

**SUPPLEMENT DATED 16 FEBRUARY 2018
TO THE BASE PROSPECTUS DATED 20 DECEMBER 2017**



Intesa Sanpaolo S.p.A.

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

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

ISP CB Ipotecario S.r.l.

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

BY APPROVING THIS SUPPLEMENT, THE COMMISSION SURVEILLANCE DU SECTEUR FINANCIER GIVES NO UNDERTAKING AS TO THE ECONOMIC OR FINANCIAL OPPORTUNENESS OF THE TRANSACTION OR THE QUALITY AND SOLVENCY OF THE ISSUER IN LINE WITH THE PROVISIONS OF ARTICLE 7 (7) OF THE LUXEMBOURG LAW DATED 10 JULY 2005 ON PROSPECTUSES FOR SECURITIES.

This supplement (the **Supplement**) constitutes a Supplement to the base prospectus dated 20 December 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 **Covered Bond Guarantor**).

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

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

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

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of the Prospectus Directive and Luxembourg Law, as a supplement issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of updating the front cover of the Base Prospectus and the sections of the Base Prospectus headed “*Notice*”, “*Documents*”

incorporated by reference”, “Description of the Issuer”, “Form of Final Terms”, “Subscription and Sale” and “General Information”.

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

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

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

TABLE OF CONTENTS

FRONT COVER	4
NOTICE	5
DOCUMENTS INCORPORATED BY REFERENCE.....	6
DESCRIPTION OF THE ISSUER	8
FORM OF FINAL TERMS	14
SUBSCRIPTION AND SALE	15
GENERAL INFORMATION	17

FRONT COVER

Under the front cover of the Base Prospectus, on page 1, the following paragraph is inserted after the paragraph stating “*The Programme also permits Covered Bonds to be issued on an unlisted basis*”:

“Amounts payable under the Covered Bonds may be calculated by reference to either EURIBOR, LIBOR or such other Reference Rate as specified in the relevant Final Terms. As at the date of this Base Prospectus, the administrators of EURIBOR and LIBOR are not included on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to article 36 of Regulation (EU) 2016/1011 (the **BMR**).

As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that the administrators of EURIBOR and LIBOR are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).”

NOTICE

Under the section headed “*Notice*”, on page 53 of the Base Prospectus, the paragraph titled “*IMPORTANT – EEA RETAIL INVESTORS*” is replaced by the following:

“IMPORTANT – EEA RETAIL INVESTORS - If the Final Terms in respect of any Cover Bonds include a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.”

DOCUMENTS INCORPORATED BY REFERENCE

Under the section headed “*Documents incorporated by reference*”, on page 60 of the Base Prospectus, the first paragraph is deleted and replaced by the following (the underlined words show the insertions made):

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

- (a) the press release dated 6 February 2018 regarding the Issuer’s consolidated results in respect of the year ended on 31 December 2017 (the **6 February 2018 Press Release**);
- (b) the Issuer’s unaudited condensed consolidated financial statements as at 30 September 2017;
- (c) the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2017, with auditors’ limited review report;
- (d) the Issuer’s audited consolidated annual financial statements, including the auditors’ report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016;
- (e) the Issuer’s audited consolidated annual financial statements, including the auditors’ report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;
- (f) the Covered Bond Guarantor’s unaudited interim condensed financial statements, including the auditors’ limited review report, in respect of the half-year 2017;
- (g) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2016;
- (h) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2016;
- (i) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2015;
- (j) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2015;
- (k) the terms and conditions of the Covered Bonds contained in the prospectus dated 22 December 2014, pages from 187 to 243 (both included), in the prospectus dated 22 December 2015, pages from 199 to 263 (both included) and in the prospectus dated 23 December 2016, pages from 194 to 258 (both included), each prepared by the Issuer in connection with the Programme.”

* * *

Under the section headed “*Documents incorporated by reference*”, on pages 60 and 61 of the Base Prospectus, the third, fourth and fifth paragraphs are deleted and replaced by the following (the underlined words show the insertions made):

“Copies of documents incorporated by reference into this Base Prospectus may be obtained from the registered office of the Issuer or, for the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2015 and 31 December 2016, the auditor’s report for the Issuer for the financial years ended on 31 December 2015 and

31 December 2016, the Issuer's unaudited condensed consolidated financial statements in respect of the half-year 2017 and the Issuer's unaudited condensed consolidated financial statements as at 30 September 2017 on the Issuer's website (www.group.intesasanpaolo.com/scriptIsir0/si09/investor_relations/eng_bilanci_relazioni.jsp).

In addition, copy of the 6 February 2018 Press Release may be obtained on the Issuer's website (http://www.group.intesasanpaolo.com/scriptIsir0/si09/salastampa/eng_comunicati_stampa.jsp).

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

The 6 February 2018 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 and the Issuer's unaudited condensed consolidated financial statements as at 30 September 2017 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*", on page 61 of the Base Prospectus, in the paragraph headed "*Cross-reference List*", before the table headed "*Intesa Sanpaolo interim statements as at 30 September 2017 (Commission Regulation (EC) No. 809/2004, Annex XI, paragraph 11.5.)*" the following table is included:

"Press Release dated 6 February 2018

Press Release	Page number(s)
Reclassified consolidated statement of income	Page 25
Quarterly development of the reclassified consolidated statement of income	Page 26
Reclassified consolidated balance sheet	Page 27
Quarterly development of the reclassified consolidated balance sheet	Page 28
Breakdown of financial highlights by business area	Page 29"

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of Regulation (EC) 809/2004 (as amended).

DESCRIPTION OF THE ISSUER

Under the section headed “*Description of the Issuer*”, on page 107 of the Base Prospectus, at the end of the paragraph titled “*2017 Other highlights*” and before the paragraph titled “*Sovereign risk exposure*”, the following periods are added:

“Intesa Sanpaolo has received notification of the ECB’s final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2018, following the results of the Supervisory Review and Evaluation Process (SREP). The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.145% under the transitional arrangements for 2018 and 9.33% on a fully loaded basis. This is the result of:

- a SREP requirement in terms of Total Capital ratio of 9.5% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is Common Equity Tier 1 ratio, and an additional Pillar 2 capital requirement of 1.5% made up entirely of Common Equity Tier 1 ratio;
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
 - a Capital Conservation Buffer of 1.875% under the transitional arrangements for 2018 and 2.5% on a fully loaded basis in 2019,
 - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.19% under the transitional arrangements for 2018 and 0.75% on a fully loaded basis in 2021,
 - a Countercyclical Capital Buffer of 0.08% ⁽¹⁾.

Intesa Sanpaolo’s capital ratios as at 30 September 2017 on a consolidated basis - net of around €2.2 billion dividends accrued for the first nine months of the year - were as follows:

- 13% in terms of Common Equity Tier 1 ratio ⁽²⁾
- 17.6% in terms of Total Capital ratio ⁽²⁾

calculated by applying the transitional arrangements for 2017, and

- 13.4% in terms of pro-forma Common Equity Tier 1 ratio calculated on a fully loaded basis ⁽²⁾
⁽³⁾
- 17.8% in terms of pro-forma Total Capital ratio calculated on a fully loaded basis ⁽²⁾⁽³⁾.

Intesa Sanpaolo has announced that it has reached an agreement on 21 December 2017 with the trade unions that follows on from what previously agreed in relation to the acquisition of operations of the former Venetian Banks (Banca Popolare di Vicenza and Veneto Banca). Specifically, the agreement stipulates that the Intesa Sanpaolo Group is prepared to:

(1) Calculated taking into account the exposures as at 30 September 2017 in the various countries where the Intesa Sanpaolo Group has a presence, as well as the respective requirements set by the competent national authorities and relating either to 2018-2019, where available, or to the latest update of the reference period (requirement was set at zero per cent in Italy for the fourth quarter of 2017).

(2) After the deduction of accrued dividends, assumed equal to the net income for the first nine months of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca.

(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the announced reserve distribution by insurance companies, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with no benefit for the Common Equity Tier 1 ratio and a benefit of six basis points for the Total Capital ratio as at 30 September 2017).

- accept all the applications it has received with regard to voluntary exits, which have been subscribed by around 7,500 people under the Solidarity Allowance, with the last exits to take place by 30 June 2020;
- hire 1,000 new personnel with indefinite-term contracts, with a focus on the branch network, on the disadvantaged areas of the Country, on new professions, including the hiring of people being part of protected categories (compulsory employment) and taking into account people currently employed with fixed-term contracts;
- hire 500 new personnel with a mixed contract, each on an employed with part-time indefinite-term contract and on a self-employed basis, to perform the role of financial advisor having previously been enrolled on the register of financial advisors.

Therefore, the total voluntary exits will involve around 9,000 people. In detail:

- 1,500 people from the Intesa Sanpaolo Group who already fulfil pension requirements, by 31 December 2018;
- 1,000 people from the former Venetian Banks and 3,000 people from the Intesa Sanpaolo Group under the Solidarity Allowance, by 30 June 2019, in accordance with the contract signed on 26 June 2017 for the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca;
- 3,500 people from the Intesa Sanpaolo Group under the Solidarity Allowance, by 30 June 2020.

The exit deferral up until 30 June 2020 and the reduction in the average stay in the Solidarity Fund enable Intesa Sanpaolo to optimise the charges in relation to the voluntary exits expected to be borne by the Intesa Sanpaolo Group, to be booked in the fourth quarter of 2017, that amount to around €45 million net of tax.

New hires are in addition to 150 hires already agreed on with the trade unions on 1 February 2017 and to around 100 hires with indefinite-term contracts reserved for people with fixed-term contracts working in the operations of the former Venetian Banks as at 25 June 2017.

Following the agreement, overall savings in personnel expenses of around €675 million per year are expected on a fully operational basis (starting from 2021)."

* * *

Under the section headed "*Description of the Issuer*", on page 107 of the Base Prospectus, after the paragraph titled "*2017 Other highlights*" and before the paragraph titled "*Sovereign risk exposure*", a new paragraph titled "*Intesa Sanpaolo in 2018 - Highlights*" is added as follows:

"Intesa Sanpaolo in 2018 - Highlights

On 10 January 2018 Intesa Sanpaolo communicated that the Bank is considering strategic options involving the NPL servicing activity, that include a disposal of a bad loan portfolio of the Intesa Sanpaolo Group, as part of the upcoming business plan.

Such options do not modify the commitment of Intesa Sanpaolo to distribute €3.4 billion cash dividends for 2017, which is confirmed.

At a meeting of the Board of Directors of Intesa Sanpaolo on 6 February 2018, the Board of Directors of Intesa Sanpaolo, decided to submit, alongside its approval of the Intesa Sanpaolo Group's 2018-2021 business plan, a long-term incentive plan (the **Incentive Plan**) for the approval of shareholders, who will be summoned to the meeting scheduled for 27 April 2018. The Incentive Plan is based on Intesa Sanpaolo S.p.A. financial instruments and is reserved for all Intesa Sanpaolo Group employees in Italy. The Incentive Plan is a tool facilitating a broad-

based shareholding in the capital of the Bank, aimed at enhancing the role of employees as key enablers in the achievement of the business plan's results.

The Incentive Plan consists of two systems:

- with regard to top management, risk takers and key managers, it provides for the assignment of equity call options on Intesa Sanpaolo ordinary shares (POP – Performance-based Option Plan);
- with regard to all the other Intesa Sanpaolo Group employees, it provides for: (i) the assignment of new ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment and, as an alternative choice for employees, (ii) the opportunity to subscribe to an investment plan in a certain proportion to the number of shares received free of charge. This Incentive Plan is based on new Intesa Sanpaolo ordinary shares deriving from a capital increase with payment, reserved for employees and at a discounted issue price (LECOIP 2.0 – Leveraged Employee Co-Investment Plan).

In detail, the POP Incentive Plan stipulates that performance conditions must be applied for incentives to be actually awarded, in relation to specific key objectives to be achieved over the course of the business plan. It does not envisage any protection of the initial assignment to the employee.

The related documentation will be made available to shareholders and the public in accordance with regulations in force and within the period of time provided by law.

The Incentive Plan is subject to authorisations being received from the competent authorities.

Assuming all employees subscribe to the Incentive Plan, the total number of ordinary shares to be issued in the capital increase without payment and in the capital increase with payment is estimated to be equal to a maximum number representing around 3.5% of the ordinary share capital following the increase and 3.4% of the total share capital (comprising the ordinary shares and the savings shares) of Intesa Sanpaolo following the increase⁽¹⁾.

The Board of Directors of Intesa Sanpaolo announced that as of 6 February 2018 it has resolved, concurrently with the approval of the 2018-2021 business plan, to submit to the shareholders' meeting a proposal for the mandatory conversion of savings shares of Intesa Sanpaolo into ordinary shares of Intesa Sanpaolo, on the basis of a conversion ratio of 1.04 ordinary shares per each savings share, without any payment of cash adjustments (the **Conversion**) and along with the concurrent removal from the Articles of Association of the nominal value indication with regard to the Bank's shares.

Therefore, the Board of Directors has called the extraordinary shareholders' meeting, on single call, to take place on 27 April 2018, at the new headquarters in Turin, with entrance in Corso Inghilterra no. 3, at 10:00 of 27 April 2018, in order to resolve upon the following item of the agenda:

1. Mandatory conversion of savings shares into ordinary shares and concurrent removal of the indication of nominal value for the shares of Intesa Sanpaolo from the Articles of Association.
2. Amendment of Articles 5 and 29 and removal of Article 30 of the Articles of Association. Pertinent and consequent resolutions.

The Board of Directors has also called the special meeting of savings shareholders, on single call, to take place on 27 April 2018, at the new headquarters in Turin, with entrance in Corso Inghilterra no. 3, at 16:00 of 27 April 2018 and in any case at the end of the meeting of ordinary shareholders, in order to resolve upon the following item of the agenda:

(1) Assuming a market share price of euro 3 and a subscription discount for the discounted shares of 11%. This is a provisional estimate, given that the impact will only be determined upon the assignment of the Incentive Plan.

1. Approval, pursuant to Article 146, paragraph 1, letter b) of Legislative Decree no. 58 of 24 February 1998, of the resolutions of the extraordinary shareholders' meeting concerning the mandatory conversion of the company's savings shares into ordinary shares of the same company, as well as the removal of the indication of the nominal value of the shares from the Articles of Association and the relative amendments to the Articles of Association. Pertinent and consequent resolutions.

The effectiveness of the Conversion, should it receive the approval of the extraordinary shareholders' meeting, will be conditioned upon:

- (a) the approval of the Conversion by the special savings shareholders' meeting;
- (b) the authorisations of the European Central Bank required under the current legal and regulatory framework, for the purposes of the amendments to the Articles of Association, the inclusion of the ordinary shares that are issued in connection with the Conversion in the CET 1 and the possible purchase by the company of own shares at the end of the liquidation procedure relating to withdrawing shareholders; and
- (c) the amount owed to those who elect to exercise the withdrawal right not exceeding Euro 400 million at the end of the pre-emption and pre-emptive rights offering period concerning any offer to the Intesa Sanpaolo shareholders of the shares held by the withdrawing savings shareholders pursuant to Art. 2437-*quater*, par. 1 and 2 of the Italian Civil Code.

The conversion ratio has been set by the Board of Directors on the basis of, inter alia, the report of an independent expert and includes an implied premium on the savings shares' price equal to:

- 3.4% in relation to the last stock exchange closing price of 5 February 2018;
- 3.3% in relation to the average price registered in the past month;
- 4.4% in relation to the average price registered in the past 3 months.

Since the resolution approving the Conversion implies an amendment to the Company's Articles of Association regarding voting and participation rights, the savings shareholders who do not take part in the approval of the related resolution of the special savings shareholders' meeting will be entitled to exercise the right of withdrawal pursuant to Art. 2437, par. 1 (g) of the Italian Civil Code (the **Withdrawal Right**). The liquidation value of each savings share was calculated in accordance with Art. 2437-*ter* of the Italian Civil Code and set by the Board of Directors at Euro 2.74, equal to the arithmetic average of closing prices of the savings shares on the market in the six months prior to the date of publication of the notice of call of the special savings shareholders' meeting (6 February 2018). The Articles of Association do not derogate from the abovementioned legal criteria.

Should any of the aforesaid savings shareholders exercise the Withdrawal Right, it will be necessary to liquidate their shareholdings in accordance with the liquidation procedure provided under Art. 2437-*quater* of the Italian Civil Code. In the context of said liquidation procedure, the company may be required to repurchase the shares from the withdrawing shareholders that are not purchased by the other shareholders or possibly placed on the market at their liquidation value. For this reason, the Board of Directors will propose among the items on the agenda for the extraordinary shareholders' meeting set for 27 April 2018 also the authorisation of the sale of shares that may be purchased in the light of this procedure, in order to allow the company to liquidate an investment which would be otherwise fully deducted from shareholders' equity and CET 1 (Common Equity Tier 1) due to their quality as own shares. The maximum amount of shares which are the subject matter of said authorisation will be equal to the number of ordinary shares resulting from the Conversion which will be purchased by the company at the end of the possible liquidation process in connection with the shares remaining at the end of the pre-emption/pre-emptive offer.

The documentation concerning the abovementioned proposals of shareholders' meeting resolutions will be made publicly available in accordance with the provisions set out in the current legal framework.

Please note that:

- the ordinary shares that will be issued to service the Conversion will bear regular dividend rights;
- it is foreseen that the date of effectiveness of the Conversion – where the relevant conditions have been fulfilled – shall fall after the ex-right date of dividends relating to the financial year ended 31 December 2017 (set for 21 May 2018); said dividend shall therefore be distributed to both ordinary and savings shareholders in accordance with the Articles of Association in place prior to the Conversion (Art. 29.3 of the Articles of Association);
- the withdrawal procedure will commence and will conclude after the ex-right date of the dividends relating to the financial year ended 31 December 2017, and the savings shareholders who exercise the Withdrawal Right – as well as those who do not exercise such right – will receive such privileged dividend in accordance with Art. 29.3 of the Articles of Association currently in force.

The Conversion will be directed at all holders of savings shares.

The effective date of the Conversion shall be agreed with Borsa Italiana S.p.A. and made publicly available on the website of the company and in at least one national daily newspaper, in accordance with Art. 72, par. 5, of the Issuers' Regulation – CONSOB resolution no. 11971/1999. With same notice, the company will provide details on the modalities of assignment of the ordinary shares resulting from the conversion ratio and on the management of any fractions of shares resulting from the conversion ratio. On the same date, the savings shares shall be revoked from listing on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., and the ordinary shares resulting from the Conversion will be listed on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A..

The Conversion is aimed at rationalising and simplifying the capital structure of Intesa Sanpaolo, as well as simplifying the company's corporate governance by aligning all shareholder rights. Furthermore, with respect to the capital requirements provided under the supervisory regulations, it is worth noting that the nominal value of the savings shares – unlike that of ordinary shares – is not included in the CET 1 (Common Equity Tier 1) but is included in Additional Tier 1 capital. Therefore, assuming a scenario in which all savings shares are converted, the CET 1 ratio of the Intesa Sanpaolo Group would register – on the basis of the figures as at 31 December 2017 and all other terms being equal – an increase equal to 18 bps. Such increase would instead be equal to 3 bps if withdrawals entail the company to incur the maximum costs provided in the conditions upon which the effectiveness of the Conversion is subject and should the ordinary shares remaining post-Conversion (and therefore purchased by the company) not be sold.

Should all of the savings shares be converted into ordinary shares, the voting rights of the ordinary shareholders will be diluted by approximately 5.8%. In the instance of maximum costs being incurred by the company following the exercise of withdrawal rights (without placement of the shares purchased in the context of the abovementioned liquidation procedure on the market), said dilution will instead be equal to approximately 4.9%.

The economic dilution, following the increase in the total number of shares due to the conversion ratio of 1.04 ordinary shares per each savings share, will be equal to approximately 0.2% in the case of all of the savings shares being converted into ordinary shares, while the Conversion would be accretive by approximately 0.7% in the case of maximum costs being

incurred by the company following the exercise of withdrawal rights without placement of the shares purchased on the market.”

FORM OF FINAL TERMS

Under the section headed “*Form of Final Terms*”, on page 253 of the Base Prospectus, the paragraph titled “*PROHIBITION OF SALES TO EEA RETAIL INVESTORS*” is replaced by the following:

“**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]”

SUBSCRIPTION AND SALE

Under the section headed “*Subscription and Sale*”, on pages 271 and 272 of the Base Prospectus, the paragraph titled “*Prohibition of Sales to EEA Retail Investors*” is replaced by the following:

“*Prohibition of Sales to EEA Retail Investors*”

Unless the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Covered Bonds specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Covered Bonds specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant Member State means the communication in any

form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.”

GENERAL INFORMATION

Under the section headed “*General Information*”, on pages 277 and 278 of the Base Prospectus, the paragraph titled “*Documents available for inspection*” is deleted and replaced by the following (the underlined words show the insertions made):

“Documents available for inspection

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

- (i) the Transaction Documents (but excluding, for avoidance of doubt, any document in respect of any Registered Covered Bonds);
- (ii) the Issuer’s memorandum of association (*Atto Costitutivo*) and by-laws (*Statuto*) as of the date hereof;
- (iii) the Covered Bond Guarantor’s memorandum of association and by-laws as of the date hereof;
- (iv) the 6 February 2018 Press Release;
- (v) the Issuer’s unaudited condensed consolidated financial statements as at 30 September 2017;
- (vi) the Issuer’s unaudited condensed consolidated financial statements in respect of the half-year 2017, with auditors’ limited review report;
- (vii) the Issuer’s audited consolidated annual financial statements, including the auditors’ report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2016;
- (viii) the Issuer’s audited consolidated annual financial statements, including the auditors’ report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;
- (ix) the Covered Bond Guarantor’s unaudited interim condensed financial statements, including the auditors’ limited review report, in respect of the half-year 2017;
- (x) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2016;
- (xi) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2016;
- (xii) the Covered Bond Guarantor’s audited annual financial statements in respect of the year ended on 31 December 2015;
- (xiii) the auditors’ report for the Covered Bond Guarantor in relation to the financial statements in respect of the year ended on 31 December 2015;
- (xiv) the terms and conditions of the Covered Bonds contained in the prospectus dated 22 December 2014, pages from 187 to 243 (both included), in the prospectus dated 22 December 2015, pages from 199 to 263 (both included) and in the prospectus dated 23 December 2016, pages from 194 to 258 (both included), each prepared by the Issuer in connection with the Programme.

- (xv) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;
- (xvi) any reports, letters, balance sheets, valuations and statements of experts included or referred to in the Base Prospectus (other than consent letters);
- (xvii) 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.”