

SUPPLEMENT DATED 21 FEBRUARY 2017
TO THE BASE PROSPECTUS DATED 20 JULY 2016 AS SUPPLEMENTED ON 5
AUGUST 2016



Intesa Sanpaolo S.p.A.

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

€20,000,000,000.00 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme
unsecured and unconditionally and irrevocably guaranteed as to payments of interest and
principal by

ISP CB Pubblico S.r.l.

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

IN ACCORDANCE WITH ARTICLE 7, PARAGRAPH 7, OF THE LUXEMBOURG LAW (AS DEFINED BELOW), THE COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER GIVES NO UNDERTAKING AS TO THE ECONOMIC OR FINANCIAL OPPORTUNENESS OF THE TRANSACTION OR THE QUALITY AND SOLVENCY OF THE ISSUER.

This supplement (the “**Supplement**”) constitutes a Supplement to the base prospectus dated 20 July 2016 (as supplemented on 5 August 2016, the “**Base Prospectus**”) for the purposes of Article 16 of Directive 2003/71/EC (the “**Prospectus Directive**”) and Article 13, paragraph 1, of the Luxembourg Law on Prospectuses for Securities dated 10 July 2005, as subsequently amended (the “**Luxembourg Law**”).

This Supplement constitutes a Supplement to, and should be read in conjunction with, the Base Prospectus.

Capitalized terms used in this Supplement and not otherwise defined herein, shall have the same meaning ascribed to them in the Base Prospectus.

Each of the Issuer and the Covered Bond Guarantor accepts responsibility for the information contained in this Supplement, with respect to those sections which already fall under the responsibility of each of them under the Base Prospectus and which are supplemented by means of this Supplement. To the best of the knowledge of the Issuer and the Covered Bond Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of the Prospectus Directive and Luxembourg Law, as a supplement issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of updating the following sections of the Base Prospectus: (a) “*Documents incorporated by reference*”, (b) “*Description of*

the Issuer"; (c) *"Collection and Recovery Procedures"*; (d) *"Taxation"*; (e) and (f) *"General Information"*.

Save as disclosed in this Supplement, there has been no other significant new factor and there are no material mistakes or inaccuracies relating to information included in the Base Prospectus which is capable of affecting the assessment of Covered Bonds issued under the Programme since the publication of the Base Prospectus. To the extent that there is any inconsistency between (i) any statement in this Supplement and (ii) any statement in or incorporated by reference into the Base Prospectus, the statements in this Supplement will prevail.

Copies of this Supplement and all documents incorporated by reference in this Supplement and in the Base Prospectus may be inspected during normal business hours at the Specified Office of the Luxembourg Listing Agent and of the Representative of the Covered Bondholders.

Copies of this Supplement and all documents incorporated by reference in the Base Prospectus are available on the Luxembourg Stock Exchange's website (www.bourse.lu).

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DOCUMENTS INCORPORATED BY REFERENCE

The information set out below supplements the first paragraph of section “*Documents incorporated by reference*”, on page 87 of the Base Prospectus (the underlined words show the insertions made):

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

- (1) *the press release dated 3 February 2017 regarding the Issuer’s consolidated results in respect of the year ended on 31 December 2016;*
- (2) *the press release dated 2 August 2016 regarding the Issuer’s consolidated results as at 30 June 2016;*
- (3) *the press release dated 29 July 2016 regarding the EU-wide stress test conducted by the European Banking Authority in relation to the Issuer;*
- (4) *the Issuer’s unaudited condensed consolidated financial statements as at 30 September 2016;*
- (5) *the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2016, with auditors’ limited review report;*
- (6) *the Issuer’s unaudited condensed consolidated interim financial statements as at 31 March 2016;*
- (7) *the Issuer’s audited consolidated annual financial statements, including the auditors’ report thereon, notes thereto and the relevant accounting principles, in respect of the year ended on and as at 31 December 2015;*
- (8) *the Issuer’s audited consolidated annual financial statements, including the auditors’ report thereon, notes thereto and the relevant accounting principles, in respect of the year ended on and as at 31 December 2014;*
- (9) *the Covered Bond Guarantor’s unaudited interim condensed financial statements in respect of the half-year 2016, with auditors’ limited review report;*
- (10) *the Covered Bonds Guarantor audited annual financial statements in respect of the year ended on and as at 31 December 2015 and the relevant auditor’s report;*
- (11) *the Covered Bonds Guarantor audited annual financial statements, including the auditor’s report thereon, in respect of the year ended on and as at 31 December 2014.”*

* * *

On page 87 of the Base Prospectus, the following tables are included before the table headed “*Unaudited condensed consolidated interim financial statements of the Issuer as at 31 March 2016*”¹:

¹ The cross reference table pages refer to the PDF documents.

“Press Release dated 3 February 2017

Press Release

<i>Intesa Sanpaolo Group: reclassified consolidated statement of income</i>	<i>Page 26</i>
<i>Intesa Sanpaolo Group: quarterly development of the reclassified consolidated statement of income</i>	<i>Page 27</i>
<i>Intesa Sanpaolo Group: reclassified consolidated balance sheet</i>	<i>Page 28</i>
<i>Intesa Sanpaolo Group: quarterly development of the reclassified consolidated balance sheet</i>	<i>Page 29</i>

Intesa Sanpaolo interim statements as at 30 September 2016

Unaudited interim consolidated financial statements

<i>Consolidated financial statement</i>	<i>Pages 39-44</i>
<i>Consolidated balance sheet</i>	<i>Pages 40-41</i>
<i>Consolidated income statement</i>	<i>Page 42</i>
<i>Statement of consolidated comprehensive income</i>	<i>Page 43</i>
<i>Statement of changes in consolidated shareholders' equity as at 30 September 2016</i>	<i>Page 44</i>
<i>Statement of changes in consolidated shareholders' equity as at 30 September 2015</i>	<i>Page 44</i>
<i>Report on operations</i>	<i>Page 45</i>
<i>Economic results</i>	<i>Pages 47-59</i>
<i>Balance sheet aggregates</i>	<i>Pages 60-70</i>
<i>Breakdown of consolidated results by business area</i>	<i>Pages 71-92</i>
<i>Risk management</i>	<i>Pages 93-114</i>
<i>Accounting policies</i>	<i>Page 115</i>
<i>Criteria for the preparation of the Interim statement</i>	<i>Pages 117-118</i>

Intesa Sanpaolo half-yearly report as at and for the six months ended on 30 June 2016

Unaudited half-year condensed consolidated financial statements

<i>Consolidated financial statements</i>	<i>Pages 47-53</i>
<i>Consolidated balance sheet</i>	<i>Pages 48-49</i>
<i>Consolidated income statement</i>	<i>Page 50</i>
<i>Statement of consolidated comprehensive income</i>	<i>Page 51</i>
<i>Changes in consolidated shareholders' equity</i>	<i>Page 52</i>
<i>Consolidated statement of cash flows</i>	<i>Page 53</i>

<i>Explanatory notes</i>	<i>Page 55</i>
<i>Accounting policies</i>	<i>Pages 57-64</i>
<i>Subsequent events</i>	<i>Page 65</i>
<i>Economic results</i>	<i>Pages 66-78</i>
<i>Balance sheet aggregates</i>	<i>Pages 79-90</i>
<i>Breakdown of consolidated results by business area and geographical area</i>	<i>Pages 91-114</i>
<i>Risk management</i>	<i>Pages 115-138</i>
<i>Shareholder base, transactions with related parties and other information</i>	<i>Pages 139-144</i>
 <i>Independent Auditors' Report</i>	 <i>Pages 147-150"</i>

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On page 88 of the Base Prospectus, the following tables are included before the table headed “Audited Annual financial statements of the Covered Bonds Guarantor for the year ended and as at 31 December 2015”²:

“Covered Bond Guarantor half-yearly report as at and for the six months ended on 30 June 2016

Unaudited half-year condensed financial statements

<i>Statement of financial position</i>	<i>Pages 15-16</i>
<i>Income Statement</i>	<i>Page 18</i>
<i>Statement of comprehensive income</i>	<i>Page 19</i>
<i>Statements of changes in equity</i>	<i>Page 20</i>
<i>Statement of cash flows</i>	<i>Page 21</i>
<i>Notes to the financial statements</i>	<i>Pages 22-60</i>
<i>Independent Auditors' Report</i>	<i>Pages 2-3”</i>

* * *

The paragraph headed “Availability of Documents” on page 89 of the Base Prospectus, is substituted by the following:

“Availability of Documents

Copies of the documents incorporated by reference into this Base Prospectus may also be obtained from the registered office of the Issuer; the press release dated 3 February 2017 regarding the Issuer’s consolidated results in respect of the year ended on 31 December 2016, the press release dated 2 August 2016 regarding the Issuer’s consolidated results as at 30 June 2016, the press release dated 29 July 2016 regarding the EU-wide stress test conducted by the

² The cross reference table pages refer to the PDF documents.

European Banking Authority in relation to the Issuer, the Issuer's unaudited condensed consolidated interim financial statements as at 31 March 2016 and the audited consolidated annual financial statements of the Issuer, including the auditor's report thereon, notes thereto and the relevant accounting principles in respect of the years respectively ended on as at 31 December 2015 and 31 December 2014, the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2016 and the Issuer's unaudited condensed consolidated financial statements as at 30 September 2016 on the Issuer's website (http://www.group.intesasanpaolo.com/scriptIsir0/si09/salastampa/eng_comunicati_stampa.jsp and http://www.group.intesasanpaolo.com/scriptIsir0/si09/investor_relations/eng_bilanci_relazioni.jsp#investor_relations/eng_bilanci_relazioni.jsp).

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

DESCRIPTION OF THE ISSUER

Under the section headed “*Description of the Issuer*”, at the end of the paragraph headed “*Recent Events*”, on page 99 of the Base Prospectus, the following paragraphs are added:

“On 16 November 2016, Intesa Sanpaolo announced that it had entered a process aimed at the possible sale of its stake held in Allfunds Bank (“Allfunds”), a multimanager distribution platform of asset management products targeted at institutional investors. This stake represents 50% of Allfunds’s capital and is held through Intesa Sanpaolo’s subsidiary Eurizon Capital SGR.

The finalisation of the transaction is subject to the terms and conditions of the possible sale being agreed, resolutions to be passed by the Boards of Directors of Intesa Sanpaolo and Eurizon Capital SGR, and subsequent required authorisations being received from competent authorities.

On 17 November 2016, Intesa Sanpaolo announced that it had concluded, on 16 November 2016, the ordinary share buy-back programme launched on the same day and announced to the market in a press release dated 15 November 2016. The programme executes a plan that assigns, free of charge, ordinary shares of Intesa Sanpaolo to the Group’s employees; this covers the share-based incentive plan for 2015 reserved for the so-called “risk takers”, as well as managers or professionals accruing a “relevant bonus”. The aforementioned plan was approved at the Shareholders’ Meeting of Intesa Sanpaolo on 27 April 2016. In addition, the Intesa Sanpaolo’s subsidiaries included in the announcement have terminated their purchase programmes of the Intesa Sanpaolo’s shares to be assigned, free of charge, to their employees. The programmes were approved by their respective corporate bodies within their remits and are analogous to the programme approved at the Intesa Sanpaolo’s Shareholders’ Meeting.

In compliance with Article 113-ter of Legislative Decree 58 of 24 February 1998 (TUF-Consolidated Law on Finance), Article 5 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, and Article 2 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016, details concerning the purchases executed are provided below. Information is also given by Intesa Sanpaolo on behalf of the aforementioned subsidiaries.

On the day of execution of the programme (16 November 2016), the Intesa Sanpaolo Group purchased a total of 8,440,911 Intesa Sanpaolo ordinary shares through Banca IMI (which was responsible for the programme execution). These represent approximately 0.05% of the ordinary share capital and total share capital of Intesa Sanpaolo (comprising ordinary shares and savings shares) at an average purchase price of 2.149 euro per share, for a total counter value of 18,139,446 euro. Intesa Sanpaolo purchased 3,582,633 shares at an average purchase price of 2.149 euro per share, for a counter value of 7,697,307 euro.

Purchase transactions were executed in compliance with provisions included in Articles 2357 and following and 2359-bis and following of the Italian Civil Code and within the limits of number of shares and consideration as determined in the resolutions passed by the competent corporate bodies. Pursuant to Article 132 of TUF and Article 144-bis of the Issuers’ Regulation and subsequent amendments, purchases were executed on the regulated market MTA managed by Borsa Italiana in accordance with trading methods laid down in the market rules for these transactions.

Moreover, purchases have been arranged in compliance with the conditions and the restrictions under Article 5 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, Articles 2, 3, and 4 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016, and market practices as allowed by Consob pursuant to Article 180, paragraph 1, letter c of TUF.

The total number of shares purchased and, therefore, the daily volume of purchases executed, did not exceed 25% of the daily average volume of the Intesa Sanpaolo ordinary shares traded in October 2016, which was equal to 94 million shares.

Details of share purchases are summarised in the table below.

Summary of purchases of Intesa Sanpaolo ordinary shares by the Intesa Sanpaolo Group executed on 16 November 2016

COMPANY	NUMBER OF SHARES PURCHASED	AVERAGE PURCHASE PRICE (€)	COUNTERVALUE (€)
Intesa Sanpaolo Parent Company	3,582,633	2.149	7,697,307
Intesa Sanpaolo Group Services	324,688	2.149	697,897
Cassa di Risparmio in Bologna	25,975	2.149	55,829
Intesa Sanpaolo Private Banking	1,262,253	2.149	2,713,125
Intesa Sanpaolo Vita	123,584	2.149	265,633
Intesa Sanpaolo Assicura	30,439	2.149	65,425
Intesa Sanpaolo Life	31,251	2.149	67,171
Banca IMI	1,959,292	2.149	4,210,182
Fideuram	118,921	2.150	255,630
Fideuram Investimenti	78,706	2.149	169,173
Fideuram Vita	32,468	2.150	69,793
Eurizon Capital SGR	627,054	2.151	1,348,484
Epsilon	129,875	2.150	279,207
Eurizon Capital S.A.	24,351	2.150	52,348
Banca Intesa Beograd	54,236	2.150	116,600
Intesa Sanpaolo Banka Bosna i Hercegovina	35,185	2.150	75,641
Total	8,440,911	2.149	18,139,446

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

- a SREP requirement in terms of Total Capital ratio of 9.5%, comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is Common Equity Tier 1 ratio, and an additional Pillar 2 capital requirement of 1.5% made up entirely of Common Equity Tier 1 ratio; and
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to a Capital Conservation Buffer of 1.25% under the transitional arrangements for 2017, and 2.5% on a fully loaded basis in 2019, and an O-SII Buffer (Other Systemically Important Institutions Buffer) of zero under the transitional arrangements for 2017 and 0.75% on a fully loaded basis in 2021.

On 24 January 2017, Intesa Sanpaolo has confirmed, in accordance with the 2014-2017 Business Plan disclosed to the market, that Intesa Sanpaolo is interested in industrial growth in the areas of asset management, private banking and insurance, in synergy with its banking networks, including through possible international partnerships.

The management of Intesa Sanpaolo regularly examines options for growth, both internal and external, including those proposed by investment banks, adopting stringent criteria aimed at preserving Intesa Sanpaolo's leadership in terms of capital adequacy and in accordance with the policy of creation and distribution of value for Intesa Sanpaolo's shareholders.

In light of the above, the management of Intesa Sanpaolo carefully examines, and will examine, any possible opportunities to strengthen its competitive positioning and, therefore, the Group's future financial performance.

These opportunities, including possible industrial combinations with Assicurazioni Generali, are being examined by Intesa Sanpaolo's management.

On 3 February 2017, in relation to an upcoming launch of a Public Exchange Offer concerning Assicurazioni Generali, which include presumed relevant conditions, Intesa Sanpaolo - as already stated by a spokesman from Intesa Sanpaolo has reiterated the contents of what it already declared on 24 January 2017.

Therefore, Intesa Sanpaolo has confirmed that possible industrial combinations with Assicurazioni Generali continue to be only the subject of a case study, which is part of the various analyses that Intesa Sanpaolo's management regularly carries out about the Group's options for growth, both internally and externally.

On 3 February 2017, the Board of Directors of Intesa Sanpaolo passed a resolution authorising the sale of a stake representing a total of around 4.88% of the Bank of Italy's share capital. The stake will be sold at its nominal value, which is equal to its carrying value, for an amount of around Euro 366 million. The buyers are: Compagnia di San Paolo, Fondazione Cariplo, Fondo Pensione a contribuzione definita del Gruppo Intesa Sanpaolo, Cassa di Previdenza Integrativa per il Personale Istituto San Paolo Torino, Fondo Pensione Complementare per il Personale del Banco di Napoli, Fondo Pensioni per il Personale Cariplo, Fondo di Previdenza Cr Firenze.

Compagnia di San Paolo and Fondazione Cariplo are entities identified by Intesa Sanpaolo as Related Parties in that they are Intesa Sanpaolo shareholders possessing a holding in Intesa Sanpaolo's capital with voting rights that is above the minimum threshold set by the rules governing the notification of major holdings in listed companies (the threshold is currently at 3%). The other buyers are entities identified by Intesa Sanpaolo as Related Parties in that they are supplementary pension funds established in favour of employees of Intesa Sanpaolo or of entities related to Intesa Sanpaolo.

This is not a transaction of "greater significance", therefore no information document is required. The resolution authorising the sale was passed by the Board of Directors, a favourable opinion having been expressed by the Committee for Transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group.

The sale of the stakes in the Bank of Italy's capital is compliant with law provisions concerning shareholdings that exceed the threshold of 3% established by regulators. These provisions were introduced by Legislative Decree no 133 of 30 November 2013 converted into law no 5 of 29 January 2014, which establishes, in particular, that, as of 31 December 2016, no dividend shall be distributed to shares (held either directly or indirectly) exceeding that threshold.

The sale authorised today shall be carried out under the same conditions as applied to the sales made in the past few months to counterparties that were not related parties. The entire decision process was supported by an opinion requested from Professor Angelo Provasoli, which confirmed that the selling price was fair.

The completion of each transaction is conditional on the verification by the Board of Directors of the Bank of Italy that the buyer satisfies all necessary requirements.

Following the completion of the transaction, the Intesa Sanpaolo Group's stake in the Bank of Italy's share capital will decrease to 27.81%. The Intesa Sanpaolo Group intends to reduce its shareholding to a percentage not exceeding the threshold of 3%, and hold this exclusively through Intesa Sanpaolo Vita, for investment purposes, and Banca IMI, for market making purposes."

* * *

On pages 101-102 of the Base Prospectus, paragraph headed “Principal Shareholders” is replaced by the following paragraph:

“Principal Shareholders

As at 20 February 2017, the shareholder structure of Intesa Sanpaolo was composed as follows (holders of shares exceeding 3 per cent.^()).*

SHAREHOLDER	ORDINARY SHARES	% OF ORDINARY SHARES
<i>Compagnia di San Paolo</i>	<i>1,481,372,075</i>	<i>9.340%</i>
<i>Fondazione Cariplo</i>	<i>767,029,267</i>	<i>4.836%</i>
<i>Assicurazioni Generali SPA⁽¹⁾</i>	<i>712,500,476</i>	<i>4.492%</i>
<i>Fondazione C.R. Padova e Rovigo</i>	<i>524,111,188</i>	<i>3.305%</i>

() Shareholders being fund management companies may be exempted from disclosure up to the 5% threshold.*

(1) 1.0845% of Assicurazioni Generali voting rights in the Intesa Sanpaolo capital is held through securities lending.”

COLLECTION AND RECOVERY PROCEDURES

The section headed “*Collection and Recovery Procedures*”, on pages from 127 to 131 of the Base Prospectus, is deleted and replaced by the following:

“COLLECTION AND RECOVERY PROCEDURES

1. Collection procedures

Through its own collection procedure, ISP carries out all the transactions aimed at the collection of the amounts due in respect of the loans granted.

Such activity is currently carried out through Intesa Sanpaolo Group Services (“ISGS”) which centralizes all the activities of Middle and Back Office of the Intesa Sanpaolo Group.

The following collection and invoicing procedures are applied by ISP.

For loans, liquidity line agreements (short / medium-long term) and revolving, at any payment date, a payment notice is sent to the borrower (or to the different entity responsible for the payment) with respect to the relevant instalment, and, in the case of pool lending, a notice to the other lenders providing for the indication of the relevant quota. For floating rate transactions, prior to the aforesaid payment notice a communication of the applicable interest rate is sent.

Two different procedures for the arrangement and delivery of the payment notice shall be applied, depending on the entity in charge of the payment:

- (i) Public Administration: the payment notice is arranged and sent manually (by means of registered letter) because of the particular nature of the underlying loan transaction. The payment notice shall contain a detailed description of the instalment calculation and the administrative unit exclusively responsible for the relevant payment. For loans for which a pre-defined public budget for the repayment of the instalment is provided, the payment notice shall contain an indication of the debt still outstanding and of the residual budget.*

The delivery of the payment notice is carried out between 90 and 60 days prior to the relevant payment date, in accordance with contractual provisions or the preferences of the entities responsible for the payment.

- (ii) Other entities: the payment notice is automatically sent through the electronic mail transmission service (Systema), about 60 to 45 days prior to the payment date. Contracts which provide for specific provisions regarding the timing for the delivery of the payment notice, similar to those applied to the Public Administration, are not subject to the procedure described above.*

Failure in delivery or receipt of the payment notice will not relieve the borrower of the payment obligation vis-à-vis ISP.

The collections shall pass through the TARGET 2 system and, if the case may be, on transitory accounts to be designated by ISGS whether the information necessary for the identification of the relevant loan/client are expressed in the payment documents, the reconciliation is automatic (fully automatic if the amount to be collected is referred to the instalment due in connection with only one transaction; partially automatic, if the amount to be collected relates to different instalments due in the context of several transactions), except for payment of a considerable amount, to be paid by Ministries through the Bank of Italy, or in cases of breach of the instructions provided for the payment to the client, in which case the reconciliation is manual.

At the end of the process, any delay in payment is to be pointed out and, where necessary, the relevant recovery procedures will commence.

2. Collections and Transfer Procedures in respect of instalments referred to Loans transferred to the Covered Bonds Guarantor

The instalments relating to Loans transferred to the Covered Bonds Guarantor are collected by ISP which, in accordance with the Servicing Agreement, credits the collected sums on the Collection Accounts (one for principal amounts and one for interest amounts), in the name of the Covered Bonds Guarantor. ISP, in accordance with the Servicing Agreement, will provide segregation (even accounting) of the Collections and of any other sums received in respect of the Receivables from any other amounts collected.

In particular, at the end of each business day, for all Collections verified through GRMA procedure, related to the Receivables transferred to the Covered Bonds Guarantor:

- *an accounting record in respect of ISP and the Covered Bonds Guarantor shall automatically be prepared;*
- *the Collections be transferred from ISP to the Covered Bonds Guarantor through the “cash pooling” procedure, which would on a daily basis liquidate the cash flows on these accounts and replicate them on the Investment Account opened in the name of the Covered Bonds Guarantor with Intesa Sanpaolo.*

In addition, there are other non standard but frequent types of collections:

- *instalment collection with multiple descriptions (contabile multipla);*
- *collection exceeding the amount of the relevant instalment.*

The former relates to the simultaneous collection of a number of instalments related to several relations which ISP may have with the respective transferor. In such cases, ISP shall adopt the ordinary management accounting criteria and the first accounting notes will be the same above mentioned.

For the latter it will be necessary to evaluate, even on the basis of the provisions set forth under the Master Transfer Agreement and the Servicing Agreement, whether to credit the exceeding amount to the Covered Bonds Guarantor or to hold such amount in favour of ISP that will record a debt towards the client.

In addition, in case of delay by ISP in crediting the Collections, the Covered Bonds Guarantor would record penalty interests towards ISP, within the limits and the modalities provided for by the Master Transfer Agreement.

3. Loans Renegotiations

The process of renegotiation of loans towards the Public Administration is applicable to transaction arising out of the restructuring pursuant to article 41 of Law no. 448 of 2001, by way of:

- *renegotiating the terms of the respective loan; or*
- *redeeming such loan in advance simultaneously with the granting of a new loan or the issuance of certain bonds.*

4. Management of loans in arrears or likely to become in arrears

Constant monitoring of the quality of the loan portfolio is pursued through specific operating activities for all the phases of loan management, using both IT procedures and activities aimed at the systematic analysis of loans, in order to promptly detect any symptoms of anomaly and

promote corrective actions aimed at preventing situations of possible deterioration of credit risk.

Syntoms of the possible deterioration of loans are captured through several indicators (level of risk of any debtor and level of risk of the economic group, rating of the relevant borrower, overdrafts, ratio of instalments in arrears, etc.).

On the basis of the monitoring activity mentioned above, the Bank identifies within its portfolio loans which, while not yet showing features falling within the definition of “non-performing loans”, require special management approaches. These loans still considered as “performing” fall in the categories of "Proactive Management/Credito proattivo" and "In risanamento".

Since July 2014, the Proactive Management Unit has been established for the management of those customers showing potential problems, with the aim of addressing the anomalies in a correct and timely manner from the very first signs of deterioration, with the involvement of the commercial unit as from the very first phases of the process. Proactive Management process is carried out through specialised structures both at a central (Chief Lending Officer Area) and at a peripheral level (Regional Directions for loans pertaining to Banche dei Territori Division).

High risk positions are taken care by the Proactive Management Unit and the relationship manager must prepare an action plan within 30 days.

The Proactive Management Unit supports the loan manager in order to analyse the loan, validates the action plans and monitors that such plans are followed.

When risks are perceived as particularly high, the loan may be classified as Non performing (Deteriorato).

The status, “In Risanamento”, used to be apply to positions with overall exposure higher than € 1 million (at group level) and with at least one of the following conditions:

- prospect of an interbank table for any restructuring plan;*
- request for a moratorium/standstill in sight/presence of an inter-bank table for any restructuring plan/reorganization or restructuring / reorganization under the Bankruptcy Law (art. 67 letter. d, art. 182 / bis);*
- possible restructuring / reorganization under the Bankruptcy Law (art. 67 letter. d, art. 182 / bis or of similar models of foreign law).*

Such status is currently being dismissed: since July 2016 no loan positions are classified as In Risanamento and therefore the status applies to the existing stock only.

Loans classified as "Credito proattivo" are still considered as “performing”.

Non performing loans (Credito Deteriorato)

In 2014 the European Banking Authority (EBA) published the final version of the "Draft Implementing Technical On Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013". Consequently on January 2015 the Bank of Italy issued an updated regulations providing for the amendment of the subdivision of non-performing financial assets into risk-categories, thus harmonizing its regulations to the new European Union law.

According to new Bank of Italy’s regulations, “Non performing loans” consist in:

- Past due exposures (“Sconfino”);*

- *Unlikely to pay (“Inadempienze probabili”);*
- *Doubtful (“Sofferenze”).*

All such exposures are subject to specific valuations for accounting purposes.

Furthermore, it has also been identified a new array of exposures covering all loans being renegotiated because of financial difficulties (existing or likely to exist) of the counterparty. Such range of loans can be classified as follows:

- *Forbearance Non Performing: non performing exposures with forbearance measures*
- *Forbearance Performing: performing exposures with forbearance measures.*

Past due exposures (Sconfino)

Exposures other than those classified as Doubtful or Unlikely to Pay that, as at reporting date, are past due for over 90 days on a continuous basis and exceeding a materiality threshold.

Unlikely to pay (Inadempienze Probabili)

Some specific and minimum criteria are taken into consideration for the classification of an exposure as Unlikely to pay. It's the result of the assessment as to the improbability that the borrower will thoroughly fulfil its credit obligations (by way of repayment of principal and/or interest) without recourse to actions such as the enforcement of guarantees/ collateral. Such assessment should be carried out irrespectively of any past due and/or unpaid amounts (or instalments).

5. Management of the Defaulted Assets classified as “in sofferenza”

The Servicer shall manage the recovery activities of the Defaulted Loan classified as “in sofferenza” through delegated structure – currently ISGS which- once the Defaulted Assets has been classified as “in sofferenza” - shall immediately implement through its specialized units (Strutture di recupero crediti) the most suitable recovery actions.

When resolving upon the course of action for the recovery of the claims, both legal proceedings and out-of-court settlements shall carefully be considered, in terms of costs-benefits, in view of, among other things, the financial implication of estimated recovery times.

A judicial action will be carried out as follows:

- *directly by the Servicer (also through ISGS) to the extent possible, for actions to be taken by the parties (atti di parte) (e.g. filing claims with insolvency proceedings, etc.) or for judicial acts carried out with the assistance of in-house counsels; and*
- *by appointing external counsel for judicial initiatives (e.g. injunction decree -“decreto ingiuntivo” and real estate enforcement proceedings, etc), whose activity will be closely supervised.*

As for the recovery activity of positions having a significant value, an initial assessment will be carried out and all the urgent and necessary actions will be implemented to maximise the chance of recovery of the claim.

The best operating strategy will then be planned in order to maximise the recovery within the shortest possible timeframe and, in particular, it may be resolved:

- (a) *carrying out the direct recovery of the individual claim (whether in the framework of a judicial action or by an out-of-court procedure);*
- (b) *entrusting the recovery to external companies (almost exclusively in the case of positions*

of negligible amount); or

(c) *carrying out transfers of individual claims without recourse (pro soluto).*

6 Securities Management

6.1 Collections and further payments

On the basis of the payment instructions originally given to the Debtors, all principal redemption amounts, interest payments and any other amounts due for any reason in relation to the Securities will be credited by Monte Titoli or Clearstream (as the case may be) to the custodian bank in favour of the securities account opened and maintained in the name of the Covered Bonds Guarantor, through the specific segregated liquidator account, properly opened with Monte Titoli or Clearstream. The custodian bank automatically and promptly pays the amounts collected as follows:

- *any principal amount to the Principal Securities Collection Account; and*
- *any interest amount to the Interest Securities Collection Account*

(jointly, the “Securities Collection Account”)

in accordance with the Cash, Management and Agency Agreement.

In the case in which, for any reason, the Servicer – also through appointed entities, such as ISGS - receives any collections, the Servicer shall carry out the reconciliation of the amounts received within 20 (twenty) days from the receipt of such amount by the Debtors and credit to the relevant Collection Account, in respect of principal and interest, such sums received and reconciled within 3 (three) Business Days following the reconciliation of such amounts and with value on account corresponding to the collection date by the Servicer.

6.2 Collection payment verification and report of the Securities Collection Account flows

Further to any payment date of each Security, as set forth under the relevant Security documents, the Servicer - also through appointed entities, such as ISGS -will verify that the amounts due as principal, interest or for any other reason due in relation to each Security have been credited on the relevant Security Collection Account, in respect of principal and interest, with value on account corresponding to the relevant payment date of each Securities, as set forth under the relevant Security documents.

The Servicer undertakes to promptly – also through appointed entities, such as ISGS deliver upon request to the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, the Account Bank Report complete, exact and precise of all flows with reference to the Securities Collection Accounts and the Interest Securities Collection Account as of the immediately preceding calendar month and, broadly, the documents concerning the collections, as well as to give evidence of the transfer of such amount on the relevant Collection Account, in accordance with the procedures previously agreed with the Covered Bonds Guarantor.

The Servicer shall monitor on a continuing basis the financial performance of the Securities and the fulfillments of the Debtors’ obligations in respect of the Securities, and shall apply to the Securities the same procedures, where applicable, set forth for the receivables.”

TAXATION

On page 245, under the section headed “*Italian Resident Covered Bondholders*”, the following sentence is added after the first paragraph:

"Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the imposta sostitutiva, on interest, premium and other income relating to the Covered Bonds if the Covered Bonds are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the “Finance Act 2017”)."

On page 246, under the section headed “*Italian Resident Covered Bondholders*”, the following paragraph is deleted:

“As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets as identified by the Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.”

On page 248, under the section headed “*Atypical Securities*” the following sentence is added after the third paragraph:

"Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the 26 withholding tax, on interest, premium and other income relating to the Covered Bonds qualifying as atypical securities if such Covered Bonds are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017."

On page 248, under the section headed “*Capital gains tax*” the following sentence is added after the fifth paragraph:

"Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the imposta sostitutiva, on capital gains realised upon sale or redemption of the Covered Bonds if the Covered Bonds are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017."

On page 250, under the section headed “*Capital gains tax*”, the following paragraph is deleted:

“As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets to be identified with a Ministerial Decree.”

GENERAL INFORMATION

Under the section headed “General information”, the paragraph headed “*No significant change and no material adverse change*”, on page 259 of the Base Prospectus, is deleted and replaced by the following:

“No significant change and no material adverse change

Since 31 December 2015, there has been no material adverse change in the prospects of the Issuer and the Covered Bond Guarantor. Since 30 September 2016, there has been no significant change in the financial or trading position of the Issuer. Since 30 June 2016, there has been no significant change in the financial or trading position of the Covered Bond Guarantor.”

* * *

The information set out below supplements the paragraph “*Documents available for inspection*”, on page 260 of the Base Prospectus (the underlined words show the insertions made):

“Documents available for inspection

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and admitted to trading on the regulated market of the Luxembourg Stock Exchange, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Luxembourg Listing Agent, namely:

- (i) *the Transaction Documents (but excluding, for avoidance of doubt, any document in respect of any Registered Covered Bonds);*
- (ii) *the Issuer’s memorandum of association (Atto Costitutivo) and by-laws (Statuto) as of the date hereof;*
- (iii) *the Covered Bonds Guarantor’s memorandum of association and by-laws as of the date hereof;*
- (iv) *the press release dated 3 February 2017 regarding the Issuer’s consolidated results in respect of the year ended on 31 December 2016;*
- (v) *the press release dated 2 August 2016 regarding the Issuer’s consolidated results as at 30 June 2016;*
- (vi) *the Issuer’s unaudited condensed consolidated financial statements as at 30 September 2016;*
- (vii) *the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2016, with auditors’ limited review report;*
- (viii) *the Issuer’s unaudited condensed consolidated interim financial statements as at 31 March 2016;*
- (ix) *the Issuer’s audited consolidated annual financial statements including the auditors’ report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;*

- (x) *the Issuer's audited consolidated annual financial statements including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014;*
- (xi) *the Covered Bond Guarantor's unaudited interim condensed financial statements in respect of the half-year 2016, with auditors' limited review report;*
- (xii) *the Covered Bonds Guarantor's audited annual financial statements in respect of the year ended on 31 December 2015 and the relevant auditor's report;*
- (xiii) *the Covered Bonds Guarantor's audited annual financial statements, including the auditors' report thereon, in respect of the year ended on 31 December 2014;*
- (xiv) *a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;*
- (xv) *all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Covered Bonds Guarantor's request any part of which is included or referred to in the Base Prospectus;*
- (xvi) *the historical financial information of the Covered Bonds Guarantor or, in the case of a group, the historical financial information of the Covered Bonds Guarantor and its subsidiary undertakings for each of the two financial years preceding the publication of the Base Prospectus.*
- (xvii) *any Final Terms relating to Covered Bonds which are admitted to the official list and traded on the regulated market of the Luxembourg Stock Exchange (such Final Terms will be also available on the internet site of the Luxembourg Stock Exchange, at www.bourse.lu). In the case of any Covered Bonds (other than Registered Covered Bonds) which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Covered Bondholders.*

Copies of all such documents shall also be available to Covered Bondholders at the Specified Office of the Representative of the Covered Bondholders."