer.
Public Exchange Offer Share Capital Increase	This shall mean the increase in ISP's share capital to service the Public Exchange Offer, against payment and to be carried out on one or more tranches, without option right pursuant to Article 2441, paragraph 4, first line of the Italian Civil Code, for a maximum nominal amount of 1,011,548,072.60 euro approved by the Board of Directors of the Issuer on 16 June 2020 – in exercise of the delegated powers assigned to the Board by the extraordinary shareholders' meeting of the Issuer of 27 April 2020 pursuant to Article 2443 of the Italian Civil Code – to be carried out by issuing a maximum of 1,945,284,755 ISP Shares, to be paid for by the contribution in kind of the UBI Shares tendered in acceptance of the Offer.
Supervisory Authorities	This shall mean, depending on the case, the Bank of Italy, the ECB or Consob and/or any other independent authority and/or administration at national or European level, considered individually or jointly.
ISP Shares or Shares	This shall mean the ordinary shares of the Issuer, without nominal value, admitted to trading on the MTA market.
UBI Shares	This shall mean the ordinary shares of UBI Banca, without nominal value, admitted to trading on the MTA market.

Bank or **Issuer** or **Intesa Sanpaolo** or **ISP**	This shall mean Intesa Sanpaolo S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, with registered office in Piazza San Carlo no. 156, Turin, registration number in the Turin Company Register and Tax Code 00799960158, entered in the National Register of Banks under no. 5361 - ABI 3069.2, and the National Register of Banking Groups under no. 3069.2, Parent Company of the "Intesa Sanpaolo Banking Group", a member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund.
European Central Bank or ECB	This shall mean the European Central Bank, based in Sonnemannstrasse no. 20, Frankfurt (Germany).
Bank of Italy	This shall mean the Central Bank of the Republic of Italy, based in Via Nazionale no. 91, Rome.
Bank Recovery and Resolution Directive or BRRD	This shall mean Directive 2014/59/EU of the European Parliament and Council, establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as amended.
2019 Consolidated Financial Statements	This shall mean the consolidated financial statements of the Group for the year ended 31 December 2019, subject to auditing by independent auditors, along with the report on operations, the report of the independent auditors and the certification pursuant to Article 154-bis, paragraph 5, of the Consolidated Law on Finance.
Borsa Italiana	This shall mean Borsa Italiana S.p.A., based in Piazza degli Affari no. 6, Milan.
BPER	This shall mean BPER Banca S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, with registered office in Via San Carlo no. 8/20, Modena, registration number in the Modena Company Register and Tax Code 01153230360, entered in the National Register of Banks under no. 4932 and the National Register of Banking Groups under no. 5387.6, Parent Company of the "BPER Banca S.p.A. Banking Group", a member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund.
Capital Requirements Regulation or CRR	This shall mean Regulation (EU) 575/2013 of the European Parliament and Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended.
Capital Requirements Regulation II or CRR II	This shall mean Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 648/2012.
ICRC (Interdepartmental Committee for Credit and Savings)	This shall mean the Interdepartmental Committee for Credit and Savings, overseen by the Ministry of the Economy and Finance.
Circular 285	This shall mean Circular no. 285 of 17 December 2013 of the Bank of Italy concerning supervisory regulations for banks, as amended.
Italian Civil Code	This shall mean Royal Decree no. 262 of 16 March 1942, as amended.

Corporate Governance Code	This shall mean the Corporate Governance Code for listed companies promoted and drawn up by the "*Corporate Governance Committee"* established at Borsa Italiana.
Management Control Committee	This shall mean the Issuer's management control committee.
Conditions Precedent of the Public Exchange Offer or Conditions Precedent	This shall mean the conditions that shall be described in Section A, Paragraph A.1, of the Offer Document, the fulfilment of which (or the waiver, by the Issuer, of all or some of them, where provided for) is conditional on the completion of the Public Exchange Offer.
Board of Directors	This shall mean the Issuer's board of directors.
Consob	This shall mean the Commissione Nazionale per le Società e la Borsa (Italian stock exchange authority), based in Via G.B. Martini no. 3, Rome established by Law no. 216 of 7 June 1974.
Consideration	This shall mean the consideration paid by the Issuer to the subscribers for each UBI Share tendered in acceptance of the Offer, equal to 1.7000 ISP Shares for each UBI Share.
CRD IV	This shall mean Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended.
Date of the Registration Document	This shall mean the date of approval of the Registration Document by Consob.
Forecast Data	These mean the forecast data communicated to the market on 5 May 2020 by the Board of Directors, which updated the Bank's economic and financial projections.
Legislative Decree 231/2001	This shall mean Italian Legislative Decree no. 231 of 8 June 2001, as amended, on the "*Regulation of administrative liability of legal persons, companies and associations, including those without legal personality*", which entered into force on 4 July 2001 in implementation of Art. 11 of Delegated Law 300 of 29 September 2000.
Legislative Decree 39/2010	This shall mean Legislative Decree no. 39 of 27 January 2010, concerning "*Transposition of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts".*
Offer Document	This shall mean the offer document drawn up by the Bank in relation to the Public Exchange Offer, filed with Consob pursuant to Art. 102, paragraph 3, of the Consolidated Law on Finance on 6 March 2020 for the purposes of Consob's approval. This document will be made available to the public in accordance with the terms and methods set out by law, once approved by Consob.
Registration Document	This shall mean this Registration Document.
EBA	This shall mean the European Banking Authority, based in Avenue André Prothin 20, Paris (France).
Merger	This shall mean the merger by incorporation of UBI Banca into the Issuer. For more information, refer to the Offer Document, which will be made available to the public – once approved by Consob – in accordance with the terms and method set out by law.

Group or Intesa Sanpaolo Group or ISP Group	This shall mean the "Intesa Sanpaolo Banking Group", entered in the National Register of Banking Groups under no. 3069.2, headed by the Issuer.
UBI Banking Group or **UBI Group**	This shall mean the "Unione Banche Italiane Banking Group", entered in the National Register of Banking Groups under no. 3111.2, headed by UBI Banca.
ISP Commitments	The commitments of a structural nature involving the disposal of the Additional UBI Branches that the Intesa Sanpaolo has agreed to make for the possibility that even after the sale of the Banking Business Unit to BPER, in the opinion of AGCM, there may still be any antitrust issues in certain local areas (where there are no branches being sold to BPER).
Alternative Performance Measures or APM	According to the ESMA Guidelines of 5 October 2015 (which entered into force on 3 July 2016), Alternative Performance Measures shall mean measures of historical or future financial performance, debt or cash flows, other than financial measures defined or specified in the applicable financial reporting framework. These are usually taken from or based on the financial statements drawn up in compliance with the regulations applicable to financial reporting, mainly through adding or subtracting amounts from the figures in the financial statements.
Stock Exchange Instructions	This shall mean the instructions to the Stock Exchange Rules, in force as at the Date of the Registration Document.
Mercato Telematico Azionario or MTA market	This shall mean the Mercato Telematico Azionario (electronic stock exchange) organised and managed by Borsa Italiana.
Monte Titoli	This shall mean Monte Titoli S.p.A., based in Piazza degli Affari no. 6, Milan.
Summary	The summary published together with the Registration Document and the Securities Note. The Summary was made available to the public on its publication date, and will be available for its entire validity period, at the registered office of the Issuer in Turin, Piazza San Carlo no. 156 and at the secondary registered office of Intesa Sanpaolo in Milan, Via Monte di Pietà no. 8, as well as on the Issuer's website (group.intesasanpaolo.com).
Securities Note	The securities note published together with the Registration Document and the Summary. The Securities Note was made available to the public on its publication date, and will be available for its entire validity period, at the registered office of the Issuer in Turin, Piazza San Carlo no. 156 and at the secondary registered office of Intesa Sanpaolo in Milan, Via Monte di Pietà no. 8, as well as on the Issuer's website (group.intesasanpaolo.com).
New Shares	This shall mean the ordinary shares of the Issuer, without nominal value, and with the same characteristics as the ordinary shares already outstanding, deriving from the Public Exchange Offer Share Capital Increase.
Strategic Targets of the Transaction	Indicates the Strategic Targets of the Transaction announced to the market on 17 February 2020, as revised on 5 March 2020 with the press release on the consolidated interim statement as at 31 March 2020.

Public Exchange Offer or Offer	This shall mean the voluntary public exchange offer on the UBI Shares announced via the press releases published by the Issuer on 17 February 2020 in accordance with Article 102, paragraph 1, of the Consolidated Law on Finance, Article 37, paragraph 1, of the Issuers' Regulation and Article 17 of the Market Abuse Regulation.
Related parties	This shall mean the parties included in the definition set out in IAS 24, i.e. "related parties", as defined in the regulation adopted by Consob with resolution no. 17221 of 12 March 2010, as amended, setting out provisions on transactions with related parties.
2018-2021 Business Plan	This shall mean the "2018-2021 Business Plan" of the Group, approved by the Issuer's Board of Directors on 6 February 2018.
International Accounting Standards or IAS/IFRSs	This shall mean the International Financing Reporting Standards (IFRS), the International Accounting Standards (IAS), and the related interpretations, issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002.
Procedures on Related-Party Transactions	This shall mean the "*Group Procedures regulating the conduct of transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Persons pursuant to Article 136 of the Consolidated Law on Banking*," approved, after obtaining the favourable opinion of the Committee for transactions with related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group and the Management Control Committee, by the Board of Directors on 16 January 2018.
Pro-Forma Consolidated Financial Statements	This shall mean the pro-forma consolidated financial statements in the Registration Document, which were drawn up in order to simulate, according to measurement criteria consistent with the historical data and compliant with reference regulations, the effects of the Acquisition on the financial position and results of the ISP Group, as if the Acquisition had virtually taken place on 31 December 2019 in relation to the effects on the balance sheet and on 1 January 2019 in relation to those on the pro-forma consolidated income statement.
Prospectus	This shall mean, together, the Registration Document, the Securities Note and the Summary.
ECB Recommendation 2020/19	The European Central Bank Recommendation of 27 March 2020 (ECB/2020/19), entitled "*Recommendation on dividend distributions during the COVID-19 pandemic repealing Recommendation ECB/2020/1 (ECB/2020/19)*", addressed to significant banks and banking groups, regarding dividend distribution policies in the situation resulting from the COVID-19 (so-called coronavirus) pandemic.
Insurance Business Units	This shall mean the business lines referring to one or more of the subsidiary insurance companies held by UBI Banca at the Date of the Registration Document (BancAssurance Popolari S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A.), composed of the life insurance policies taken out by the customers of the Banking Business Unit and the related assets, liabilities and legal relationships.

Banking Business Unit	This shall mean a business unit composed of 532 bank branches of the ISP Group, as integrated upon completion of the Offer (that will consist of branches of the ISP Group after its integration with UBI Banca and not represented only by branches of the former UBI Banca) and related staff and customer relationships.
Delegated Regulation (EU) 979/2019	This shall mean Commission Delegated Regulation (EU) 979/2019 of 14 March 2019 supplementing the Prospectus Regulation with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) 382/2014 and Commission Delegated Regulation (EU) 2016/301.
Delegated Regulation (EU) 980/2019	This shall mean the Commission Delegated Regulation of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) 809/2004.
Stock Exchange Rules	This shall mean the Rules governing the Markets organised and managed by Borsa Italiana in force as at the Date of the Registration Document.
Issuers' Regulation	This shall mean the regulation implementing Legislative Decree no. 58 of 24 February 1998, adopted by Consob by means of resolution no. 11971 of 14 May 1999, as amended.
Market Abuse Regulation	This shall mean Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.
Regulation on Related Parties	This shall mean the regulation adopted by Consob with resolution no. 17221 of 12 May 2010, as amended.
Prospectus Regulation	This shall mean Regulation (EU) 1129/2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, in force as at the Date of the Registration Document.
Interim Statement as at 31 March 2020	This shall mean the Bank’s consolidated interim statement as at 31 March 2020, approved by the Board of Directors on 5 May 2020.
Single Resolution Board or SRB	This shall mean the Single Resolution Board, based in Brussels (Belgium), Treurenberg no. 22.
Single Resolution Mechanism or SRM	This shall mean the Single Resolution Mechanism established by Regulation (EU) 806/2014 of the European Parliament and of the Council, as amended.
Independent Auditors	KPMG S.p.A., with registered office in Milan, Via Vittor Pisani 25, entered in the Special Register of Independent Auditors kept by the Ministry of the Economy and Finance pursuant to Article 161 of the Consolidated Law on Finance and entered in the Register of Statutory Auditors pursuant to Article 6 *et seq.* of Legislative Decree 39/2010 (sequential number 70623).
Articles of Association	This shall mean the Issuer’s Articles of Association, in force at the Date of the Registration Document.

Consolidated Law on Banking	This shall mean Legislative Decree no. 385 of 1 September 1993, as amended.
Consolidated Law on Finance	This shall mean Legislative Decree no. 58 of 24 February 1998, as amended.
UBI Banca	This shall mean Unione di Banche Italiane S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, with registered office in Piazza Vittorio Veneto no. 8, Bergamo, registration number in the Bergamo Company Register and Tax Code 03053920165, National Register of Banks no. 5678 - ABI (Italian Banking Association) no. 3111.2 and National Register of Banking Groups no. 3111.2, Parent Company of the “Unione di Banche Italiane Banking Group”, a member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund.
Additional UBI Branches	This shall mean the 17 UBI Banca branches to which the ISP Commitments refer.
Unipol	UnipolSai Assicurazioni S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, with registered office in Via Stalingrado no. 45, Bologna and registration number in the Bologna Company Register and Tax Code 00818570012.

GLOSSARY

Below is a list of the main technical terms used in the Registration Document. Except where otherwise specified, these terms shall have the meaning indicated below.

Additional Tier 1 or AT1	Additional Tier 1 Capital, consisting of Additional Tier 1 items after the deduction of the items referred to in Article 56 of the CRR and after the application of Article 79 of the CRR (which sets out the conditions for the temporary waiver of deduction from own funds and eligible liabilities).
Bail In	Measures adopted by the competent resolution authorities which may entail the conversion of debt into shares or the reduction in value of liabilities, requiring certain categories of creditors to take losses pursuant to the BRRD.
Basel III	The international accord containing new rules to guarantee the stability of the banking system, dated December 2010. The rules introduced by that accord define new international standards for banks' capital adequacy and new liquidity restrictions. Basel III supplements and amends the Basel I Accord (dated 1988) and the Basel II Accord (entered into force in 2008).
Tier 1 Capital	Pursuant to Article 25 of the CRR, Tier 1 Capital is the sum of Common Equity Tier 1 Capital and Additional Tier 1 Capital of an entity.
Tier 2 Capital	Tier 2 Capital of an institution consists of Tier 2 items of the institution after the deduction of the items referred to in Article 66 of the CRR and after the application of Article 79 of the CRR (which sets out the conditions for the temporary waiver of deduction from own funds and eligible liabilities).
Common Equity Tier 1 Capital (CET 1)	In compliance with Article 26 of the CRR, the items of Common Equity Tier 1 Capital of an institution are as follows: (a) capital instruments, provided the conditions laid down in Article 28 of the CRR or, where applicable, Article 29 are met; (b) share premium accounts related to the instruments referred to in point a); (c) retained earnings; (d) accumulated other comprehensive income; (e) other reserves; and (f) funds for general banking risk. The items referred to in points (c) to (f) shall be recognised as Common Equity Tier 1 only where they are available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur. In general, as specified by Article 50 of the CRR, the Common Equity Tier 1 capital of an institution shall consist of Common Equity Tier 1 items after the application of the adjustments required by Articles 32 to 35 of the CRR, the deductions pursuant to Article 36 of the CRR and the exemptions and alternatives set forth in Articles 48, 49 and 79 of the CRR.
Cash Generating Unit or **CGU**	The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
CET 1 Ratio or **Common Equity Tier 1 ratio**	Solvency ratio expressed by the ratio of Common Equity Tier 1 capital to risk-weighted assets (RWAs) calculated in application of the CRR, the CRD IV and Circular 285.

Basel Committee	The Basel Committee on Banking Supervision is the primary global standard setter for the prudential regulation of the banking sector. The Committee provides a forum for regular cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.
Own Funds or **Total Capital**	A bank's own funds, comprised of a set of items defined by regulations (net of negative items to be deducted), classified based on the quality of capital and loss-absorbing capacity. Pursuant to the CRR, these are composed of the sum of Tier 1 Capital and Tier 2 Capital.
Negative goodwill	In the context of an acquisition, this indicated the amount of the acquirer's stake in the fair value of the identifiable assets and liabilities acquired that exceeds the cost of acquisition. This excess derives from the difference between the adjusted shareholders' equity and economic capital, determined based on expected flows.
Level 1 Inputs	In accordance with IFRS 13, these are (unadjusted) quoted prices in active markets for identical assets or liabilities accessible by the institution as at the measurement date.
Level 2 Inputs	In accordance with IFRS 13, these are inputs other than quoted prices included in Level 1, directly or indirectly observable for the assets or liabilities.
Level 3 Inputs	In accordance with IFRS 13, these are unobservable inputs for the assets or liabilities.
Investment Grade	Category indicating the credit quality and, thus, the reliability of an issuer and/or a financial instrument. A financial instrument is defined as investment grade if its rating is equal to or higher than BBB- (in the rating scale used by Standard & Poor's) or Baa3 (in the Moody's scale). Therefore, an investment-grade financial instrument should represent an issuer and/or an investment with a moderate to low credit risk.
Leverage Ratio	The leverage ratio indicates the ratio of consolidated Common Equity Tier 1 capital to total assets.
Liquidity Coverage Ratio or **LCR**	The short-term liquidity ratio (30 days) introduced by the Basel Committee, given by the ratio of the amount of HQLA (High Quality Liquid Assets) to total net cash outflows in the subsequent 30 calendar days.
Single Supervisory Mechanism or **SSM**	The European banking supervision system, which includes the ECB and the national supervisory authorities of the participating countries. Its main aims are to: (i) ensure the safety and soundness of the European banking system, (i) increase financial integration and stability; and (iii) ensure consistent supervision.
Minimum Requirement for Own Funds and Eligible Liabilities or **MREL**	The Minimum Requirement for Own Funds and Eligible Liabilities, introduced by the BRRD, for the purpose of ensuring that, in the event of application of a bail-in, a bank has sufficient liabilities to absorb losses and to ensure compliance with the Common Equity Tier 1 Capital requirement set out to authorise the exercise of banking activities, as well as to generate sufficient market confidence in the bank. The regulatory technical standards aimed at specifying the criteria for determining the MREL are defined in Delegated Regulation (EU) 1450/2015, published in the Official Journal of the European Union on 3 September 2016.

Net Stable Funding Ratio or **NSFR**	Structural liquidity ratio which is the ratio of the amount of available stable funding to the amount of required stable funding. The NSFR is calculated over a time horizon of 1 year, and is calculated to guarantee that assets and liabilities have a sustainable maturity structure. The minimum regulatory level of the ratio is set at 100%. The implementation of the NSFR as a binding requirement is planned for the second/third quarter of 2021.
Pillar 1	The first pillar of prudential regulation of Basel III, which introduces a capital requirement to cover typical risks of financial activities (credit, counterparty, market and operational risk).
Pillar 2	The second pillar of Basel III prudential regulations that requires that financial intermediaries implement processes and instruments (Internal Capital Adequacy Assessment Process, ICAAP) to determine the amount of internal capital needed to cover all risks.
Pillar 3	The third pillar of Basel III prudential regulation, which introduces public disclosure requirements on capital adequacy, exposure to risk and management and control systems, in order to ensure an accurate valuation of intermediaries' sound capital base and exposure to risk.
Rating	An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Said evaluation is conducted by specialised agencies.
Risk-weighted assets or **RWAs**	Risk-weighted assets (including for credit risks, operational risks and other risks) in accordance with banking regulations issued by supervisory authorities for the calculation of solvency ratios.
SREP	Supervisory Review and Evaluation Process, i.e. the process of prudential review and evaluation conducted by the competent authorities on the capital requirements of intermediaries, identified in each case. The SREP is organised in the following main phases: (i) analysis of the exposure to all relevant risks assumed and organisational controls set up for the governance, management and control of such risks; (ii) valuation of the robustness of the stress tests conducted internally, also through equivalent tests conducted by the supervisory authorities based on regulatory methodologies; (iii) analysis of the impact of the stress tests conducted in a macro-prudential view on the banks' technical situations; (iv) testing of compliance with capital requirements and other prudential rules; (v) assessment of company procedures for determining overall internal capital and total capital adequacy in relation to the bank's risk profile (review of the ICAAP); (vi) assignment of specific ratings to each type of risk and an overall rating of the company situation; and (vii) identification by the supervisory authorities of any supervisory actions to be implemented.
Tier 1 Capital Ratio	Solvency ratio expressed by the ratio of Tier 1 capital to risk-weighted assets (RWAs).
Time-to-Survival	"Time-to-survival", to be understood as the time horizon within which a financial institution is capable of autonomously covering its liquidity requirements based on its available liquidity reserves.

Total Capital Ratio	Solvency ratio expressed by the ratio of Total Capital to risk-weighted assets (RWAs), calculated based on the Basel regulations applicable *ratione temporis*.
Total-Loss Absorbing Capacity or **TLAC**	The minimum capital requirement for liabilities that can be promptly subject to bail-in in the event of resolution of a bank.
Value at Risk or **VaR**	The method used to quantify the level of risk. It measures the maximum potential loss that is expected with a given probability.