

SUPPLEMENT DATED 20 FEBRUARY 2017
TO THE BASE PROSPECTUS DATED 23 DECEMBER 2016



Intesa Sanpaolo S.p.A.

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

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

ISP CB Ipotecario S.r.l.

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

BY APPROVING THIS SUPPLEMENT, THE *COMMISSION 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 IN LINE WITH THE PROVISIONS OF ARTICLE 7 (7) OF THE LUXEMBOURG LAW DATED 10 JULY 2005 ON PROSPECTUSES FOR SECURITIES.

This supplement (the **Supplement**) constitutes a Supplement to the base prospectus dated 23 December 2016 (the **Base Prospectus**) for the purposes of Article 16 of Directive 2003/71/EC, as subsequently amended (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**) and is prepared in connection with the Euro 20,000,000,000 covered bonds (*Obbligazioni Bancarie Garantite*) programme (the **Programme**) of Intesa Sanpaolo S.p.A. (the **Issuer**), unconditionally and irrevocably guaranteed as to payments of interest and principal by ISP CB Ipotecario S.r.l. (the **Covered Bond Guarantor**).

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 sections of the Base Prospectus headed “*Documents incorporated by reference*”, “*Description of the Issuer*”, “*Collection and Recovery Procedures*”, “*Taxation*” and “*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

Under the section headed “*Documents incorporated by reference*”, the first paragraph, on page 58 of the Base Prospectus, is deleted and replaced by the following (the underlined words show the insertions made):

“This Base Prospectus should be read and construed in conjunction with the following documents, which have been previously published, or are published simultaneously with this Base Prospectus or filed with the CSSF, together, in each case, with the audit reports (if any) thereon:

- (a) the press release dated 3 February 2017 regarding the Issuer’s consolidated results in respect of the year ended on 31 December 2016 (the **3 February 2017 Press Release**);
- (b) the Issuer’s unaudited condensed consolidated financial statements as at 30 September 2016;
- (c) the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2016, with auditors’ limited review report;
- (d) 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;
- (e) 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;
- (f) the Covered Bond Guarantor’s unaudited interim condensed financial statements in respect of the half-year 2016;
- (g) the auditors’ limited review report for the Covered Bond Guarantor in relation to the interim condensed financial statements in respect of the half-year 2016;
- (h) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2015;
- (i) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2015;
- (j) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2014;
- (k) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2014;
- (l) the terms and conditions of the Covered Bonds contained in the prospectus dated 22 December 2014, pages from 187 to 243 (both included), and in the prospectus dated 22 December 2015, pages from 199 to 263 (both included), each prepared by the Issuer in connection with the Programme.”

* * *

Under the section headed “*Documents incorporated by reference*”, the third, fourth and fifth paragraphs, on pages 58 and 59 of the Base Prospectus, are deleted and replaced by the following (the underlined words show the insertions made):

“Copies of documents incorporated by reference into this Base Prospectus may be obtained from the registered office of the Issuer or, for the audited consolidated annual financial

statements of the Issuer as at and for the years ended 31 December 2014 and 31 December 2015, the auditor’s report for the Issuer for the financial years ended on 31 December 2014 and 31 December 2015, 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 (www.group.intesasanpaolo.com/scriptIsir0/si09/investor_relations/eng_bilanci_relazioni.jsp). In addition, copy of the 3 February 2017 Press Release may be obtained on the Issuer’s website (http://www.group.intesasanpaolo.com/scriptIsir0/si09/salastampa/eng_comunicati_stampa.jsp).

This Base Prospectus and the documents incorporated by reference will also be available on the Luxembourg Stock Exchange’s web site (<http://www.bourse.lu>).

The 3 February 2017 Press Release, the audited consolidated annual financial statements referred to above, together with the audit reports thereon, the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2016 with auditors’ limited review report and the Issuer’s unaudited condensed consolidated financial statements as at 30 September 2016 are available both in the original Italian language and in English language. The English language versions represent a direct translation from the Italian language documents. The Issuer and the Covered Bond Guarantor, as relevant, are responsible for the English translations of the financial reports incorporated by reference in this Base Prospectus and declare that such is an accurate and not misleading translation in all material respects of the Italian language version of the Issuer’s and Covered Bond Guarantor’s financial reports (as applicable).”

* * *

Under the section headed “*Documents incorporated by reference*”, in the paragraph headed “*Cross-reference List*”, before the table headed “*Intesa Sanpaolo interim statements as at 30 September 2016 (Commission Regulation (EC) No. 809/2004, Annex XI, paragraph 11.5.)*”, on page 59 of the Base Prospectus, the following tables are included:

“Press Release dated 3 February 2017

Press Release	Page number(s)
Text	1-25
<i>Tables:</i>	
Intesa Sanpaolo Group: reclassified consolidated statement of income	26
Intesa Sanpaolo Group: quarterly development of the reclassified consolidated statement of income	27
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DESCRIPTION OF THE ISSUER

Under the section headed “*Description of the Issuer*”, at the end of the paragraph headed “*Recent Events*”, on page 105 of the Base Prospectus, the following periods are included:

“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 on 3 February 2017 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."

* * *

Under the section headed "*Description of the Issuer*", the paragraph headed "*Principal Shareholders*" on page 108 of the Base Prospectus, is deleted and replaced by the following:

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

(*). 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 134 to 141 of the Base Prospectus, is deleted and replaced by the following:

“COLLECTION AND RECOVERY PROCEDURES

A. Performing Mortgage Loans

Payment Procedures

Almost all the mortgage loans begin to amortise on the first day of the second month falling after the execution date of the mortgage loan agreement (except where the mortgage loan agreements provide for pre-amortisation periods). From the date of execution of the agreement to the start date of the amortisation, the borrower is only required to pay interest.

The payment of the instalments under the mortgage loans can be mainly effected as follows:

- (i) by direct debit from the current account, held with any branch of Intesa Sanpaolo;
- (ii) by submitting the payment advice slip (**MAV** - “*Pagamento Mediante Avviso*”, at a branch of Intesa Sanpaolo or another bank, using the MAV system;
- (iii) by direct debit from the current account, held with another bank (**SDD Order**);
- (iv) by payment made at a branch of Intesa Sanpaolo and/or by a transfer from another bank.

Direct debit payments from current accounts

Where payments are made by direct debit from a current account, a procedure is in place which identifies all the instalments falling due on a specific day and debits the current account (on such a day). Where a current account of the borrower does not have sufficient funds to its credit, the account will still be debited, and the IT system will automatically flag to each branch, on a daily basis, the list of instalments made which have caused a current account to exceed its limit. The relevant branch can then transfer the said instalment back to the current account.

Any default is immediately registered on the IT systems of Intesa Sanpaolo. The status of payments of a mortgage loan in any case can be checked at any time.

Payments by direct debit

In order to facilitate the making of payments by the borrowers and to offer borrowers services increasingly aimed at meeting their needs, it is also possible for the borrowers to make the payments of instalments due by authorising direct debit payments to current accounts held with other banks. Such instruction to debit accounts held with other banks, only to be carried out upon the explicit request of the relevant borrower, is an alternative to the debiting to a current account open with Intesa Sanpaolo. This option is interesting in respect of the management of borrowers operating with other credit institutions. This service contributes to reducing the number of mortgage loans which are not linked to a current account.

A few days prior to the instalments falling due in relation to the amounts to be collected through SSD order, the flows of amounts due are automatically determined and notified to the relevant correspondent bank. On the day of expiry of the debit instructions, the procedure credits the

collections (“*salvo buon fine*”) subject to the availability of funds to a transitional account, and on the same day the “*Mutui*” procedure debits the amounts of the instalment due to such account so as to offset the credited amount.

Where such direct debit cannot be effected by the correspondent banks, the instalment payment is automatically transferred back to the transitional account by the procedure. Such payments are made automatically by the procedure. In view of the time that it takes for the banks with which the borrowers’ accounts are held to return the credited amounts (“*salvo buon fine*”) and the subsequent processing time, the instalment only appears as paid (or unpaid) approximately after twenty five days.

The payment advice slip – (MAV) – “Pagamento Mediante avviso”

In order to ensure a faster registration of the payments made against the payment of mortgage loan instalments with other credit institutions and making the relevant procedure automatic, a payment advice slip was prepared in standard interbank form, which permits the automatic interbank payment system to be used to credit the amounts received to the relevant Bank.

The payment advice slip (MAV) is a paper form which can be presented to make payment at any bank which uses such a system (i.e. virtually all Italian banks). Intesa Sanpaolo sends such form to the borrower, before the instalment payment is due, approximately forty five days, in case of a mortgage loan payable on a semi-annual basis or on a quarterly basis and twenty days, in case of a mortgage loan payable on a monthly basis. If the payment is then made with a branch of Intesa Sanpaolo, the relevant registration is made in real time. If the borrower makes such payment with another bank, an electronic data flow concerning all the details of such payment is transferred to the bank.

The use of the automatic interbank payment system, in addition to accelerating the transfer of data and providing timely updates on the mortgage files, also minimises the manual work that needs to be carried out by Intesa Sanpaolo in order to monitor the documented money transfers received from other banks.

Any payment made with another bank (and transferred electronically) is normally received within three days of the date of such payment.

Renegotiations of Mortgage Loans

Under the Servicing Agreement, the Servicer has been granted certain powers to renegotiate the Mortgage Loans (with respect to duration and interest rate). In addition, the Servicer may, inter alia, extend the duration of the floating and fixed rate loans, provided that (a) the final deadline of the amortising plan shall not exceed 40 years and, in respect of retail consumers only, the relevant debtor shall not be over 75 (or such other limits as are determined pursuant to the current policy of the Intesa Sanpaolo Group); (b) the Servicer shall allow payment holidays for up to twelve months in several circumstances (in the event of agreements promoted by trade associations (*associazioni di categoria*), eg. ABI in order to help small business and retail customers or in connection with laws and regulations, existing or to be enacted or reached, such as the *Fondo di solidarietà* pursuant to Ministerial Decree number 132 issued by the Ministry of Economy and Finance on 21 June 2010 or particular provisions to prevent natural disasters or humanitarian emergencies); and (c) the Servicer may allow payment holidays up to twelve months in the context of the then applicable commercial policy toward its clients).

B. Performing Securities

Payment Procedures

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 Bond Guarantor, through specific segregated liquidator account, properly opened with Monte Titoli or Clearstream. The custodian bank automatically and promptly pays the collected amounts 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 Accounts).

Further payments

If, for any reason, the Servicer receives any collections other than those described above, the Servicer shall carry out a reconciliation of the amounts received within 20 (twenty) days from the receipt of such amounts by the Debtors and credit to the relevant Securities 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 date corresponding to the collection date by the Servicer.

Collection verification

Further to any payment date of each Security, as set forth under the relevant Securities documents, the Servicer 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 Securities Collection Account, in respect of principal and interest, with value date corresponding to the relevant payment date of each Securities, as set forth under the relevant Security documents.

C. Management of Loans in Arrears or likely to become in Arrears (*crediti con arretrati o potenzialmente in arretrato*)

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.

Symptoms 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 7/2014, 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)*.

A loan falls automatically into the Proactive Management Category when at least one of the following criteria is met:

- Risk Level is High or Medium/High
- Overdraft of limited amount (only for Private or Small Business Micro Segments)
- There is a continuous overdraft for more than 30 days for an amount above the materiality threshold
- The overdue instalment ratio (*coefficiente rate arretrate*, i.e. the ratio between the overdue amounts – including default interest – and the instalment due) is higher or equal to 1
- Past due exposure for more than 1 day on forborne performing loans deriving from non-performing loans

In case of retail customers the interception does not take into account the Risk Level, but only certain well defined (fatal) symptoms, or overdue amounts.

The process starts with contacting the client to verify the causes of the problems that led to the interception, with timing prescribed by:

- The On line Branch
- The Branch Manager

When necessary, all due actions are put in place to support the client who is facing temporary difficulties in honouring its obligations with the Bank.

Once the borrower is intercepted, the Bank management process can be divided in three statuses: “Phone Banking”, “Branch Management”, and “Proactive Management”.

- 1) The *Phone Banking status* is applicable only to Private or Small Business Micro segments, intercepted due to the *coefficiente rate arretrate* (the ratio between amount in arrears, including default interests, and the last instalment due) or due to an overdraft of limited amount, in both cases when full identification data for the client are available. The On line Branch contacts the borrowers, verifies the reason of their difficulties in facing their obligations, with the aim of finding, whenever possible, an agreement to settle the overdue amounts or, in case this is not feasible, to arrange a meeting at the Bank.

The client is given a grade (from one to three) on the basis of how difficult the solution is perceived by the On line Branch.

The client may remain in this status for maximum 60 days.

The Branch may decide within 10 days since the loan has been intercepted, to exclude some loans from this status. This causes automatically the classification of the loan into the “Branch Management” category.

Any position that at the maturity of the status still shows the symptoms that caused the interception, is automatically classified into the “Proactive Management” status.

- 2) The *Branch Management status* is applicable to any loan, intercepted due to overdraft of a material amount, or – only when full identification data for the clients are not available – due to overdraft or due to the *coefficiente rate arretrate*.

The client is given a grade on the basis of how difficult the solution is perceived by the On line Branch.

The client may remain in this status for maximum 60 days.

Any position that at the maturity of the status still shows the symptoms that caused the interception is automatically classified into the “Proactive Management” status.

- 2) The *Proactive Management status* is applicable to those loans:
 - i. Previously falling into the Phone Banking and Branch Management status and not normalized at the expiration of the status
 - ii. Intercepted for Risk Level
 - iii. Past due exposure for more than 1 day on forborne performing loans deriving from non-performing loans
 - iv. There is a continuous overdraft for more than 30 days for an amount above the materiality threshold

This status does not have a pre-defined maturity; it ends when the loan is normalised or when it is classified into the “*in Risanamento*” status (described hereinafter) or “*credito deteriorato*” status.

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

- 1) prospect of an interbank table for any restructuring plan
- 2) 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),
- 3) 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”

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 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”

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”

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).

“Doubtful”

According to the provisions of the Bank of Italy, the total exposure of a borrower who is insolvent or bankrupt or is in the process of being declared insolvent or bankrupt or who has an equivalent status, is considered as “*in sofferenza*” (even where no judgment has yet been given in relation to such insolvency), regardless of any debt predictions which may have been drawn up by Intesa Sanpaolo or any valuations made in relation to guarantees.

In each case, in the Programme, a mortgage loan will be considered as being a Defaulted Loan if the loan is classified as “*in sofferenza*” according to the provisions of the Bank of Italy (as defined above) and, in any event, where the ratio of the sum of instalment payments in arrears divided by the last instalment due is greater than or equal to (i) 10, in the case of a mortgage loan payable on a monthly basis, (ii) 4 in the case of a mortgage loan payable on a quarterly basis and (iii) 2 in the case of a mortgage loan payable on a semi-annual basis.

External Collection

For the out-of-court settlement of the loans in arrears granted to households and clients belonging to the small business segment, being classified as *Credito Proattivo* or *Deteriorato* (only *Inadempienza probabile*, *Sconfino* and restructured loans), in addition to their internal offices, the banks of the *Divisione Banca dei Territori* may use specialised external companies having the necessary regulatory requirements.

A dedicated IT processing system had been set up for the assignment and management of the loans, in order to allow the immediate visibility of the collection actions undertaken by such external companies and a punctual monitoring of the evolution of the loan status.

The main contractual conditions applicable to the appointment of third party companies are the following:

- appointments are to be granted periodically according to the Bank’s needs and in its total discretion, without any obligation to grant a minimum number of loans to third party companies;
- such companies must undertake to carry out the assignments with upmost care and according to criteria of qualified expertise;
- such companies’ activities are to be carried out in full compliance with any Authority’s laws, regulations or provisions applicable from time to time and, in particular, are to operate in careful compliance with anti-money laundering laws and personal data protection;
- such companies cannot directly collect amounts due on the Loans, unless they have the necessary regulatory authorisations.

In order to carry out their appointment, such companies may appoint an external lawyer to receive advice and to send further payment reminders to the relevant debtor. Such companies shall provide periodic reports on the activities carried out and also provide Intesa Sanpaolo with specific written reports.

Renegotiation

In the case of a mortgage loan with overdue payments, the term of the amortisation plan only may be renegotiated. As to the positions classified as, *Gestione Proattiva*, *In Risanamento*, *Sconfino* or *Inadempienza probabile*, the proposal of a renegotiation of the Mortgage Loan to the relevant client must obtain previous clearance by the relevant department of the Servicer.

The characteristics of such renegotiation are as follows, subject to renegotiations made under laws or regulations or agreements promoted by relevant authorities or trade associations (*associazioni di categoria*), existing or to be enacted or reached:

- option to include the amount of the overdue, unpaid instalments, together with the residual debt, with a restructuring of the amortisation plan; the customer has the option to extend the term of the loan for another 10 years compared to the original maturity, in compliance with the limits set out below:
- an overall term of the loan, including the extension, of no more than 40 years and provided that, for retail customers, at the new maturity the age of the principal debtor does not exceed 75 years;
- solely for the positions classified as *Credito Proattivo*, in *Risanamento*, *Sconfino* or *Inadempienza probabile*, it is possible to provide a pre-amortisation period of no more than 36 months in which only interest instalments will be paid, with specific authorisation at the minimum level of Regional Department/BDT Division Bank limited to Private counterparties;
- without prejudice, as a priority, to the need to collect, together with the renegotiation, in addition to the interest accrued from the last instalment due on the day of completion of the transaction, the contractual interest accrued on overdue payments in the last six months and all default interest, with specific authorisation at the minimum level of resolution of the Regional Department of the BDT Division and only for positions classified as Overrun and/or Substandard, the last two items (accrued interest in the last six months and default interest) may be extended and deferred on the renegotiated loan. In this case, the extension period may last up to a maximum of 36 months and no later than the remaining term of the renegotiated loan. These items will be non-interest bearing, not subject to late payment interest including in the event of default and will be collected in instalments starting from the first instalment after those made up only of interest (in case of any pre-amortisation period). Derogation to the collection for Performing positions is not permitted.

Restructuring

A loan may be restructured according to Italian laws dealing with bankruptcy establishing criteria and ways of restructuring

D. The Management of the Defaulted Loans classified as “*in sofferenza*”

The assignment of the management of the Defaulted Loans classified as “*in sofferenza*” to the First Special Servicer or the Second Special Servicer will comply with the provisions included in the Servicing Agreement.

The Management of the Defaulted Loans Classified as “*in sofferenza*” by the First Special Servicer

A judicial action will be carried out as follows:

- (i) directly, to the extent possible, for actions to be taken by the parties (*atti di parte*) (e.g. timely proving in bankruptcy, declaration of credit in insolvency proceedings, etc.) or for judicial acts carried out with the assistance of in-house counsels,

and

- (ii) by appointing external counsel for judicial initiatives (e.g. injunction decree (*decreto ingiuntivo*), and foreclosure 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 devised in order to maximise the recovery within the shortest possible period of time and, in particular, it may be resolved:

- (a) to carry out the direct recovery of the individual claim (whether in the framework of a judicial action or by an out-of-court procedure);
- (b) to entrust the recovery to external companies (almost exclusively in the case of positions of negligible amount);
- (c) to carry out transfers of individual claims without recourse (*pro soluto*).

In order to manage the Defaulted Loans classified as “*in sofferenza*”, the First Special Servicer has been granted by ISP CB Ipotecario S.r.l., *inter alia*, the power to authorise any judicial, administrative and enforceable action in any court and at any level of judgment.

The First Special Servicer may perform its activities also through the divisions and units of Intesa Sanpaolo.

Management of the Defaulted Loans Classified as “*in sofferenza*” by the Second Special Servicer

Once the receivables are recorded as Defaulted Loans classified as “*in sofferenza*”, the Servicer communicates the credit position to the Second Special Servicer by providing information on the financial situation of the debtor and any guarantors and submits all the documentation needed to activate the recovery. In communicating to the Second Special Servicer the credit position of the Defaulted Loans classified as “*in sofferenza*”, the Servicer highlights, *inter alia*, that the relevant Defaulted Loans classified as “*in sofferenza*” relate to the Programme.

The powers of the Second Special Servicer in relation to Defaulted Loans classified as “*in sofferenza*” that it manages itself are the same as the powers conferred upon the Second Special Servicer in respect of individual customers by certain agreements between Intesa Sanpaolo and the Second Special. Such management powers shall be deemed to be amended from time to time in the event of subsequent agreements between the companies of Intesa Sanpaolo Group and the Second Special Servicer, provided that such powers may not be wider than the powers of the First Special Servicer as provided by the Collection Policies. In case of amendments of these powers, the First Special Servicer will promptly inform ISP CB Ipotecario S.r.l. and the Representative of the Covered Bondholders.

As specified under the Servicing Agreement, the Second Special Servicer may also avail itself of third parties, who will act under its responsibility, to carry out specific services relating to the management of defaulted loans classified as “*in sofferenza*”. The power to delegate to such third parties is regulated by certain agreements between Intesa Sanpaolo and the Second Special Servicer. Even in this case, such powers shall be deemed amended from time to time in the event of subsequent agreements between the First Special Servicer and the Second Special Servicer. In case of amendments of these powers, the First Special Servicer will promptly inform ISP CB Ipotecario S.r.l. and the Representative of the Covered Bondholders.

Pursuant to the *Accordo di Gestione* (i) the Second Special Servicer will continue to manage exclusively the Defaulted Loans delegated to it until 30 April 2015, with reference to the clients who, at the date of the relevant delegation, had an exposure not higher than €249,999; and (ii) starting from 1 May 2015, Intesa Sanpaolo Group Services S.C.p.A. will manage the Defaulted

Receivables delegated to it prior to 30 April 2015 (with reference to the clients who, at the date of the relevant delegation, had an exposure higher than €249,999), as well as any other loans which, starting from 1 May 2015, may be classified by the Servicer as Defaulted Loans.

E. Defaulted Securities - Monitoring of events of default

The Servicer shall monitor on a continuing basis the financial performance of the Securities and the fulfilment of the Debtors' obligations in respect of the Securities, and shall classify as Defaulted Securities the Securities (i) whose issuer has been classified as "in default"; (ii) that may be considered "in default" in accordance with the provisions of the relevant Securities documents provided that an acceleration notice has been served by the relevant representative of the noteholders or trustee, and (iii) that have been delinquent for more than 30 Business Days starting from the maturity date provided for under the relevant Securities documents."

TAXATION

Under the section headed “*Taxation*”, in the paragraph headed “*Italian resident Covered Bondholders*”, on page 260 of the Base Prospectus, the following text is added after the first sub-paragraph:

“Subject to certain conditions, interest in respect of Covered Bonds issued by Intesa Sanpaolo that qualify as *obbligazioni or titoli similari alle obbligazioni* received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term savings account (*piano di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No.232 of 11 December 2016 (**Law 232**).”

* * *

Under the section headed “*Taxation*”, in the paragraph headed “*Italian resident Covered Bondholders*”, the second sub-paragraph on page 261 of the Base Prospectus is deleted and replaced by the following:

“Where an Italian resident Covered Bondholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, interest, premium and other income relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent substitute tax. The 20 per cent. substitute tax shall apply on the portfolio’s results accrued at the end of the tax year from 2015 onwards.”

* * *

Under the section headed “*Taxation*”, in the paragraph headed “*Italian resident Covered Bondholders*”, the sub-paragraph on page 261 of the Base Prospectus as reproduced below 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 Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.”

* * *

Under the section headed “*Taxation*”, in the paragraph headed “*Atypical Securities*” on page 262 of the Base Prospectus, after the first sub-paragraph the following text is added:

“Subject to certain conditions, interest in respect of Covered Bonds issued by Intesa Sanpaolo that do not qualify as *obbligazioni or titoli similari alle obbligazioni* and are treated as atypical securities received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term savings account (*piano di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law 232.”

* * *

Under the section headed “*Taxation*”, in the paragraph headed “*Capital gains tax*”, the first sub-paragraph on page 264 of the Base Prospectus is deleted and replaced by the following:

“Any capital gains realised by a Covered Bondholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be

subject to the 20 per cent. substitute tax. The 20 per cent. substitute tax shall apply on the portfolio's results accrued at the end of the tax year from 2015 onwards.”

* * *

Under the section headed “*Taxation*”, in the paragraph headed “*Capital gains tax*”, the subparagraph on page 264 of the Base Prospectus as reproduced below 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.”

* * *

Under the section headed “*Taxation*”, in the paragraph headed “*Capital gains tax*” on page 264 of the Base Prospectus, after the last sub-paragraph the following text is added:

“Subject to certain conditions, capital gains in respect of Covered Bonds issued by Intesa Sanpaolo that qualify as *obbligazioni or titoli similari alle obbligazioni* realized upon sale, transfer or redemption by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term savings account (*piano di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law 232.”

* * *

Under the section headed “*Taxation*”, in the sub- paragraph headed “*Withholding Tax*” of the paragraph headed “*Luxembourg taxation*”, on page 266 of the Base Prospectus, the first subparagraph is deleted and replaced by the following:

“All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Covered Bonds can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg tax law currently in force and subject however to the application of the Luxembourg law of 23 December 2005, as amended, (the **Relibi Law**) which has introduced a 20% withholding tax on certain payments of interest made to certain Luxembourg resident individuals.”

* * *

Under the section headed “*Taxation*”, in the sub- paragraph headed “*Withholding Tax*” of the paragraph headed “*Luxembourg taxation*”, on page 266 of the Base Prospectus, the second subparagraph is deleted and replaced by the following:

“Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Payments of interest under the Covered Bonds coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%.”

GENERAL INFORMATION

Under the section headed “*General Information*”, the sub-section headed “*Documents available for inspection*”, on pages 274 and 275 of the Base Prospectus, is deleted and replaced by the following (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 Bond Guarantor’s memorandum of association and by-laws as of the date hereof;
- (iv) the 3 February 2017 Press Release;
- (v) the Issuer’s unaudited condensed consolidated financial statements as at 30 September 2016;
- (vi) the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2016, with auditors’ limited review report;
- (vii) the Issuer’s audited consolidated annual financial statements, including the auditors’ report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;
- (viii) the 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;
- (ix) the Covered Bond Guarantor’s unaudited interim condensed financial statements in respect of the half-year 2016;
- (x) the auditors’ limited review report for the Covered Bond Guarantor in relation to the interim condensed financial statements in respect of the half-year 2016;
- (xi) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2015;
- (xii) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2015;
- (xiii) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2014;
- (xiv) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2014;
- (xv) the terms and conditions of the Covered Bonds contained in the prospectus dated 22 December 2014, pages from 187 to 243 (both included) and in the prospectus dated 22 December 2015, pages from 199 to 263 (both included), each prepared by the Issuer in connection with the Programme.

- (xvi) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;
- (xvii) any reports, letters, balance sheets, valuations and statements of experts included or referred to in the Base Prospectus (other than consent letters);
- (xviii) any Final Terms relating to Covered Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of any Covered Bonds (other than the 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.”