

SUPPLEMENT DATED 28 DECEMBER 2012
TO THE BASE PROSPECTUS DATED 21 NOVEMBER 2012



Intesa Sanpaolo S.p.A.

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

€20,000,000,000.00 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme

*unsecured and unconditionally and irrevocably guaranteed as to payments of interest and
principal by*

ISP CB Ipotecario S.r.l.

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

**IN ACCORDANCE WITH ARTICLE 7, PARAGRAPH 7, OF THE LUXEMBOURG
LAW (AS DEFINED BELOW), THE *COMMISSION DE SURVEILLANCE DU
SECTEUR FINANCIER* ASSUMES NO RESPONSIBILITY AS TO THE
ECONOMICAL AND FINANCIAL SOUNDNESS OF THE TRANSACTION AND THE
QUALITY OR SOLVENCY OF THE ISSUER.**

This supplement (the **Supplement**) constitutes a Supplement to the Base Prospectus dated 21 November 2012 (the **Base Prospectus**) for the purposes of Article 16 of Directive 2003/71/EC (the **Prospectus Directive**) and Article 13, paragraph 1, of the Luxembourg Law on Prospectuses for Securities dated 10 July 2005 (the **Luxembourg Law**).

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

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

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

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of the Base Prospectus Directive and Luxembourg Law, as a supplement issued in compliance with the Base Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of: (i) updating the section of the Base Prospectus entitled "*Overview of the Programme*"; (ii) updating the paragraph "*Reliance of the Covered Bond Guarantor on third parties*" under the section of the Base Prospectus entitled "*Risk Factors*"; (iii) updating the section of the Base Prospectus entitled "*General Description of the Programme*"; (iv) updating the section of the Base Prospectus entitled "*Description of the Issuer*"; (v) updating the section of the Base Prospectus entitled "*Collection and Recovery Procedures*"; (vi) updating the section of the Base Prospectus entitled

"*Accounts and Cash Flows*"; (vii) updating the paragraph "*Servicing Agreement*" under the section of the Base Prospectus entitled "*Description of the Transaction Documents*"; and (viii) updating the section of the Base Prospectus entitled "*Glossary*".

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 Supplement is published have the right, exercisable on the date falling two working days after the publication of this Supplement (being 3 January 2013), to withdraw their acceptances.

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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OVERVIEW OF THE PROGRAMME

The paragraph "*Servicing*" under paragraph "*Structure Overview*" on page 15 of the Base Prospectus is replaced by the following:

"Servicing"

Under the terms of the Servicing Agreement (i) the Servicer has agreed to administer and service the Receivables (with the exception of the Defaulted Receivables classified as *in sofferenza*) and the Securities and to carry out the collection activities relating to the Receivables and the Securities, on behalf of the Covered Bond Guarantor; and (ii) the Special Servicers have agreed to administer and service the Defaulted Receivables classified as *in sofferenza*. Under the Servicing Agreement, the Servicer has agreed to be responsible for verifying that the transaction complies with the law and this Base Prospectus, in accordance with the requirements of Law 130."

RISK FACTORS

The paragraph "*Reliance of the Covered Bond Guarantor on third parties*" under paragraph "4. Risk factors relating to the Covered Bond Guarantor and the Covered Bond Guarantee" on page 35 of the Base Prospectus is replaced by the following:

"Reliance of the Covered Bond Guarantor on third parties"

The Covered Bond Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Covered Bond Guarantor. In particular, but without limitation, the Servicer and the Special Servicers have been appointed, in accordance with the terms of the Servicing Agreement as to their respective duties and obligations, to service the Receivables and the Securities included in the Portfolio and the Asset Monitor has been appointed to monitor compliance with the Tests. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Portfolio or any part thereof may be affected, or, pending such realisation (if the Portfolio or any part thereof cannot be sold), the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee may be affected. For instance, if the Servicer has failed to adequately administer the Portfolio, this may lead to higher incidences of non-payment or default by Debtors. The Covered Bond Guarantor is also reliant on the Hedging Counterparties to provide it with the funds matching its obligations under the Covered Bond Guarantee.

If an event of default occurs in relation to the Servicer and/or any relevant Special Servicer pursuant to the terms of the Servicing Agreement, then the Covered Bond Guarantor, with the prior written consent of the Representative of the Covered Bondholders, will be entitled to terminate the appointment of the Servicer and/or the relevant Special Servicer (as the case may be) and appoint a Successor Servicer and/or a Successor Special Servicer (as the case may be). There can be no assurance that a successor with sufficient experience in carrying out the activities of the Servicer and/or the relevant Special Servicer would be found and would be willing and able to carry out the relevant activities on the terms of the Servicing Agreement. The ability of a Successor Servicer and/or a Successor Special Servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a Successor Servicer and/or a Successor Special Servicer may affect the realisable value of the Portfolio or any part thereof, and/or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee.

The Representative of the Covered Bondholders is not obliged in any circumstances to act as Servicer and/or Special Servicer or to monitor the performance by the Servicer and/or the Special Servicers of their respective obligations."

GENERAL DESCRIPTION OF THE PROGRAMME

The paragraph "*Special Servicer*" under section "*1. Principal Parties*" on page 46 of the Base Prospectus is replaced by the following:

Special Servicers INTESA SANPAOLO GROUP SERVICES S.C.P.A., a limited liability consortium (*società consortile per azioni*), whose registered office is in Piazza San Carlo 156, Turin and secondary office is in Milan, Via Monte di Pietà 8, registered in the Register of Enterprises of Turin with no. 07975420154, VAT number 04932231006, belonging to the Intesa Sanpaolo Group, subject to the direction and coordination (*direzione e coordinamento*), pursuant to Article 2497-bis of the Italian Civil Code, of Intesa Sanpaolo S.p.A. in its capacity as first special servicer under the Servicing Agreement (**ISGS** or the **First Special Servicer**).

ITALFONDIARIO S.P.A., a joint stock company (*società per azioni*), whose registered office is at Via M. Carucci, 131, Rome, having a share capital of Euro 20,000,000.00 (fully paid up), registered with the Register of Enterprises of Rome with no. 00399750587, VAT no. 00880671003 and registered with no. 31725 of the General Register of Financial Intermediaries and the Special Register held by the Bank of Italy pursuant to Article 107 of the Banking Law (**Italfondiario** or the **Second Special Servicer**).

* * *

The paragraph "*Ownership or control relationships between the principal parties*" under section "*1. Principal Parties*" on page 48 of the Base Prospectus is replaced by the following:

Ownership or control relationships between the principal parties

As of the date of this Base Prospectus, no direct or indirect ownership or control relationships exist between the principal parties described above in this section, other than the relationships existing between Intesa Sanpaolo (as Issuer and in its other roles as indicated above), Banca IMI, the Covered Bond Guarantor and ISGS, all of which pertain to the Intesa Sanpaolo Group.

* * *

Item (iii) under paragraph "*Pre-Issuer Default Interest Priority of Payments*" under section "*3. Covered Bond Guarantee*" on page 62 of the Base Prospectus is replaced by the following:

"(iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Account Banks, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Paying Agent, the Servicer and the Special Servicers;".

Item (iv) under paragraph "*Pre-Issuer Default Interest Priority of Payments*" under section "*3. Covered Bond Guarantee*" on page 62 of the Base Prospectus is replaced by the following:

"(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date, under the Asset Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the Liability Swaps, and (c) to credit to the Relevant Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any

Series of Covered Bonds in relation to which (i) no Liability Swaps have been entered into or (ii) the relevant Liability Swaps have been terminated;".

Item (ii) under paragraph "*Post-Issuer Default Priority of Payments*" under section "3. *Covered Bond Guarantee*" on page 64 of the Base Prospectus is replaced by the following:

"(ii) *second, pari passu and pro rata* according to the respective amounts thereof (a) to pay any amount due and payable to the Representative of the Covered Bondholders, the Account Banks, the Cash Manager, the Administrative Services Provider, the Calculation Agent, the Asset Monitor, the Portfolio Manager, the Paying Agent, the Servicer, the Special Servicers and the Back-up Servicer (if appointed), and (b) to credit the Covered Bond Guarantor Disbursement Amount into the Expenses Account and the Covered Bond Guarantor Retention Amount into the Corporate Account;".

Item (iii) under paragraph "*Post-Issuer Default Priority of Payments*" under section "3. *Covered Bond Guarantee*" on page 64 of the Base Prospectus is replaced by the following:

"(iii) *third, pari passu and pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the Asset Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the Liability Swaps, and (c) to pay any interest amount due and payable on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date or to credit to the Relevant Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the immediately following Guarantor Interest Period (except if the relevant CB Payment Date falls on the first day of such immediately following Guarantor Interest Period), in respect of any Series of Covered Bonds in relation to which (i) no Liability Swaps have been entered into or (ii) the relevant Liability Swaps have been terminated;".

Item (ii) under paragraph "*Post-Guarantor Default Priority of Payments*" under section "3. *Covered Bond Guarantee*" on page 65 of the Base Prospectus is replaced by the following:

"(ii) *second, pari passu and pro rata* according to the respective amounts thereof, (a) to pay any amounts due and payable to the Representative of the Covered Bondholders, the Account Banks, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Servicer, the Special Servicers and the Back-up Servicer (if appointed), and (b) to credit an amount up to the Covered Bond Guarantor Disbursement Amount into the Expenses Account and the Covered Bond Guarantor Retention Amount into the Corporate Account;".

* * *

The paragraph "*Servicing Agreement*" under section "5. *The Transaction Documents*" on page 72 of the Base Prospectus is replaced by the following:

**Servicing
Agreement** Under the terms of the Servicing Agreement, *inter alia*, (i) the Servicer has agreed to administer and service the Receivables (with the exception of Defaulted Receivables classified as *in sofferenza*) and the Securities and to carry out collection activities relating to the Receivables and the Securities, on behalf of the Covered Bond Guarantor; and (ii) the Special Servicers have agreed to administer and service Defaulted Receivables classified as *in sofferenza*.

The Servicer has undertaken to prepare and submit monthly and quarterly reports to, *inter alios*, the Covered Bond Guarantor, the Administrative Services Provider and the Calculation Agent, in the form set out in the

Servicing Agreement, containing information as to all the amounts collected from time to time by the Covered Bond Guarantor in respect of the Portfolio as principal, interest and/or expenses and any payment of damages, as a result of the activity of the Servicer and/or the Special Servicers pursuant to the Servicing Agreement during the preceding Collection Period. The reports will provide the primary source of information relating to the Servicer's and the Special Servicers' activity during the period, including, without limitation, a description of the Portfolio (outstanding amount, principal and interest), information relating to delinquencies, defaults and collections during the Collection Period as well as asset performance analysis (see paragraph headed "*Servicing Agreement*" under the section headed "*Description of the Transaction Documents*").

DESCRIPTION OF THE ISSUER

The paragraph entitled "Share Capital" on page 76 of the Base Prospectus is replaced by the following:

"Share Capital"

As at 3rd December, 2012, Intesa Sanpaolo's issued and paid-up share capital amounted to €8,545,563,541.32, divided into 16,433,776,041 shares with a nominal value of €0.52 each, in turn comprising 15,501,285,480 ordinary shares and 932,490,561 non-convertible savings shares. Since 3rd December, 2012, there has been no change to Intesa Sanpaolo's share capital."

* * *

The paragraph entitled "Principal Shareholders" on page 83 of the Base Prospectus is replaced by the following:

"Principal Shareholders"

As at 22nd November, 2012, the shareholder structure of Intesa Sanpaolo was composed as follows (holders of shares exceeding 2 per cent.):

Shareholders	Ordinary shares	% of ordinary shares
Compagnia di San Paolo	1,506,372,075	9.718%
Fondazione Cariplo	767,029,267	4.948%
Fondazione C.R. Padova e Rovigo	725,017,011	4.677%
Ente C.R. Firenze	514,655,221	3.320%
Assicurazioni Generali S.p.A.	488,202,063	3.149%
Fondazione C.R. in Bologna	313,656,442	2.023%
"		

* * *

The following paragraph is included at the end of the paragraph "*Recent Events*" on page 90 of the Base Prospectus:

"Intesa Sanpaolo: change in share capital"

On 4th December, 2012, Intesa Sanpaolo published a press release an extract of which is set out below:

"Intesa Sanpaolo S.p.A. hereby communicates the new composition of its share capital (fully subscribed and paid-in) following the finalisation of the merger by incorporation of Banco Emiliano Romagnolo S.p.A. into Intesa Sanpaolo S.p.A..

The merger deed was signed on November 23rd 2012 and registered in the Bologna and Turin Company Registers on November 28th and 29th respectively, with legal effect as of December 3rd 2012. As a consequence, a total of 3,705 Intesa Sanpaolo ordinary shares were issued of a nominal value of 0.52 euro, having regular dividend entitlement, coupon 35, with an increase in the share capital from 8,545,561,614.72 euro to 8,545,563,541.32 euro, comprising 15,501,285,480 ordinary shares and 932,490,561 non-convertible savings shares, of a nominal value of 0.52 euro each. Details are shown in the table below."¹¹

COLLECTION AND RECOVERY PROCEDURES

The section "Collection and Recovery Procedures" from page 108 to page 112 of the Base Prospectus is replaced by the following:

"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 the 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, including post offices;
- (iii) by direct debit from the current account, held with another bank ("**RID**");
- (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 the relevant Bank. The status of payments of a mortgage loan in any case can be checked at any time.

Payments by direct debit – "RID"

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 ("**RID**") 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 by direct debit, the flows of amounts due are automatically determined and notified to the relevant correspondent bank. On the day on which such instalment is payable in accordance with the direct debit mandate, the IT direct debit system 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 IT direct debit system. 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 thirty 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 and post offices). Intesa Sanpaolo sends such form to the borrower, before the instalment payment is due, approximately sixty days, in case of a mortgage loan payable on a semi-annual basis, forty five days, in case of a mortgage loan payable 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) in respect of Retail Consumers only, the final deadline of the amortising plan shall not exceed 40 years and the relevant debtor shall not be over 75 (or such other limits as are determined pursuant to the current policy of the Holding Company); and (b) the Servicer shall allow payment holidays for up to twelve months in several circumstances (e.g. in the event of agreements promoted by 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 recently enacted *Fondo di solidarietà* pursuant to Ministerial Decree number 132 issued by the Ministry of Economy and Finance on 21 June 2010 and published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) on 18 August 2010 or particular provisions to prevent natural disasters or humanitarian emergencies).

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 the specific segregated liquidator account, properly opened with Monte Titoli or Clearstream. The custodian bank automatically and promptly pays the amounts collected as follows:

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

(jointly, the **Securities Collection Accounts**),

in accordance with the Cash Management and Agency Agreement.

Further payments

If, for any reason, the Servicer receives any collections, the Servicer shall carry out a reconciliation of the amounts received within 20 (twenty) days from the receipt of such amount 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. The Management of Mortgage Loans in Arrears (*crediti con arretrati*)

The management procedures of the problematic claims have been structured to enable prompt action to be taken in relation to any borrowers who are in arrears with their payments. The loan may therefore be intercepted by Intesa Sanpaolo with regard to several indicators (level of risk of any debtor and level of risk of the economic group, rating, *Sconfino*, ratio of installments in arrears), which enable Intesa Sanpaolo to take the most appropriate measures and decisions with regard to the borrower and the recovery of the unpaid amounts.

Once the loan (or the borrower, as the case may be) is intercepted, Intesa Sanpaolo uses a set of different processes. In case of a borrower having only mortgage loans or other kind of loans based on the payment of instalments, the relevant process is the *Processo Gestione Retail*. In case of borrowers having other kind of credit products in place with Intesa Sanpaolo (e.g. the possibility to draw a credit line), the other process are: *Processo Rischio Medio* and *Processo Rischio Alto*.

In the *Processo Gestione Retail* a Mortgage Loan is intercepted when there is at least one of the following indicators: (i) the risk index is equal to High (*Alto*) or Medium (*Medio*), (ii) the *Sconfino* status lasts for a period exceeding thirty days, or (iii) the ratio of the sum of instalment payments in arrears and default interest divided by the last due instalment in relation to the following payment periods is greater than or equal to 1. The process is divided into the following steps. The first step involves the application of Phone Banking status to the borrowers intercepted through the indicator described in (iii) above. In this phase, the Contact Unit contacts the relevant borrowers and tries to reach an agreement with such borrowers in relation to the payment of the instalments due or to organise a meeting in the branch of Intesa Sanpaolo. The second step, *Gestione Filiale* status, involves the management of the loan made at the branch level, and has a duration of 30 or 45 days. The third automatic step is the *Gestione Pratica Autorizzata*, which has a duration of 90 days and provides for the automatic classification as *Valutazione Area* in the event that *Sconfino* status is continuing and lasts for a period exceeding thirty days. The fourth step is the *Valutazione Area*, which has a duration of 15 days: the relevant branch transfers the responsibility for the management of such Loan position to the credit specialist in charge at the *Area* level (*Addetto Ufficio Crediti di Area*). The credit specialist may also rely on the telephone contact unit. If this step is also unsuccessful, the loan is automatically classified as *Rischio in Osservazione*, divided in two phases having target duration of 30 days each, that can be followed by the status *Proroga Rischio in Osservazione* (another 60 days). The purpose of the *Rischio in Osservazione* status is to preserve the relationship with the borrower. The loan is subsequently classified as *Incaglio* (maximum duration 360 days): (i) automatically if no success is obtained from the *Rischio in Osservazione* status and from the *Proroga del Rischio di Osservazione* or if the borrower is in a *Sconfino* status (as defined below) or (ii) automatically if the loan is to be classified as *Incaglio Oggettivo* according to the provisions of the Bank of Italy, or (iii) manually by Intesa Sanpaolo's officers

(at the branch level, the Area level or by Intesa Sanpaolo's Credit Department) at any moment of the managing process, if deemed appropriate.

The *Sconfino* status is a daily and automatic interception by the IT system arising when (i) the total exposure of a borrower (eg. current account, mortgage) is in arrears or the cash account is negative for more than 90 days (or different date pursuant to the applicable BoI Regulations) with no interruption - and (ii) such amount in arrears must be greater than 5% of the client's total exposure.

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 due instalment 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 extrajudicial recovery of the loans in arrears granted to households and clients belonging to the small business segment, being classified as *Rischio in Osservazione* or deteriorated (only *Incaglio*, *Sconfino* and restructured loans), in addition to their internal offices, the banks of the *Divisione Banca dei Territori* now avail themselves of specialised external companies having the necessary regulatory requirements.

The assignment and management process is supported by a dedicated IT processing system allowing the immediate visibility of the collection actions undertaken by the external Companies and a punctual monitoring of the evolution of the matters assigned for collection.

The relevant thresholds for the appointment of third party Companies are:

- in respect of counterparties that have only unsecured exposures, where such exposures are between Euro 15,500 and Euro 50,000; and
- in respect of counterparties that have both unsecured exposures and mortgage loans (managed both with the CMLT mortgage procedure and the LOANS procedure), where the aggregate exposure is between Euro 15,500 and Euro 200,000, provided that the mortgage loan amount is equal to or higher than 80 per cent. of the total exposure.

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

- appointments are granted periodically, usually monthly, according to Intesa Sanpaolo's needs and in its total discretion, without any obligation to grant a minimum number of practices;
- such companies 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 cash the Loans, unless they have the necessary regulatory authorisations.

In order to carry out their collection appointment, such companies may resort to a lawyer to receive advice and to send further payment reminders. Such companies shall provide monthly reports on the activities carried out and also provide Intesa Sanpaolo with specific written reports if the debtor is untraceable and if the collections had negative outcome, pursuant to Privacy law, useful, in case of negative outcome, for further collection actions, if appropriate.

Renegotiation

In the case of a mortgage loan with overdue payments, only the term of the amortisation plan may be renegotiated, while all other economic conditions provided for by contract, including the frequency of instalments, are to be maintained. As to the positions classified as *Rischio in Osservazione*, *Sconfino* or *Incaglio*, the proposal of a renegotiation of the Mortgage Loan to the relevant client must obtain previous clearance by the relevant department (*Organo Superiore competente*).

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:

- (i) repayment of the amount of the overdue and unpaid instalments together with the outstanding debt over a period longer than the then residual life of the Mortgage Loan;
- (ii) collection of overdue interest and interest on arrears accrued and not paid over the last six months;
- (iii) suspension of 20%, or waiver of the default interest recorded as at the due date of the instalment immediately preceding the renegotiation;
- (iv) the maximum term of a renegotiated loan is currently 40 years from the initial registration of the Mortgage.

Restructuring

A loan is deemed to be “restructured” if it meets both the following conditions:

- (i) deterioration of the economic and financial situation of the debtor (except for the Country Risk); and
- (ii) a loss exists under such loan.

The meeting of the second condition is determined by a comparison between the current values of the expected cash flows before and after the restructuring.

The renegotiations involving amendments of the economic terms fall within such category; in that case, the loans shall be classified as restructured loans.

The characteristics of the restructuring are substantially the same than the renegotiations with the exception of the provisions of the Servicing Agreement.

With regard to the different kinds of loans taken out by business entities and the different kinds of renegotiation, renegotiations are evaluated on a case-by-case basis in light of the condition of the financial market at the point of the renegotiation request, the creditworthiness of the relevant borrower and the particular conditions of the relevant loan agreement.

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 are the same as the powers conferred upon the Second Special Servicer by the management agreement entered into between Intesa Sanpaolo and Italfondiario (the *Accordo di Gestione*) in respect of individual customers; such management powers shall be deemed to be amended from time to time in the event of subsequent agreements between the First Special Servicer 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 and described in the *Accordo di Gestione*. 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.

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."

ACCOUNTS AND CASH FLOWS

The paragraph entitled "*Deposits*" under paragraph "*1. The Receivables Collection Account*" under "*Part A*" on page 123 of the Base Prospectus is replaced by the following:

"Deposits"

The Servicer shall transfer to the Receivables Collection Account all payments and recovery amounts received by the Servicer and/or the Special Servicers in relation to the Receivables, with value date as of the relevant date of receipt."

The paragraph entitled "*Deposits*" under paragraph "*1. The Receivables Collection Account*" under "*Part B*" on page 127 of the Base Prospectus is replaced by the following:

"Deposits"

The Servicer shall transfer to the Receivables Collection Account all payments and recovery amounts received by the Servicer and/or the Special Servicers in relation to the Receivables, with value date as of the relevant date of receipt."

* * *

CASH FLOWS

Item (iii) under paragraph "*1. Pre-Issuer Default Interest Priority of Payments*" on page 133 of the Base Prospectus is replaced by the following:

"(iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Account Banks, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Paying Agent, the Servicer and the Special Servicers;"

Item (iv) under paragraph "*1. Pre-Issuer Default Interest Priority of Payments*" on page 133 of the Base Prospectus is replaced by the following:

"(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date, under the Asset Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the Liability Swaps, and (c) to credit to the Relevant Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which (i) no Liability Swaps have been entered into or (ii) the relevant Liability Swaps have been terminated;"

Item (vii) under paragraph "*2. Pre-Issuer Default Principal Priority of Payments*" on page 134 of the Base Prospectus is replaced by the following:

"(vii) *seventh*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (ii) above;"

Item (ii) under paragraph "*3. Post-Issuer Default Priority of Payments*" on page 135 of the Base Prospectus is replaced by the following:

"(ii) *second, pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any amount due and payable to the Representative of the Covered Bondholders, the Account Banks, the Cash Manager, the Administrative Services Provider, the Calculation Agent, the Asset Monitor, the Portfolio Manager, the Paying Agent, the Servicer, the Special Servicers and the Back-up Servicer (if appointed), and (b) to credit the Covered Bond Guarantor Disbursement Amount into the Expenses Account and the Covered Bond Guarantor Retention Amount into the Corporate Account;"

Item (iii) under paragraph "*3. Post-Issuer Default Priority of Payments*" on page 135 of the Base Prospectus is replaced by the following:

"(iii) *third, pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the Asset Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the Liability Swaps, and (c) to pay any interest amount due and payable on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date or to credit to the Relevant Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the immediately following Guarantor Interest Period (except if the relevant CB Payment Date falls on the first day of such immediately following Guarantor Interest Period), in respect of any Series of Covered Bonds in relation to which (i) no Liability Swaps have been entered into or (ii) the relevant Liability Swaps have been terminated;"

Item (ii) under paragraph "*4. Post-Guarantor Default Priority of Payments*" on page 136 of the Base Prospectus is replaced by the following:

"(ii) *second, pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay any amounts due and payable to the Representative of the Covered Bondholders, the Account Banks, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager, the Servicer, the Special Servicers and the Back-up Servicer (if appointed), and (b) to credit an amount up to the Covered Bond Guarantor Disbursement Amount into the Expenses Account and the Covered Bond Guarantor Retention Amount into the Corporate Account;"

DESCRIPTION OF THE TRANSACTION DOCUMENTS

The paragraph entitled "2. *Servicing Agreement*" on page 140 of the Base Prospectus is replaced by the following:

"2. Servicing Agreement"

Under the terms of the Servicing Agreement, *inter alia*, (i) the Servicer has agreed to administer and service the Receivables (with the exception of the Defaulted Receivables classified as *in sofferenza*) and the Securities and to carry out the collection activities relating to the Receivables and the Securities, on behalf of the Covered Bond Guarantor; and (ii) the Special Servicers has agreed to administer and service the Defaulted Receivables classified as *in sofferenza*.

The appointment of the Servicer and the Special Servicers is not a mandate *in rem propriam* and, therefore, the Covered Bond Guarantor is entitled to revoke or terminate the same in accordance with the provisions set forth in the Servicing Agreement.

As consideration for the activities performed in accordance with the terms of the Servicing Agreement, the Servicer and the Special Servicers shall receive certain fees, and shall have the right to be reimbursed of certain expenses, which shall be payable by the Covered Bond Guarantor on each Guarantor Payment Date in accordance with the applicable Priorities of Payments. The Servicing Agreement provides that, for as long as the Seller and any Special Servicer are part of the Intesa Sanpaolo Banking Group, no fee shall be due to the relevant Special Servicer.

Activities of the Servicer and the Special Servicers

In the context of its appointment, the Servicer has undertaken to perform, with its best diligence and highest professional standards, *inter alia*, the activities specified below:

- (i) administration and management of the Receivables (with the exception of the Defaulted Receivables classified as *in sofferenza*) and the Securities and collection of the Receivables and the Securities in accordance with the Servicing Agreement, the Collection Policies and the OBG Regulations;
- (ii) performance of certain activities with reference to the data processing pursuant to the Privacy Law;
- (iii) keeping and maintaining updated and safe the documents relating to the Receivables or Securities transferred from the Seller to the Covered Bond Guarantor; consenting to the Covered Bond Guarantor and the Representative of the Covered Bondholders examining and inspecting the documents and producing copies thereof;
- (iv) upon the occurrence of a Covered Bond Guarantor Event of Default, the Servicer shall follow only the instructions given by the Representative of the Covered Bondholders and disregard those instructions given by the Covered Bond Guarantor.

In the context of their respective appointment, the Special Servicers have undertaken to perform, with its best diligence and highest professional standards, *inter alia*, the activities relating to the administration and management of the Defaulted Receivables classified as *in sofferenza* and the commencement and management of the judicial and insolvency proceedings relating thereto, in accordance with the Servicing Agreement and the Collection Policies.

Each of the Servicer and the Special Servicers are entitled to delegate the performance of certain activities to third parties, except for the supervisory activities which the Servicer shall be bound to carry out in accordance with the BoI Regulations. Notwithstanding the above, each of the Servicer and/or the Special Servicers shall remain fully liable for the activities performed by any party so appointed by it, and shall maintain the Covered Bond Guarantor fully indemnified for any losses, costs and damages incurred for the activity performed by a party so appointed.

Servicer Reports

The Servicer has undertaken to prepare and submit monthly and quarterly reports to, *inter alios*, the Covered Bond Guarantor, the Administrative Services Provider, the Asset Monitor, the Rating Agency, the Representative of the Covered Bondholders, the Hedging Counterparties and the Calculation Agent, in the form set out in the Servicing Agreement, containing information about the Collections made in respect of the Portfolio during the preceding calendar month or Collection Period (respectively). The reports will provide the main information relating to the Servicer's activity during the relevant period, including without limitation, a description of the Portfolio (outstanding amount, principal and interest) and information relating to delinquencies, defaults and collections.

Successor Servicer and Successor Special Servicer

According to the Servicing Agreement, upon the occurrence of a termination event, the Covered Bond Guarantor shall have the right to terminate the appointment of the Servicer and/or the relevant Special Servicer (as the case may be) and, subject to the approval in writing of the Representative of the Covered Bondholders, to appoint a Successor Servicer and/or Successor Special Servicer (as relevant). The relevant successor shall have certain characteristics as set out under the Servicing Agreement and shall undertake to carry out the activities of the Servicer and/or the relevant Special Servicer (as relevant) by entering into a servicing agreement having substantially the same form and contents as the Servicing Agreement and accepting the terms and conditions of the Intercreditor Agreement.

The Covered Bond Guarantor may terminate (*revocare*) the appointment of the Servicer upon the occurrence of any of the following termination events:

- (i) the occurrence of an Insolvency Proceeding with respect to the Servicer or the Servicer resolving upon the entering into an Insolvency Proceeding or a voluntary liquidation;
- (ii) failure by the Servicer to observe or perform certain of its duties (as set out under the Servicing Agreement) and the continuation of such failure for a period of 15 Business Days following receipt of written notice from the Covered Bond Guarantor, provided that such failure may prejudice the activities of the Servicer under the Servicing Agreement;
- (iii) inability of the Servicer to meet the legal requirements and the Bank of Italy's regulations for entities acting as servicer.

The Covered Bond Guarantor may terminate (*revocare*) the appointment of a Special Servicer upon the occurrence of any of the following termination events:

- (i) the occurrence of an Insolvency Proceeding with respect to the Special Servicer or the Special Servicer resolving upon the entering into an Insolvency Proceeding or a voluntary liquidation;
- (ii) failure by the Special Servicer to observe or perform certain of its duties (as set out under the Servicing Agreement) and the continuation of such failure for a period of 15 Business Days following receipt of written notice from the Covered Bond Guarantor, provided that such failure may prejudice the activities of the Special Servicer under the Servicing Agreement;
- (iii) if the Covered Bond Guarantor terminates the appointment of the Servicer, provided that, upon the occurrence of the event indicated under this paragraph (iii), the Covered Bond Guarantor shall be required to terminate the appointment of the Special Servicer;
- (iv) with reference to the Second Special Servicer, if the management agreement (*Accordo di Gestione*) entered into between the Issuer and the Second Special Servicer and relating to the recovery activities of the Second Special Servicer is resolved and/or terminated.

Governing Law

The Servicing Agreement, and any non-contractual obligations arising out of or in connection with the Servicing Agreement, is governed by Italian law."

GLOSSARY

The following definitions included in the section "Glossary" on page 246 of the Base Prospectus are replaced as follows:

"Dealer Agreement means the dealer agreement entered into on or about the Programme Date between, *inter alios*, the Issuer and the Dealers, as amended and/or supplemented from time to time."

"Eligible Investments means:

(a) Euro denominated securities having the minimum rating as determined by the parties in accordance with the applicable rating methodology to be applicable or agreed by the Rating Agency from time to time, being, as at the date hereof, "P-1" by Moody's and which have a maturity of up to 30 calendar days or, if longer, which may be liquidated without loss within 30 days from a downgrade below "P-1" by Moody's and which qualify as Eligible Assets and/or Integration Asset; and/or

(b) reserve accounts, deposit accounts, and other similar accounts which qualifies as Integration Assets held with a bank having minimum ratings as determined by the parties in accordance with the applicable rating methodology to be applicable or agreed by the Rating Agency from time to time, being, as at the date hereof, "P-3" by Moody's,

provided that any such investments shall be liquidated in accordance with the provisions of the Cash Management and Agency Agreement."

"First Special Servicer means the entity appointed as such under the Servicing Agreement."

"French Law Security Document means the pledge over bank accounts agreement (*contrat de nantissement de comptes bancaires*) with respect to the bank accounts opened in the name of the Covered Bond Guarantor on or about the 22 June 2012, entered into between, among others, the Covered Bond Guarantor and the Representative of the Covered Bondholders."

"Interest Accumulation Amount means an amount equal to the interest amounts due on the CB Payment Dates falling during the immediately following Guarantor Interest Period (excluding the first day of such Guarantor Interest Period if the Post-Issuer Default Priority of Payments is applicable), in respect of any Series of Covered Bonds in relation to which (i) no Liability Swaps have been entered into or (ii) the relevant Liability Swaps have been terminated."

"Master Definitions Agreement means the master definitions agreement entered into on or about the Programme Date between, *inter alios*, the Issuer, the Covered Bond Guarantor, the Paying Agent and the Calculation Agent, as amended and/or supplemented from time to time."

"Second Special Servicer means the entity appointed as such under the Servicing Agreement."

"Special Servicer means the First Special Servicer, the Second Special Servicer and any other entity acting as Special Servicer pursuant to the Servicing Agreement, as the case may be."

* * *

The following definition is included in the section "Glossary" on page 246 of the Base Prospectus:

"IT and Operational Services Provider means ISGS or any other entity replacing ISGS pursuant to the Servicing Agreement or the Corporate Services Agreement."