

SECOND SUPPLEMENT DATED 13 SEPTEMBER 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* (THE “CSSF”) 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 **Second Supplement**) constitutes a Supplement to the base prospectus dated 23 December 2016, as supplemented by a supplement dated 20 February 2017 (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 **Guarantor**).

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

Capitalized terms used in this Second 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 Second 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 Second 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 Second Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Second 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*”, “*Description of the Covered Bond Guarantor*” and “*General Information*”.

In accordance with Article 16, paragraph 2, of the Prospectus Directive and Article 13, paragraph 2, of the Luxembourg Law, investors who have already agreed to purchase or subscribe for the securities before this Second Supplement is published have the right, exercisable on the date falling two working days after the publication of this Second Supplement (being 13 September 2017), to withdraw their acceptances.

Save as disclosed in this Second 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 Second Supplement and (ii) any statement in or incorporated by reference into the Base Prospectus, the statements in this Second Supplement will prevail.

Copies of this Second Supplement and all documents incorporated by reference in this Second 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 Second 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*”, on page 58 of the Base Prospectus, the first paragraph is 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 Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2017, with auditors’ limited review report;
- (b) the Issuer’s audited consolidated annual financial statements, including the auditors’ report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016;
- (c) 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**);
- (d) the Issuer’s unaudited condensed consolidated financial statements as at 30 September 2016;
- (e) the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2016, with auditors’ limited review report;
- (f) 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;
- (g) 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;
- (h) the Covered Bond Guarantor’s unaudited interim condensed financial statements in respect of the half-year 2017, with auditors’ limited review report;
- (i) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2016;
- (j) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2016;
- (k) the Covered Bond Guarantor’s unaudited interim condensed financial statements in respect of the half-year 2016;
- (l) 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;
- (m) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2015;
- (n) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2015;
- (o) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2014;
- (p) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2014;

- (q) 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*”, on page 58 of the Base Prospectus, the third paragraph is replaced by the following:

“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, 31 December 2015 and 31 December 2016, the auditor’s report for the Issuer for the financial years ended on 31 December 2014, 31 December 2015 and 31 December 2016, the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2017 and 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).”

* * *

Under the section headed “*Documents incorporated by reference*”, on pages 58 and 59 of the Base Prospectus, the last paragraph is replaced by the following:

“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 2017 with auditors’ limited review report, 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*”, sub-section headed “*Cross-reference List*”, on page 59 of the Base Prospectus, the following tables are included before the table headed “*Intesa Sanpaolo interim statements as at 30 September 2016 (Commission Regulation (EC) No. 809/2004, Annex XI, paragraph 11.5.)*”:

“Intesa Sanpaolo half-yearly report as at and for the six months ended on 30 June 2017 (Commission Regulation (EC) No. 809/2004, Annex XI, paragraph 11.5.)

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* * *

Under the section headed “*Documents incorporated by reference*”, sub-section headed “*Cross-reference List*”, on page 59 of the Base Prospectus, the following tables are included between the table headed “*Audited consolidated annual financial statements of the Issuer for the year*

ended on 31 December 2014 (Commission Regulation (EC) No. 809/2004, Annex XI, paragraph 11.1.)” and the table headed “Covered Bond Guarantor half-yearly report as at and for the six months ended on 30 June 2016 (Commission Regulation (EC) No. 809/2004, Annex IX, paragraph 11.5.)”:

“Covered Bond Guarantor half-yearly report as at and for the six months ended on 30 June 2017 (Commission Regulation (EC) No. 809/2004, Annex XI, paragraph 11.5.)

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DESCRIPTION OF THE ISSUER

Under the section headed “*Description of the Issuer*”, at the end of the sub-section headed “*Recent Events*” starting on page 100 of the Base Prospectus, the following periods are included:

“On 24 February 2017 the management of Intesa Sanpaolo has completed its assessment of options relating to possible industrial combinations with Assicurazioni Generali. In the light of the analyses on the insurance group carried out on the basis of information currently available to the public, the management sees no opportunities that fulfil the criteria - in terms of creation and distribution of value for Intesa Sanpaolo’s shareholders, in keeping with the objective of maintaining a leadership position in capital adequacy - against which it examines options for the Intesa Sanpaolo Group’s internal and external growth on a regular basis.

Intesa Sanpaolo will improve the creation and distribution of value for its shareholders organically, while maintaining a leadership position in capital adequacy, through action lines that will drive the next Business Plan and will be in continuity with the 2014-2017 Business Plan – the commitment made in the 2014-2017 Business Plan to distribute €10 billion of cumulative cash dividends in the four years covered by the Plan has been confirmed – among which:

- further significant growth in wealth management, also considering the high switch potential stemming from other financial assets currently held by customers, with around €30 billion of retail bonds maturing in the 2017-2019 period, over €30 billion of deposit flow into the Banca dei Territori Division and the Private Banking Division since the last quarter of 2015, and over €150 billion of outstanding assets held under administration;
- a significant development of the non-life insurance business, raising the product penetration with the customer base to the same level as the life insurance business, through appropriate actions in synergy with the bank networks;
- a strong boost to cross-selling, with the creation of the first “proximity bank” in Italy following the recent acquisition of Banca ITB, focused on instant banking through a lean network of around 20,000 points of sale representing around 25 million potential customers (of these, around 12 million are already Banca ITB customers);
- new initiatives to expand the multichannel and digital bank, which already has around 6.4 million customers with around 80% of products available via multichannel platforms, digitalisation involving all branches with 100% paperless transactions for the priority products, and the “Online Branch” with around 26,000 products sold in 2016;
- a high sensitivity of the net interest income to an interest rate increase, which is already affecting the longest-maturity part of the market yield curve, with around €1.1 billion of net interest income growth following 100 basis points of parallel upward shift in the market yield curve;
- maintaining an excellent level of cost/income ratio, with high efficiency as a result of the continuous cost management;
- a significant improvement in the asset quality and the cost of risk, including through adequate investments in dedicated human resources and technologies, with a reduction of the NPL to total customer loan ratio, with no extraordinary transactions, which, to date, is expected to return in

2019 to the levels of 2011, namely to 10.5% gross of adjustments and 6% net, from 14.7% and 8.2%, respectively, at year-end 2016.

On 7 March 2017, the Intesa Sanpaolo Group announced that it signed an agreement in respect of the sale of its entire stake in Allfunds Bank, for a cash consideration of €900 million. The finalisation of the transaction is expected by the end of the year and is subject to the customary regulatory authorisations being received.

Allfunds Bank is a multimanager distribution platform for asset management products targeted to institutional investors and is 50%-held by Eurizon Capital SGR (in turn, 100%-owned by Intesa Sanpaolo) and 50% by AFB SAM Holding (Santander Group). In the consolidated financial statements of the Intesa Sanpaolo Group the investment was considered a joint venture pursuant to IFRS 11 and was consolidated at equity (IAS 28).

Considering the above-mentioned disposal transaction, the investment in Allfunds Bank was reclassified under discontinued operations starting from the Interim Statement as at 31 March 2017.

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

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

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

Intesa Sanpaolo acquired an Aggregate Set which excludes NPLs (bad loans, unlikely-to-pay loans and past due exposures), subordinated bonds issued, as well as shareholdings and other legal relationships that Intesa Sanpaolo does not consider functional to the acquisition. The Aggregate Set of acquisition includes, in addition to the selected assets and liabilities of Banca Popolare di Vicenza and Veneto Banca (as well the international branches of the latter, located in Romania), and subject to approval of the related authorisations, the shareholdings in Banca Apulia S.p.A. (excluding the shareholdings held by the latter in Apulia Pronto Prestito S.p.A.

and Apulia Previdenza S.p.A.), in Banca Nuova S.p.A., in SEC Servizi S.c.p.a., in Servizi Bancari S.c.p.a., and in the banks located in Moldova, Croatia, and Albania.

In addition, the Aggregate Set of acquisition includes high-risk performing loans of around €4 billion. However, Intesa Sanpaolo will have the right to give these back to the banks in compulsory administrative liquidation, should certain conditions occur, during the period up to the approval of the financial statements for as at and for the year ended 31 December 2020, requiring that these loans be classified as bad loans or unlikely-to-pay loans. As already specified, the acquired Aggregate Set excludes the entire NPL portfolio (bad loans, unlikely-to-pay loans, and past due exposures) of the two banks in liquidation and of the shareholdings acquired by Intesa Sanpaolo.

The Aggregate Set does not include a corresponding equity component, given that the entire shareholders' equity of the two banking groups is subject to the compulsory administrative liquidation procedure. The assets and liabilities transferred will be balanced by a loan backed by the government (to be repaid over 5 years at an interest rate of around 1%) granted by Intesa Sanpaolo to the banks in compulsory administrative liquidation. The amount of that loan, and of the loans that will be granted to the subsidiary banks for the transfer of bad loans, unlikely-to-pay loans, and past due exposures and of the shareholdings not functional to the transaction, was negotiated and set at a provisional amount of €5,351 million (based on the balance sheet of the operations as at 31 March 2017). If at the end of the due diligence process, as reported further on, the amount necessary to ensure that the transferred assets and liabilities balance exceeds the loan amount, the excess part will be backed by a state guarantee for an amount of up to €6,351 million.

The terms and conditions of the contract, in the framework set by the Venetian Banks Decree and the ministerial decrees issued in relation to the transaction, ensure that the acquisition by Intesa Sanpaolo is fully neutral in terms of the Intesa Sanpaolo Group's Common Equity Tier 1 ratio and dividend policy. Specifically, they provide for:

- a public cash contribution, to offset the impact on the capital ratios. Its size will lead to a phased-in Common Equity Tier 1 ratio of 12.5% to the risk-weighted assets (RWA) acquired. This contribution, which amounts to €3.5 billion not subject to taxation, was recorded as income in the income statement, in accordance with the IAS 20 accounting standard, and was assigned to Intesa Sanpaolo on 26 June 2017;
- an additional public cash contribution to cover integration and rationalisation charges in relation to the acquisition. These charges include, in line with the commitments undertaken by Intesa Sanpaolo with the Directorate-General for Competition of the European Commission, those relating to the closure of around 600 branches and the use of the solidarity allowance mechanism in relation to the exit, on a voluntary basis, of around 3,900 people of the Group resulting from the acquisition. These charges also relate to other actions to be taken to safeguard jobs, such as redeploying and retraining people. Also this contribution, which amounts to €1.285 billion not subject to taxation, was recorded as income in the income statement, in accordance with the IAS 20 accounting standard, and was assigned on 26 June 2017. This amount was set aside in a specific fund, considering the tax effects related to its use, and is therefore neutral for the year's net income; and
- public guarantees equal to €1.5 billion after tax, in order to sterilise risks, obligations and claims against Intesa Sanpaolo due to events occurring prior to the sale or relating to assets/liabilities or relationships not included among those transferred. In any case, the banks in compulsory administrative liquidation will be liable for damages that may derive from past disputes and from disputes relating to the rules regulating the purchase of own

shares and/or investment services. This includes disputes brought by parties who participated/did not participate in, or were excluded from the so-called “Offers for Settlement” and from “Welfare Incentives”.

The Venetian Banks Decree introduced specific tax rules governing the transfer to Intesa Sanpaolo of the assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. The rules are substantially designed to ensure for the acquiring bank a limited “continuity” in the tax treatment of the subjective positions of the sellers (as regard tax credits from the conversion of DTAs, the tax value of the assets, liabilities, and rights included in the sets acquired, income components with deferred taxation, tax losses, and the guarantee fees for non-eligible DTAs), and the “neutrality” of transfers and public contributions, as a result of which they will not generate tax liabilities for the acquiring bank.

Specifically:

- tax and non-tax assets and liabilities are transferred to the acquiring bank at the tax value they had for the sellers (in practice, at the effective date of the transfer, the acquiring bank is assigned the same tax position held by the sellers);
- tax credits deriving from the conversion of DTAs are transferred to the acquiring bank;
- similarly, the tax losses of the sellers are transferred to the acquiring bank;
- the transfer of the assets and liabilities is not subject to VAT and subject to a fixed registration, mortgage and cadastral tax of €200; and
- the contributions paid to the acquiring bank by the Ministry for the Economy and Finance to offset the impact on the capital ratios and support corporate restructuring measures are non-taxable for IRES and IRAP purposes, whereas the expenses incurred by the acquiring bank for the aforementioned restructuring will be deductible for tax purposes.

As regards anti-trust authorisations, on 10 July 2017 the Italian Competition Authority announced its decision not to investigate the arrangement, thereby giving its clearance for the deal.

With reference to the banking authorisations required to acquire control over the shareholdings of Banca Popolare di Vicenza and Veneto Banca, the terms set to formulate the offer and execute the contract did not allow the parties to ask and obtain from the European Central Bank, within 30 June 2017, the necessary authorisations to transfer the control and Intesa Sanpaolo agreed to proceed with this transfer, on the assumption that it will have the possibility of returning the shareholdings whose transfer is not authorised and be completely indemnified from any and all negative effect as a consequence of the circumstance in which the transfer not previously authorised will be finalised.

Furthermore, should these authorisations not be obtained or be obtained with imposition of conditions or charges for Intesa Sanpaolo, the latter will have the right to immediately return the shareholdings to the banks under compulsory administrative liquidation and with full indemnification of any negative effect deriving from Intesa Sanpaolo maintaining these shareholdings and returning them.

In addition, with reference to the voting rights in the subsidiary banks, Intesa Sanpaolo may not exercise its vote at meetings and intervene in their management and in the replacement of the corporate bodies until the authorisations are obtained, remaining at the same time fully

indemnified from any ensuing negative effect or any effect in any case connected to their management as well as to the replacement (subject to possible removal) of the members of the management and control bodies of these banks. Therefore, when preparing the Half-yearly condensed consolidated financial statements, Intesa Sanpaolo did not carry out the line-by-line consolidation of the shareholdings in question but provisionally recorded them as shareholdings within the acquired Aggregate Set.

In order to determine the final imbalance of the operations and definitively calculate the amount of public contribution paid by the State, the Ministry for the Economy and Finance and Intesa Sanpaolo have jointly appointed a board of three independent experts, identified pursuant to the Venetian Banks Decree, which will conduct a specific due diligence leading to the generation of a detailed and analytic inventory of the captions comprising the final accounting position of assets and liabilities included within the acquired operations as at the execution date. As a result of the procedure to calculate the imbalance, the parties will ascertain the existence of any assets, liabilities or legal relationships not pertaining to the operations, with a consequent adjustment of the imbalance, and Intesa Sanpaolo will have the right to return assets, liabilities or legal relationships to the banks in compulsory administrative liquidation, in accordance with the provisions of the Venetian Banks Decree, also in this case with consequent adjustment of the imbalance. In addition, any positive or negative difference between the final calculated amount of the public contribution and the initial amount granted will be settled by the State or Intesa Sanpaolo depending on the case. Within 5 days from the date on which the definitive amount of the imbalance of the operations is determined, Intesa Sanpaolo will release its loan to the banks in liquidation, which will be immediately and automatically offset by the receivable arising from the imbalance, without prejudice to the obligation of the banks in compulsory administrative liquidation (and, jointly, the guarantor) to reimburse the loan under the terms and conditions thereof.

Finally, the contract included a termination clause which established that the contract is ineffective and the assets, liabilities and legal relationships acquired can be given back to the banks in compulsory administrative liquidation. This referred, specifically, to the event that the Venetian Banks Decree was not converted into law or was converted with amendments/integrations that made the transaction more expensive for Intesa Sanpaolo, and was not fully enacted within the terms provided by law. In this regard, we report that the decree was passed without substantial amendments by both the Chamber of Deputies and the Senate.”

* * *

Under the section headed “*Description of the Issuer*”, on page 108 of the Base Prospectus, at the sub-section headed “*History and organisation of the Intesa Sanpaolo Group*”, the paragraphs from “*Principal Shareholders*” is replaced by the following:

“Principal Shareholders

As at 5 July 2017, the shareholder structure of Intesa Sanpaolo was composed as follows (holders of shares exceeding 3 per cent. (*)).

SHAREHOLDER	ORDINARY SHARES	% OF ORDINARY SHARES
<u>Compagnia di San Paolo</u>	1,458,804,043	9.198%

SHAREHOLDER	ORDINARY SHARES	% OF ORDINARY SHARES
<u>BlackRock Inc. (1)</u>	794,646,624	5.010%
<u>Fondazione Cariplo</u>	767,029,267	4.836%
<u>Fondazione C.R. Padova e Rovigo</u>	514,111,188	3.242%

(*) Shareholder owning aggregate investment equal to 5.106% as per form 120 B dated 4 July 2017.

(1) Fund management Shareholder owning aggregate investment equal to 5.106% as per form 120 B dated 4 July 2017.”

* * *

Under the section headed “*Description of the Issuer*”, on page 113 of the Base Prospectus, the final paragraph of the section headed “*Alis Holding S.r.l. lawsuit*” of the sub-section headed “*Legal risks*” is replaced by the following paragraph:

“Following complex negotiations, in the month of July 2017, an out-of-court settlement was finalised between Intesa Sanpaolo and Alis Holding to close the action for damages in its entirety. The settlement was also made with the ‘arrangement with creditors’ procedure of Cargoitalia, which in 2016 joined the proceedings claiming compensation from Intesa Sanpaolo. As a result of the settlement, Intesa Sanpaolo paid a much smaller sum than the initial demand; the amount paid was completely covered by a provision.”

* * *

Under the section headed “*Description of the Issuer*”, at the end of the sub-section headed “*Legal risks*” starting on page 108 of the Base Prospectus, the following section is included:

“*SEC and DOJ proceedings against IMI Securities Corp. of New York*”

At the end of the half year ended 30 June 2017, the discussions between SEC (Securities and Exchange Commission - (the U.S. financial market supervisory authority) and IMI SEC came to a close. After complex negotiations aimed at mitigating as much as possible the risk of sanctions due to breach of control obligations in the business area of pre-released ADRs (depository receipts of shares issued by non-US companies), pursuant to Section 15(b)(4)(E) of the Exchange Act and to Section 17(a)(3) of the Securities Act, a settlement agreement was reached, which the SEC investigation department has assessed favourably, involving the payment of the total sum of USD 35 million, entirely covered by a provision. We expect SEC to approve the settlement. As to the investigation launched in October 2016 by the Antitrust Division of the Department of Justice (DoJ), concerning the same business area of pre-released ADRs, for alleged cartel among certain broker-dealers – including IMI SEC – there have been no developments.”

* * *

Under the section headed “*Description of the Issuer*”, in the sub-section headed “*Tax litigation*”, the paragraph on page 116 of the Base Prospectus beginning “*With respect to the dispute concerning...*” is replaced by the following paragraphs:

“With respect to the disputes concerning the recovery of registration tax on contributions of company assets and the subsequent sale of equity investments, reclassified by the tax authorities as transfer of business units, the Regional Tax Commission of Milan issued three rulings in our favour, filed on 20 February 2017, 25 May 2017 and 7 June 2017. The first tax dispute, having an approximate value of €2 million, concerns the reclassification of a transaction involving Cassa di Risparmio del Veneto, Cassa di Risparmio di Parma e Piacenza and Banca Popolare Friuladria; the second dispute (with a value of €1.7 million) concerns the reclassification of a transaction between Cassa di Risparmio di Firenze and Cassa di Risparmio di Parma e Piacenza; the third, with an approximate value of €28 million, concerns the assessment of the higher value of the company with regard to the securities services business line contributed to Intesa Sanpaolo Servizi Transazionali (which has since been sold to State Street Bank GMBH). Even though the rulings of the lower courts have all been in our favour except for one, in this type of cases Intesa Sanpaolo prudentially considers the often unfavourable rulings of the Court of Cassation, and has made provisions to cover potential charges, calculated taking into account joint liability (with the counterparties) and the clauses of the equity sale agreements, which generally make it possible to pass on to the buyer the taxes applying to the transaction.

On 20 April 2017, the Tax Authority lodged an appeal with the Court of Cassation in a tax dispute concerning IRES (corporate income tax) and IRAP (regional tax on production) for 2008, on which the first and second instance courts had ruled in Intesa Sanpaolo’s favour. The Bank then filed its defence. Differently from the Bank, the Tax Authority considers as charges equivalent for tax purposes to interest payable - subject to a limited 97% deductibility - the negative components of the fair value hedging derivatives of liabilities consisting of bonds and deposits (recognised under caption 90 of the income statement “Fair value adjustments in hedge accounting”). The aggregate value of the two joined tax disputes is €1.2 million as to IRES tax and €0.27 million as to IRAP tax, plus interest.

As concerns the reimbursement of tax credits, total credits of €105 million have been confirmed and partly reimbursed; they consist mainly of positions of the former Cassa di Risparmio della Puglia for IRPEG (former corporation tax) and ILOR (former local tax on earnings) relating to 1985 and 1986, and from 1990 to 1994 (€42 million in capital, plus interest).”

* * *

Under the section headed “*Description of the Issuer*”, in the sub-section headed “*Tax litigation*”, after the paragraph on page 117 of the Base Prospectus beginning “*For Mediocredito Italiano...*”, the following paragraph is included:

“The Regional Tax Commission rejected the main appeal lodged by the Revenue Agency and, granting the cross-appeal filed by Mediocredito Italiano, annulled completely the assessment notice issued by the Revenue Agency, Large Taxpayers Office of Lombardy, concerning VAT in 2007 on boat leasing contracts of the former Intesa Leasing (value of the dispute €6.6 million including tax and penalties, plus interest).”

* * *

Under the section headed “*Description of the Issuer*”, in the sub-section headed “*Tax litigation*”, the paragraph on page 117 of the Base Prospectus beginning “*For Intesa Sanpaolo Group Services...*” is replaced by the following paragraph:

“As regards to Intesa Sanpaolo Group Services, on 26 May 2017 the tax assessment concerning IRES and IRAP for tax years from 2011 to 2014 was settled. The assessment concerned the consideration paid for the services of a Group company established in Romania supplying back office services to ISGS. The settlement led to payment of additional taxes of €1.04 million (plus interest of about €0.12 million), without penalties, and with a reduction of €0.46 million from

the amount assessed (approximately 30%). Please note that in May 2017 the Revenue Agency office in Turin requested information via a questionnaire on the contribution of a business unit from Intesa Sanpaolo to Intesa Sanpaolo Group Services which took place in 2012; specifically, the information sought concerns the VAT treatment of the consideration for the services provided by Intesa Sanpaolo to some subsidiaries, through the transferred business unit, in the part of the year prior of the transfer, but which were then billed by the transferee company ISGS. To date, the company has received no tax assessment notice in this regard.”

* * *

Under the section headed “*Description of the Issuer*”, on page 119 of the Base Prospectus, at the end of the sub-section headed “*Financial Information of the Issuer - an Overview*”, the paragraph “*Half-Yearly Financial Statements*” is replaced by the following:

“Half-Yearly Financial Statements

The half-yearly financial information as at and for the six months ended on 30 June 2017 has been derived from the unaudited condensed consolidated half-yearly financial statements of the Intesa Sanpaolo Group as at and for the six months ended on 30 June 2017 (the “**2017 Half-Yearly Financial Statements**”) that include comparative balance sheet figures as at 31 December 2016 and income statement figures for the six months ended on 30 June 2017.”

DESCRIPTION OF THE COVERED BOND GUARANTOR

Under the section headed “*Description of the Covered Bond Guarantor*”, on pages 129 and 130 of the Base Prospectus, the sub-section headed “*Financial Information concerning the Covered Bond Guarantor’s Asset and Liabilities, Financial Position, and Profits and Losses*”, is replaced by the following:

“The statutory interim financial statements of ISP CB Ipotecario S.r.l. for the half-year period ended on 30 June 2017 has been prepared in accordance with IAS/IFRS Accounting Standards principles in respect of which an auditors’ report on review has been delivered by KPMG S.p.A. on 2 August 2017.

The financial information of the Covered Bond Guarantor derives from the statutory financial statements of the Covered Bond Guarantor as at and for the years ended on 31 December 2014, 31 December 2015 and 31 December 2016. They are prepared in accordance with IAS/IFRS Accounting Standards principles in respect of which a report on audit has been delivered by Reconta Ernst & Young S.p.A. (now replaced by EY S.p.A.) on 12 March 2015, 9 March 2016 and 6 March 2017, respectively. Such financial statements, together with the report of Reconta Ernst & Young S.p.A. (now replaced by EY S.p.A.) and the accompanying notes, are incorporated by reference into this Base Prospectus. The financial information is incorporated by reference into this Base Prospectus (see the section headed “*Documents incorporated by reference*”).”

GENERAL INFORMATION

Under the section headed “*General Information*”, on page 274 of the Base Prospectus, the first paragraph of the sub-section headed “*Independent auditors*” is replaced by the following:

“The consolidated annual financial statements of the Issuer as at and for the years ended on 31 December 2014, 31 December 2015 and 31 December 2016 have been audited by KPMG S.p.A. in their capacity as independent auditors of the Issuer, as indicated in their report thereon. The unaudited consolidated interim condensed financial statements of the Issuer in respect of the half-year 2017 have been reviewed by KPMG S.p.A. (the limited review report states that limited procedures have been applied in accordance with professional standards and that KPMG S.p.A. did not audit nor express an opinion on such interim financial information), in their capacity as independent auditors of the Issuer, as indicated in their report thereon.”

* * *

Under the section headed “*General Information*”, on page 274 of the Base Prospectus, the sub-section headed “*No significant change and no material adverse change*” is replaced by the following:

“Since 31 December 2016, there has been no material adverse change in the prospects of the Issuer and the Covered Bond Guarantor. Since 30 June 2017, there has been no significant change in the financial or trading position of the Issuer and the Covered Bond Guarantor.”

* * *

Under the section headed “*General Information*”, on page 274 of the Base Prospectus, the third paragraph of the sub-section headed “*Independent auditors*” is replaced by the following:

“The annual financial statements of the Covered Bond Guarantor as at and for the years ended on 31 December 2014, 31 December 2015 and 31 December 2016 have been audited by Reconta Ernst & Young S.p.A. (now replaced by EY S.p.A.), in their capacity as independent auditors of the Covered Bond Guarantor, as indicated in their reports thereon. The unaudited interim condensed financial statements of the Covered Bond Guarantor in respect of the half-year 2017 have been reviewed by EY S.p.A., in their capacity as independent auditors of the Covered Bond Guarantor, as indicated in their reports thereon.”

* * *

Under the section headed “*General Information*”, on pages 274 and 275 of the Base Prospectus, the sub-section headed “*Documents available for inspection*” is 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 Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2017, with auditors' limited review report;
- (v) the Issuer's audited consolidated annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016;
- (vi) the 3 February 2017 Press Release;
- (vii) the Issuer's unaudited condensed consolidated financial statements as at 30 September 2016;
- (viii) the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2016, with auditors' limited review report;
- (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 2017, with auditors' limited review report;
- (xii) the Covered Bond Guarantor's audited annual financial statements in respect of the year ended on 31 December 2016;
- (xiii) the auditors' report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2016;
- (xiv) the Covered Bond Guarantor's unaudited interim condensed financial statements in respect of the half-year 2016;
- (xv) 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;
- (xvi) the Covered Bond Guarantor's audited annual financial statements in respect of the year ended on 31 December 2015;
- (xvii) the auditors' report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2015;
- (xviii) the Covered Bond Guarantor's audited annual financial statements in respect of the year ended on 31 December 2014;
- (xix) the auditors' report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2014;
- (xx) 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.
- (xxi) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;
- (xxii) any reports, letters, balance sheets, valuations and statements of experts included or referred to in the Base Prospectus (other than consent letters);

- (xxiii) 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.”