Report of the Management Board
Item 1 on the agenda

Integration of the legal Reserve; coverage of the loss for 2011; distribution to shareholders of part of the extraordinary Reserve

Distinguished Shareholders,

The Intesa Sanpaolo S.p.A. financial statements for 2011 report a net loss of 7,679,385,663.49 euro. In relation to the capital increase carried out in 2011 and the net loss for the year, we submit the following for your approval:

	(euro)
Integration of the legal reserve up to one-fifth of share capital at the date of the Shareholders' Meeting, using the share premium reserve for a total of	379,802,738.42
Coverage of the loss for 2011 using the residual amount of the share premium reserve for a total of	4,829,424,813.86
and, for the remainder, a portion of extraordinary reserve, for a total of	2,849,960,849.63
Distribution from the extraordinary reserve of a unit amount of 0.05 euro to the 16,433,772,336 ordinary shares and non-convertible savings shares, pursuant to Article 29.3 of the Articles of Association, from the extraordinary reserve, for a total of	821,688,616.80

The justification for the first proposal lies in the need to adjust the legal Reserve to the limit established by Article 2430 of the Italian Civil Code, thus making income from future years fully available.
The same need underlies the second proposal to cover the loss for the year using one of the available reserves.
With regard to the proposal of assigning a “dividend” by using the reserves, the following should be considered.
The Company and the Group have an adequate capital base, also as a result of the capital increase conducted last year. Therefore, it has been decided to submit for the approval of the Shareholders' Meeting the distribution of prior-year net income allocated to the extraordinary Reserve, pursuant to Article 2364 bis of the Italian Civil Code and Articles 7.3 and 29.3 of the Company's Articles of Association.
The proposed distribution of extraordinary reserve makes it possible to remunerate shareholders consistently with sustainable profitability of the Group, while ensuring the capital adequacy of the Bank and the Banking Group. If this proposal is approved, capital requirements would stand at the following levels:

- Intesa Sanpaolo S.p.A. - Core Tier 1: 25.0%, Tier 1: 28.1% and Total Capital Ratio: 35.1%;
- Intesa Sanpaolo Group - Core Tier 1: 10.1%, Tier 1: 11.5% and Total Capital Ratio: 14.3%.

The above capital requirements meet the provisions of EU Bodies and the Supervisory Authority and the need for sound and prudent management of the Company.

We propose that the assignment be made, in compliance with legal provisions, as of 21 June 2012, with detachment of the coupon on 18 June 2012.
This assignment of reserves shall be subject to the same tax regime as the distribution of dividends.

As is known, pursuant to art. 6, paragraph 1, letter a) of Legislative Decree no. 38/2005, a portion of net income corresponding to capital gains recognised in the income statement, net of the related tax charge, arising from application of the fair value criterion, must be recorded in an unavailable reserve. As at 31 December 2011 such amount was 2,912,708.48 euro.

If the proposals formulated obtain your approval, the resulting shareholders' equity of Intesa Sanpaolo S.p.A. will be as indicated in the table below.

(millions of euro)

Shareholders' equity	2011 financial statements	Change due to the Shareholders' Meeting resolutions	Share capital and reserves after the Shareholders' Meeting resolutions
Share capital			
- ordinary	8,061	-	8,061
- savings	485	-	485
Total share capital	8,546	-	8,546
Share premium reserve	36,302	-5,209	31,093
Reserves	6,994	-3,292	3,702
Valuation reserves	109	-	109
Treasury shares	-	-	-
Total reserves	43,405	-8,501	34,904
TOTAL	51,951	-8,501	43,450

15 March 2012

For the Management Board
The Chairman – Andrea Beltratti

Please remind (see Notes to the financial statements – Part I), that on 14 November 2005, the Board of Directors of Sanpaolo IMI launched a new stock option plan, acting on the mandate given to it by the Shareholders' Meeting of 30 April 2002, in favour of 48 Group executives. This plan, as redefined after the merger following the resolution of the Shareholders' Meeting of 1 December 2006, provides for the assignment of a total of 30,059,750 options for the subscription of ordinary shares, exercisable after approval of the 2008 financial statements and not later than April 2012 at a strike price of 3.9511 euro.
Although highly unlikely given the current stock market prices of the ordinary share, if one or more of the option holders were to exercise their option rights by 13 April 2012 by subscribing ordinary shares carrying regular rights, the subscriber(s) would be entitled to receive the dividend for 2011, payable at 0.05 euro per share; in this case, the total dividend disbursement would need to be recalculated and raised by the Shareholders' Meeting.

N.B.: as no option holder exercised its right to subscribe new shares within the aforementioned date, no changes were made to the Proposals to the Shareholders' Meeting.