
Report of the Management Control Committee to the Shareholders' Meeting on the supervisory activities performed in 2018

pursuant to Article 153, paragraph 1, of Legislative Decree 58 of 24 February 1998, and Article 23.1, letter j), of the Articles of Association

Distinguished Shareholders,

it is worth mentioning that the one-tier governance system adopted by Intesa Sanpaolo S.p.A. ("Bank" or "Parent Company") consists of a Board of Directors ("Board") with steering and strategic supervision duties, management duties as well as control duties performed by the Management Control Committee ("Committee" or "Control Body") appointed by the Shareholders' Meeting as part of the Board itself. The integration of strategic supervision duties with control activities ensures preventive, concurrent and final oversight both of the merits and compliance of the corporate management.

The Committee plays a proactive role, within its own areas of responsibility, towards the Corporate Control Functions and engages in constructive dialogue with the Management of the Bank and the Intesa Sanpaolo Group ("Group"), including on the basis of information received during Board meetings and deemed worthy of further in-depth analysis.

The Committee, in the fulfilment of its duties and in the interest of the best performance thereof, exchanges information of reciprocal interest and coordinates the performance of their respective duties with the Risks Committee, established within the Board, and with the Surveillance Body pursuant to Legislative Decree 231/2001. A Committee member usually attends meetings of the Risks Committee, subsequently reporting to the Control Body.

During 2018 the following meetings were held:

- 26 meetings of the Board of Directors;
- 48 meetings of the Management Control Committee.

Pursuant to Article 153, paragraph 1, of Legislative Decree 58/1998 ("Consolidated Law on Finance"), the Committee is required to report to the Shareholders' Meeting, called to approve the financial statements for the period, on its supervisory activities and on any omissions or reprehensible facts recorded. This requirement is also stated in Article 23.1, letter j), of the Bank's Articles of Association. The Report was prepared taking into account the Consob recommendations on the matter and, in particular, Communication 1025564 of 6 April 2001 and subsequent updates, expressly referred to in the text.

1. SUPERVISION OF COMPLIANCE WITH THE LAW AND THE ARTICLES OF ASSOCIATION

Regulatory developments

The Committee examined various proposals, within its own remit, for adapting the internal regulatory framework to changes in the applicable Supervisory Provisions, subsequently approved by the Board.

Following the enactment of the General Data Protection Regulation ("GDPR" - EU Regulation 679/2016), the Committee analysed the proposed draft of the Guidelines on the protection of personal data of natural persons and the reformulation of the Group Privacy Model.

Following the entry into force of EU Directive 65/2014 ("MiFID II") and of EU Regulation 600/2014 ("MiFIR") and taking into consideration the provisions of the new Intermediaries' Regulation issued by Consob in February 2018, the Committee examined the proposed draft of the Rules on the knowledge and skills of personnel providing investment services as well as the proposal for updating the Rules on incentives. In this connection proposals were also examined to adapt the Rules for the marketing of financial products/instruments, the Rules for investor protection and the service model in the area of wealth management of the international subsidiary banks in the EU.

Following the transposition of the implementing regulations of the Insurance Distribution Directive, the Committee analysed the proposed draft of the Rules on insurance distribution as well as the proposal to update the Group Rules for the management of conflicts of interest and the Rules on out-of-branch offering of Banca dei Territori Division. The Committee was likewise interested in the proposal to update the Rules on marketing of non-life and protection products in the framework of strengthening the relevant service model, which also takes into account the outcome of the inspection conducted by the Bank of Italy at the start of 2017.

The Committee examined the proposal to streamline the internal regulatory framework which governs the processes for the approval of new products, services, activities and markets based on the end customers, in line with the suggestions of the Supervisory Authorities.

Lastly the Committee analysed the following proposals to update:

- the Guidelines for combating money laundering and the financing of terrorism and for managing embargoes, in light of the enactment of the EU Directive 2015/849 (“IV AML Directive”);
- the Group Procedures for the management of inside information of Intesa Sanpaolo, the Group Rules for the management of inside and confidential information of other issuers and Group Rules for Personal Transactions.

Relations with Supervisory Authorities

The Committee received regular updates on the development of the Supervisory Plans for the On-site Inspections, Thematic Reviews and Deep Dives of the European Central Bank (“ECB”), as well as the preparation and progress of the relative remediation plans. In particular, the Committee examined:

- the findings of the self-assessment conducted by the Bank to determine the gaps and the areas for improvement with respect to the ECB’s guidelines on the management of Non-Performing Loans (“NPLs”);
- the results of the inspection on the subject of the “Management of distressed/bad loans”, analysing with particular attention the observations about the appropriateness of provisioning, the governance of the financial reporting risk and the improvements of IT tools and data quality;
- the results of the inspection conducted on the management and control systems of the credit and counterparty risks of the subsidiary Intesa Sanpaolo Bank Slovenia;
- the results of the inspection on the subject of “Governance, Remuneration, and Internal controls”, analysing the findings on the independence of the Corporate Control Functions, the appropriateness of the internal controls system and the completeness of the disclosure made to the Board for the purposes of approval with particular attention;
- the results of the inspection carried out on the subsidiary VUB Banka Slovakia on the subject of “Credit lending process, underwriting standards and delegation”;
- the results of the inspection on the subject of “Management of collateral, NPLs and foreclosed assets”, with particular attention to the findings on managing the Unlikely to Pay and Past Due positions and provision policy as well as the interventions in strengthening monitoring and controls.

The Committee examined the following feedback provided to the Bank of Italy:

- arrangements for administration by Fideuram - Intesa Sanpaolo Private Banking of the trailer fees related to the distribution of shares in mutual funds of third-party companies, on which it expressed the valuations requested by the Authority;
- alleged irregularities perpetrated by employees of Intesa Sanpaolo Private Banking and assessment of the reliability of the company’s internal control system, expressing the valuations requested by the Authority;
- process for the introduction onto the market and review of retail banking products;
- appeals to the Banking and Financial Arbitrator in the matter of salary-backed or pension-backed loans up to one-fifth thereof;
- compliance with the regulations on transparency and fairness of customer relations of the Banca dei Territori Division;
- consistency between the business model and the overall governance, organizational and control structure as well as on the remuneration policies and practices of Eurizon Capital SGR.

The Committee examined the half-yearly reports requested by Bank of Italy regarding the progress of the remedial actions planned to deal with the critical issues that emerged in the anti-money laundering area, including with reference to the integration process of the aggregate set of some assets, liabilities and legal relationships of Banca Popolare di Vicenza and Veneto Banca (“former Venetian Banks”). Having also taken note of the specifically prepared internal audit report, the Committee formalised its own valuations as requested by said Authority.

The Committee received a report on the feedback given to Consob regarding measures implemented or planned in order to offer investment services and activities in accordance with recent changes in the sector regulations following the implementation and transposition of MiFID II.

With reference to the offer of investment diamonds to its customers, please note that in 2017 Intesa Sanpaolo suspended this activity, terminated the partnership agreement with Diamond Private Investment ("DPI") and started a process which, in the event of a demand for resale, provides for the payment to customers of the original cost incurred for the purchase from DPI and withdrawal of the stones.

In February 2019, an order for seizure of 11.1 million euro was served, corresponding to the commissions paid by DPI to the Bank, which is charged with an administrative offence pursuant to Legislative Decree 231/2001 in relation to alleged self-laundering. The Committee will continue to monitor the development of the case, which is duly followed by the Bank's competent structures.

Self-assessment and verification of requirements

Internal rules require that the Committee performs a self-assessment of its own composition and operation that is separate to the one carried out by the Board. This exercise is aimed at assessing the correct and effective performance of the tasks entrusted to the Committee in its capacity as the Control Body of the Bank according to criteria and methods consistent with the attributes of this role within the one-tier governance system.

For the purposes of its own self-assessment for 2018, in line with the previous year and with the activities carried out by the Board, the Committee availed itself of the preliminary analysis performed by an independent external consultant. The qualitative results confirmed the Committee's adequacy and high level of overall compliance with the provisions of Borsa Italiana's Corporate Governance Code for listed companies ("Corporate Governance Code"), the guidelines of the European Banking Authority ("EBA"), the provisions of Bank of Italy Circular 285/2013 and with best practices. At the end of the process, on 31 January 2019, the Committee expressed an assessment of adequacy with regard to its own size, composition and operation.

In accordance with the requirements of the internal regulations, which incorporate the guidelines issued by EBA and ESMA implementing the principles set out in the EU Directive 2013/36 ("CRD IV"), on 21 February 2019, the Committee assessed the continuing existence of the necessary requisites for each of its members, including the absence of significant financial relationships with Group companies for the purpose of assessing their independence in line with the provisions of the Regulation adopted on this subject by the Board. As envisaged by the Corporate Governance Code, the members of the Committee ascertained the correct application of the assessment criteria and procedures adopted by the Board for evaluating the independence of its members.

With reference to the composition of the next Board of Directors, the Committee ascertained the existence of adequate supervision of the stages in the process for checking the lists of candidates for the position of Director.

Petitions

Following-up on complaints submitted by shareholders pursuant to Article 2408 of the Italian Civil Code regarding facts they consider to be reprehensible, the Committee examined the results of the internal checks conducted by the competent corporate functions, noting the following.

- With reference to a complaint made by a shareholder during the Intesa Sanpaolo Shareholders' Meeting of 27 April 2018 regarding alleged irregularities in the audit activity performed by KPMG on the former Banca Popolare di Vicenza, please note that Intesa Sanpaolo only acquired certain assets, liabilities and legal relationships from the latter, which do not include its relations with the independent auditors; therefore, Intesa Sanpaolo is precluded any right to bring actions for compensation against KPMG. Likewise, there are no legal prerequisites for the termination of the statutory audit appointment with respect to the contractual expiry date. It should be noted that, during the Shareholders' Meeting, the proposal to increase KPMG's remuneration for the statutory audit was approved by the shareholders by a large majority, who therefore did not find it damaging to their own interests. In light of the above, the Committee decided not to take any action in relation to the facts reported.
- The complaint submitted by a shareholder during the extraordinary part of the Intesa Sanpaolo Shareholders' Meeting of 27 April 2018, about the way in which interventions at the Shareholders' Meeting were managed by the Chairman of the Board of Directors, appears unfounded pursuant to Article 2408 of the Italian Civil Code. The procedure was deemed suitable to ensure all the shareholders were able to exercise their rights.

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- The complaint pursuant to Article 2408 of the Italian Civil Code submitted by a shareholder about the alleged lack of controls on the work of La Scala Theatre in Milan appears irrelevant to Intesa Sanpaolo's business.

6)
Protests

During 2018, there were 2 complaints received, addressed by customers to the Control Body and related to the Bank's core business. Through the relevant departments, each complaint was the subject of appropriate checks, which did not bring to light any significant omissions or irregularities.

2. SUPERVISION OF COMPLIANCE WITH THE PRINCIPLES OF CORRECT MANAGEMENT

11)
Principles of
correct
management

The Committee has overseen compliance with the principles of correct management, holding regular meetings with the heads of the Corporate Control Functions, the Governance Areas and the Group Divisions as well as with the Manager responsible for preparing the Company's financial reports and the independent auditors KPMG ("Independent Auditors"), including in order to verify that management decisions are based on an adequate system of information flows to the Bodies and that the directors are aware of the riskiness and effects of their choices.

The Committee verified that the flows between the corporate departments and the Managing Director and CEO, as well as between them and the Board, are continuous. Information exchange between the Committee and the Managing Director and CEO is enhanced by regular meetings, mostly focused on the Bank's and the Group's performance, the functionality and effectiveness of the internal control and risk management system as well as on the recommendations made by the Committee in this regard in its own quarterly reports to the Board.

1)
Most
significant
transactions

The Committee supervised the observance of the obligations envisaged for transactions of greater economic, financial and capital importance carried out by the Bank or the subsidiaries, confirming that they were performed according to law and the Articles of Association, and that they were not manifestly imprudent, hazardous, in conflict of interest, in contrast with resolutions taken by the Shareholders' Meeting, or likely to compromise the integrity of the shareholders' equity. The reports pursuant to Article 150, paragraphs 1 and 2, of the Consolidated Law on Finance are provided both as part of the information on the preparation of the financial statements given by the Manager responsible for preparing the Company's financial reports and at the regular meetings with the Managing Director and CEO.

The Committee received periodic information in accordance with the internal regulations on governance of the Most Significant Transactions ("MST"), i.e. transactions that involve a potential significant change in the overall risk profile defined in the Risk Appetite Framework ("RAF").

During the financial year, the Committee continued to monitor the progress of the integration plan of the former Venetian Banks.

Pursuant to the Group Procedures regulating the conduct of transactions with Related Parties of Intesa Sanpaolo, associated entities of the Group and relevant persons pursuant to Article 136 of the Consolidated Law on Banking ("RPT Procedures"), the Committee received quarterly reports on transactions with related parties and associated entities, including an assessment of the relevance of the financial relationships for the purposes of the Directors' independence requirement. On such occasions, the Committee received the report on the interests declared by the Directors in performing certain transactions pursuant to Article 2391 of the Italian Civil Code.

In particular, the Committee examined the transactions carried out with significant shareholders of the Bank, as defined in the RPT Procedures, as well as the new protocols for the verification of market conditions for ordinary credit transactions with related parties or associated entities.

The Committee examined the proposal to exercise the option to set up an "Intesa Sanpaolo VAT Group" as defined by Articles 70-bis to 70-duodecies of Presidential Decree 633/1972, subsequently approved by the Board following a positive opinion from the Committee for Transactions with Related Parties and Associated Entities.

Finally, the Committee oversaw the implementation and management of the Group's Code of Ethics, which self-regulates the integration of social and environmental considerations into business processes, practices and decisions.

2)
Atypical
and/or
unusual
transactions

Given all the above, no atypical and/or unusual transactions were carried out either with third parties, or related parties or intragroup that could give rise to doubts concerning the fairness/completeness of the financial statements, conflicts of interest, the safeguarding of company assets, or the protection of minority interests. Likewise, no management irregularities nor performance anomalies emerged.

Significant events and main transactions with related parties of major significance (including intragroup ones) and the other significant transactions carried out in compliance with the RPT Procedures, were adequately reported and illustrated respectively in the Reports on operations and the Notes to the Intesa Sanpaolo S.p.A. draft financial statements as at 31 December 2018 and the Intesa Sanpaolo Group's consolidated financial statements as at 31 December 2018 (together the "2018 Financial Statements").

3)
Adequacy
of
information

3. SUPERVISORY ACTIVITIES OF THE PROCEDURES FOR EFFECTIVE IMPLEMENTATION OF THE CORPORATE GOVERNANCE RULES LAID DOWN IN THE CORPORATE GOVERNANCE CODE

The Committee examined the Report on Corporate Governance and Ownership Structures ("Report on Corporate Governance") for 2018 which was then approved by the Board of Directors on 26 February 2019, with particular reference to the information about the main features of the risk management and internal controls systems in relation to the financial reporting process.

The Report on Corporate Governance, which should be consulted for further details, illustrates among other things the management and control model of Intesa Sanpaolo and provides a complete disclosure of how the Bank has adopted and implemented the recommendations of the Corporate Governance Code.

17)
Adoption of
Corporate
Governance
Code

4. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE ORGANISATIONAL STRUCTURE

The Committee carried out a survey of the organisational structure of the Corporate Control Functions and main Divisions of the Group, focussing on the adequacy of risk management processes and procedures to support the business carried on.

In 2018, the following were examined:

- the reorganisation of the Chief Audit Officer's area - which saw the creation of a department with responsibility over the entire Private Banking Division and the streamlining of oversight of the Banca dei Territori Division's business - as well as its target sizing with the details of its requirements and planned efficiency improvements;
- the organisational changes and sizing of the Chief Compliance Officer Governance Area, in view of the growing commitment required by certain regulatory areas and the need to strengthen oversight of specialist areas;
- the development of the anti-money laundering function, aimed - amongst other things - at strengthening oversight of embargo regulations, centralising and strengthening the direction and coordination action of the foreign branches and strengthening the reporting of suspicious transactions;
- the organisational changes and the sizing of the Chief Risk Officer Governance Area, including in light of the strengthening of the staff following the integration of employees with specific skills from the former Venetian Banks;
- the new organisational structure of the Chief Lending Officer Governance Area, which encompassed the creation of the new Credit Governance and Credit Transformation Departments and the launch of a project aimed at strengthening oversight of the cost of lending and reviewing credit valuation and classification processes;
- the organisational structure of the new Governance Area of the Chief Institutional Affairs and External Communication Officer, with in-depth analysis of the processes for selecting and managing sponsorships and partnerships;
- the quali-quantitative adequacy of the employees involved in monitoring cybersecurity in the Chief IT, Digital and Innovation Officer Governance Area.

12)
Organisa-
tional
structure

The Committee examined the changes in the operating model according to the provisions of the Group NPL Plan and the partnership with Intrum, which included the transfer of the management of a significant part of the stock and the new flows of bad loans and the servicing platform to Intrum Italy. Particular attention was paid to the changes in the organisational model and internal controls of Capital Light Bank, which - following this transfer - was partially reallocated to the Chief Lending Officer Governance Area with the aim of managing the bad loans which were not transferred, monitoring the outsourcer's operations and overseeing the data.

The Committee was also involved with regard to:

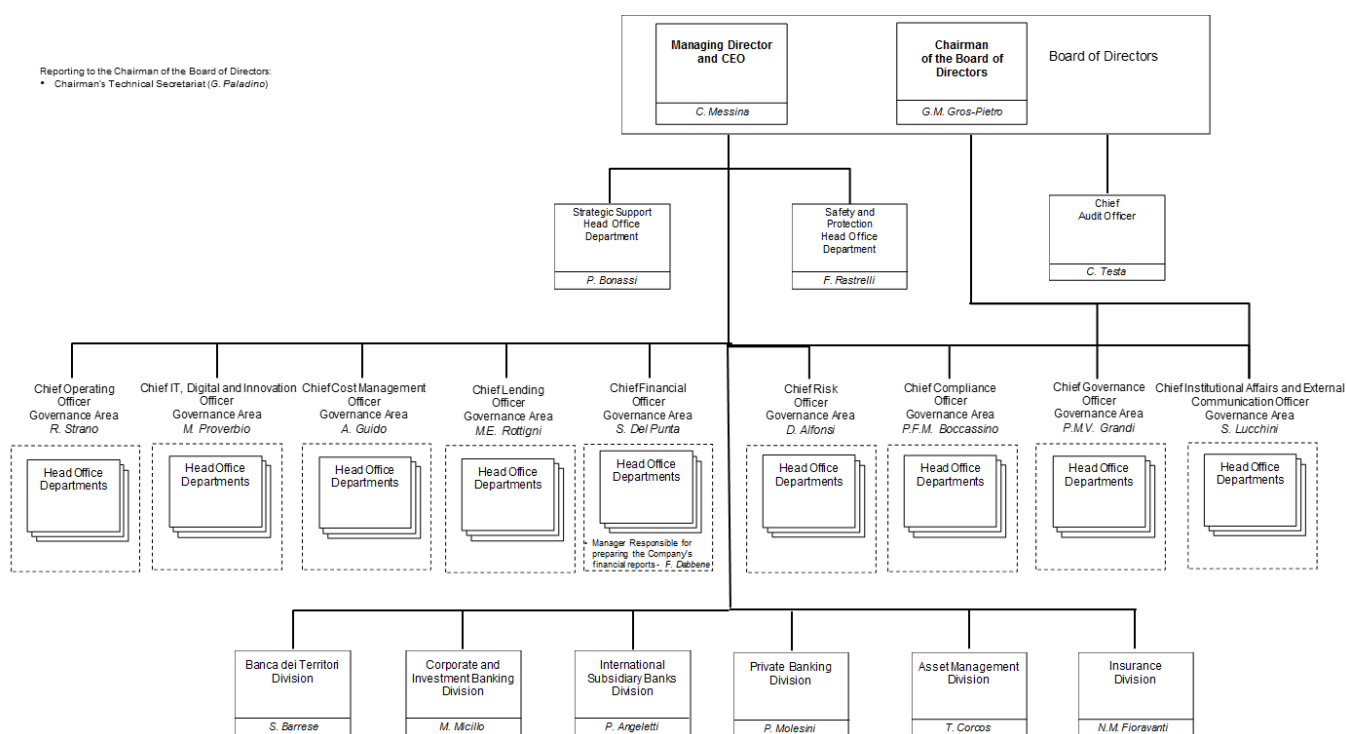
- organisational implementations aimed at a better governance of the financial reporting risk, which included the creation of a specialised unit in the Administration and Tax Department dedicated to monitoring the valuation of balance sheet items and the establishment of a management committee with

the aim of assessing the issues related to the internal models for measuring and managing credit risk and Pillar 2 risk;

- identification of the Data Protection Officer in the head of the Safety and Protection Department, insofar as it is a specialist role for managing the compliance risk with regard to privacy, as well as the progress of the organisational and technological interventions for adaptation to the GDPR.

During 2018, the Parent Company continued with the plan to rationalise the corporate structure and simplify the operating model by finalising the merger by incorporation of 5 subsidiary banks – Banca Nuova, Cassa di Risparmio del Veneto, Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio di Forlì e della Romagna, Banco di Napoli – as well as of IMI Investimenti and Intesa Sanpaolo Securitisation Vehicle. The accounting and tax effects of these mergers run from 1 January 2018.

In referring you to the Report on Corporate Governance for further details about the Group’s organisational and operational structure, the Bank’s organisational chart as at today’s date is shown below.



Update: January 2019

5. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM

The Committee - including in its capacity as Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c), of Legislative Decree 39/2010 - examined the periodic reporting on activities carried out and the corrective actions prepared by the Manager responsible for preparing the Company's financial reports to support the statutory certifications and has analysed the causes and remedies of the shortcomings of the accounting structure.

The Management and Financial Governance Unit outlined the action plan for 2018, as well as the half-yearly reports on governance and control activities performed on the internal control system that are relevant to the financial reporting, with the relative Tableau de Bord which summarise the main issues requiring attention and the progress of the relative mitigation actions.

Considering the governance and oversight activities carried out in 2018 as well as the reduced level of residual risk, the Management and Financial Governance Unit expressed a positive opinion - despite the presence of some areas for improvement for which mitigation measures are under way - on the statutory requirements of the financial reporting, allowing the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports to issue the certifications required under Article 154-bis of the Consolidated Law on Finance for the consolidated half-yearly report as at 30 June 2018, the consolidated results as at 31 December 2018 sent for reporting purposes to the competent Authorities, as well as the 2018 Financial Statements.

The Committee was informed about the process that led to the official admission of Intesa Sanpaolo to the Italian Revenue Agency's cooperative compliance programme under Legislative Decree 128/2015 with effect from the 2017 tax year as well as the issuance of the related Rules for the management of tax risk.

The Committee, together with the Manager responsible for preparing the Company's financial reports, met with the Independent Auditors - in accordance with Article 150, paragraphs 3 and 5, of the Consolidated Law on Finance - to examine the audit plan and the activities carried out to formulate the opinion on the 2018 Financial Statements as well as the progress of the remedial actions taken in response to the points requiring attention highlighted in the letter of recommendations to the Management. In this last regard, the Committee also met the Chief Lending Officer to examine the progress of the actions aimed at ensuring integrated supervision of the Unlikely to Pay portfolio, with particular reference to positions classified as such for over 24 months.

In order to contribute to the assessment of the correct use of the accounting policies and the adequacy of the disclosure to the public, the Committee was invited to attend the meetings of the Risks Committee with the Manager responsible for preparing the Company's financial reports and the Independent Auditors to examine the instructions for the preparation of the interim consolidated statements as at 31 March and 30 September 2018, the consolidated half-yearly report as at 30 June 2018 as well as the 2018 Financial Statements. In particular the Committee examined the trend of NPL and the results achieved in the application of the criteria and procedures for the classification, valuation and management of non-performing exposures.

As part of the aforementioned meetings, the process of preparing Pillar 3 and the Consolidated Non-financial Statement of Intesa Sanpaolo was also examined, regarding which the Committee checked its compliance with the provisions of Legislative Decree 254/2016. These documents were approved by the Board on 19 March 2019.

The Bank's financial statements and the Group's consolidated financial statements, pursuant to Legislative Decree 38/2005, are prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board and relative interpretations of the International Financial Reporting Interpretations Committee, endorsed by the European Commission, as provided for by EC Regulation 1606/2002. These documents are drawn up on the basis of the instructions issued by the Bank of Italy with Circular 262/2005 as subsequently amended.

The Intesa Sanpaolo draft financial statements as at 31 December 2018 and the Intesa Sanpaolo Group's consolidated financial statements as at 31 December 2018 were approved on 26 February 2019 by the Board of Directors.

The disclosure to the public, under the provisions of the prudential supervisory regulations, was provided on the Bank's internet site within the term laid down for publication of the financial statements.

On 20 March 2019, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of EU Regulation 537/2014, the Independent Auditors issued the reports on the audit of the Intesa Sanpaolo S.p.A.'s financial statements and on the consolidated financial statements of the Intesa Sanpaolo Group for the year ended 31 December 2018. In particular, the Independent Auditors:

- issued an opinion in which they affirm that the financial statements provide a true and fair view of the balance sheet and the financial position of Intesa Sanpaolo and the Group, and of the profit and loss and the cash flows for the year ended at that date;
- presented the key aspects of the audit which, in their own professional opinion, are most significant and are used in forming their overall opinion of the financial statements;
- attested that the reports on operations and some specific information contained in the Report on Corporate Governance are consistent with the financial statements to which they refer and are prepared in compliance with the law;
- declared they had nothing to report pursuant to Article 14, paragraph 2, letter e), of Legislative Decree 39/2010, based on the knowledge and understanding of the company and its context acquired during the audit;
- verified the approval by the directors of the Consolidated Non-financial Statement pursuant to Article 4 of the Consob Regulation implementing Legislative Decree 254/2016.

Moreover, on 20 March 2019, the Independent Auditors issued the Committee with the additional report envisaged under Article 11 of EU Regulation 537/2014, according to which no significant shortcomings were found in the internal control system in relation to the financial disclosure process, which should be brought to the attention of those responsible for governance activities. The annual confirmation of independence was issued, as an annex to this report, pursuant to Article 6, paragraph 2, letter a) of EU Regulation 537/2014 and paragraph 17 of the International Standards on Auditing (ISA Italia) 260.

In light of all the above, the Committee has reason to believe that the Bank's and the Group's administrative and accounting system is such as to ensure a fair presentation of the operational events and that there are no significant shortcomings in the internal control system in relation to the financial reporting process. The Committee also found that the administrative and accounting procedures are effectively followed for the preparation of the financial statements and all other financial reports.

6. SUPERVISORY ACTIVITY OF THE STATUTORY AUDIT PROCESS AND THE INDEPENDENCE OF THE INDEPENDENT AUDITORS

Intesa Sanpaolo has adopted specific Group Regulation for the assignment of appointments to independent auditors and their networks, which postulate the principle of a Sole Auditor for the Group, identified as the Main Auditor (i.e. the independent auditors appointed to perform the statutory audit of the Parent Company, except in case of incompatibility due to Italian or foreign provisions of law or regulations), homogeneity of appointments with respect to the one conferred by the Parent Company and alignment of the duration of appointments. For the purpose of this Regulation, the following types of appointment are defined:

- Audit, i.e. statutory audit services pursuant to Article 14 of Legislative Decree 39/2010 and Article 2409-bis of the Italian Civil Code as well as the other voluntary audit services;
- Audit Related, i.e. the tasks assigned by law or on behalf of an Authority as well as the operations which represent an extension of the audit appointment (issuance of certificates, examination of reports, agreed audit procedures). These appointments are usually conferred upon the Main Auditor as, by nature, they do not cause any detriment to the independence thereof;
- Non-Audit, involving services not included in the previous Audit or Audit Related types, including of course the services specifically prohibited pursuant to Articles 10 and 17, paragraph 3, of Legislative Decree 39/2010. These appointments cannot be given to the Main Auditor.

KPMG are the Independent Auditors to whom the role of Sole Auditor was attributed, with the responsibility of carrying out the statutory audit of the annual and consolidated accounts of Intesa Sanpaolo as at 31 December 2018, ascertaining that the Company's accounting records are properly maintained and faithfully present the results of operations, as part of the mandate given for the nine-year period 2012-2020, according to the provisions of law. Following assessment, the auditors express, through the appropriate reports, an opinion on the Parent Company's and consolidated financial statements, after ascertaining that they correspond to the accounting entries and that such records comply with the relevant regulations.

The appointment also envisages the limited review of the half-yearly condensed consolidated financial statements, verification of the balance sheets and income statements of the foreign branches with regard to their inclusion in the Bank's annual and half-yearly financial statements, examination of the information provided for the preparation of the annual and half-yearly condensed consolidated financial statements, review in relation to the signing of tax returns and declarations submitted to the National Guarantee Fund as well as limited scope audit of accounts of the consolidated statements as at 31 March and 30 September solely for the purpose of issuing the certification required under Article 26 (2) of EU Regulation 575/2013 and ECB Decision 656/2015 (calculation of profit for the period for the purposes of calculating common equity tier 1 capital).

During 2018, the Independent Auditors were asked to carry out a specific activity of limited review of the consolidated balance sheet and the accounting policies of the Intesa Sanpaolo Group as at 1 January 2018, to be included in the consolidated financial report as at 31 March 2018. Information was therefore submitted to the Committee about the integration to the current letter of assignment concerning the limited review of the consolidated financial statements and related notes as at 31 March and 30 September of each financial year, deeming not to make any integration to the times and fees already established.

With regard to the Audit Related assignments conferred during the year, note should be taken of the following assignments submitted to the Committee, in accordance with the provisions of the aforementioned Regulation:

- disclosure regarding the integration of the assignment for the activities related to Intesa Sanpaolo's participation in the Targeted Longer-Term Refinancing Operations II auction following the change in reporting scope due to the acquisition of certain assets from the former Venetian Banks;
- for the Intesa Sanpaolo Vita and Intesa Sanpaolo Assicura subsidiaries, proposal for assignment of agreed audit procedures in relation to the calculation of the adjustment for the loss absorbing capacity of deferred taxes in the determination of the solvency capital requirement calculated using the standard formula as at 30 June 2018. The Committee expressed a favourable opinion.

The full picture of the responsibilities assigned is described twice a year to the Committee by the Manager responsible for preparing the Company's financial reports, including for the purposes of the related reporting obligations in the financial statements and to the Shareholders' Meeting. A complete picture of the amounts paid to the Independent Auditors in the 2018 financial year is represented in the annex to the financial statements entitled "Fees for auditing and the services other than auditing pursuant to Article 149-duodecies of Consob Regulation no. 11971", to which reference should be made.

The details of the fees for the Audit Related responsibilities for 2018 are shown below.

Type of service	(millions of euro)			
	Intesa Sanpaolo		Group Companies ^(*)	
	KPMG	KPMG Network	KPMG	KPMG Network
Release of attestations (**)	1,56	-	2,81	-
Other services:				
Agreed audit procedures	0,26	-	0,75	-
Consolidated Non-financial Statement	0,12	-	0,06	-
Total	1,94	-	3,62	-

(*) Group companies and other consolidated subsidiaries

(**) Including audit costs, on a voluntary basis, for "Pillar 3" disclosure

Amounts net of VAT and reimbursed expenses and Consob contribution

As well as to the Consolidated Non-financial Statement, the fees for Audit Related responsibilities refer mainly to audits carried out in order to issue Comfort Letters in implementation of international issue programmes (0.7 million euro), to verifications required by international subsidiaries of the Group according to local legislation and to assessments related to certain Pillar 3 disclosures. We confirm that again for 2018 there have not been any Non-Audit assignments conferred on the auditors KPMG.

Appointment of the independent auditors for the 2021-2029 period

With the approval of the financial statements as at 31 December 2020, the office of independent auditors assigned to KPMG by the Shareholders' Meeting on 10 May 2011 expires as it reaches its ninth year, which is the maximum period permitted by law.

In light of the new European regulatory provisions and in particular the prohibition for the auditor to provide certain types of services other than statutory audit of accounts as from the year immediately preceding the first year of audit, the Committee - responsible for the selection process of the independent auditors - deemed it appropriate that the Shareholders' Meeting called to approve the financial statements of Intesa Sanpaolo S.p.A. as at 31 December 2018 should also resolve on the choice of the Bank's new independent auditor for the 2021-2029 period.

The Committee has therefore formulated a reasoned proposal providing two possible alternatives for the appointment and indicating a preference for one of the two. For further details please refer to the "Report of the Management Control Committee in its capacity as Internal Control and Audit Committee in accordance with Article 19, paragraph 2, letter c) of Legislative Decree 39/2010 on the appointment of the independent auditors for the period 2021-2029".

9)
Opinions

7. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE INTERNAL CONTROL SYSTEM

The Committee assessed compliance with the supervisory provisions with reference to the general principles of the internal control system, the role of the company Bodies, as well as the role and requirements of all the departments involved in the control system, checking their adequacy, the correct performance of tasks and the proper coordination thereof. Where considered appropriate, the adoption of functional corrective measures was promoted to address any deficiencies detected.

13)
Internal
control
system

The Group's Integrated Internal Control System Regulation, implementing the current Supervisory Rules, outline the duties and responsibilities of all the stakeholders in the internal control system, the procedures for coordination and interaction between control functions, the policy and coordination procedures of the Group companies and foreign branches and the main information flows between the various stakeholders in the system. The internal control system is structured on three levels:

- Level I: line controls conducted by the operational and business structures, including through units dedicated solely to control duties, and as far as possible incorporated in IT procedures;

- Level II: controls aimed at ensuring the proper implementation of the risk management process, observance of operating limits and compliance of the operations with regulations. The functions assigned to such controls contribute to the definition of the risk governance policies and the risk management process. These controls are performed:
 - ✓ by the Chief Compliance Officer Governance Area, which has the duties and responsibilities of compliance with regulations and also includes the anti-money laundering function,
 - ✓ by the Chief Risk Officer Governance Area, which has the duties and responsibilities of the risk management function and also includes the validation function;
- Level III: internal audit controls to identify breaches of procedures and regulations, as well as to assess the completeness, adequacy, functionality and reliability of the internal control system and the Group's IT system, in relation to the nature and intensity of the risks. At Intesa Sanpaolo, the Chief Audit Officer reports directly to the Board of Directors and also reports functionally to the Management Control Committee.

The Group's internal control system - described in detail in the Report on Corporate Governance, to which reference should be made for further details - also sees other functions involved with control responsibilities (the business continuity function, the IT security function, the specialised functions), the Manager responsible for the business continuity plan, the Manager responsible for preparing the Company's financial reports, the Independent Auditors and the Parent Company's Surveillance Body pursuant to Legislative Decree 231/2001.

With reference to the latter, every six months the Committee examined the report on the activities carried out noting that, according to the disclosure made, there are no facts or circumstances worthy of mention. Moreover, with a view to ensuring consistency at Group level in the manner of transposing and implementing Legislative Decree 231/2001, the Committee analysed the half-yearly report on the activities carried out by the Surveillance Bodies of the Italian companies of the Group.

Below you will find a summary of the activities conducted by the parties responsible for carrying out internal controls.

Chief Compliance Officer

The Chief Compliance Officer delivered the institutional and periodic reports within his remit to the Committee, and in particular the half-yearly report, the annual report and risk assessment for 2018 with the action plan for 2019 pursuant to the supervisory regulations of the Bank of Italy and the joint Bank of Italy-Consob Regulations; the Compliance Tableau de Bord is enclosed with these reports, which provides an overview on the outlook for the most significant projects, and a summary report on the progress of complaints, claims and appeals by customers. The end-of-year report also includes the report on the governance of the Group's asset management companies (*Società di Gestione del Risparmio*).

With reference to the conclusion of the Group Employee Investment Plan (i.e. the LECOIP), the Compliance function submitted the final report to the Committee on the progress of its implementation profiles and compliance with applicable regulations, as requested by the Bank of Italy at the time of authorisation in September 2014.

In accordance with the regulations issued by the competent Supervisory Authorities, the Chief Compliance Officer submitted the following to the Committee:

- the Group annual report on the overall situation of claims, disclaimers, complaints to Supervisory Authorities and appeals to alternative dispute resolution entities;
- the annual report on the terms of provision of services and investment activities and ancillary services and the distribution of financial products issued by insurance companies or banks, in the presence of the Chief Operating Officer and representatives from the Banca dei Territori Division;
- the annual report on conflict of interest situations recorded in the area of investment or ancillary services, investment activities and distribution of insurance-based investment products.

Following the independent assessment conducted in 2017 on the degree of compliance of the corporate processes with the Dodd-Frank Act legislation, the Chief Compliance Officer reported on the progress of the action plan prepared to address the recommendations made by the assessor, including the formal definition of Volcker Rule governance guidelines.

At the Committee's request, the Chief Compliance Officer submitted an in-depth study of the trend in complaints, lodged with the Authorities and which proceeded to Alternative Dispute Resolution by customers of the Banca dei Territori and Private Banking Divisions, highlighting the actions taken to resolve the underlying critical issues and to streamline the management of complaints.

To enable the Committee to adequately perform its supervisory role on compliance with the rules for combating money laundering, terrorist financing and for embargo management as well as verifying the completeness, functionality and adequacy of the relative controls system, the head of the anti-money laundering function illustrated the half-yearly report and the annual report for 2018, with their respective Tableau de Bord, the annual risk assessment and the action plan for 2019. These reports include summary information on the progress of the training plan as well as on any communications from control Bodies pursuant to Article 46 of Legislative Decree 231/2007 as renewed by Legislative Decree 90/2017.

Regards the latter, after having carried out the appropriate investigations, the Committee sent a report to the Bank of Italy pursuant to paragraph 1, letter b), of Article 46 of Legislative Decree 231/2007, examining the subsequent feedback requested by the Authority on the matter reported.

The Committee also received specific updates on the progress:

- of the multiannual plan to update the Group anti-financial crime controls to comply with international standards (the so-called ENIF project - Enabling Integrated Financial Crime), examining, in particular, the strengthening of the monitoring processes for potentially suspicious transactions for the purposes of anti-money laundering and control of transactions subject to embargoes;
- of the review of the anti-money laundering model and the anti-financial crime controls by the Intesa Sanpaolo New York branch, aimed at addressing – amongst other things – the observations of the Federal Reserve Bank of New York and the New York State Department of Financial Services;
- of the strengthening of the anti-money laundering controls of the other foreign branches of the Corporate and Investment Banking Division (the so-called Crash Program), with special reference to the Intesa Sanpaolo London branch so as to address the requests made by the Financial Conduct Authority;
- of the activities carried out to conform to the developments in the international sanctions policies which have affected Russia and Iran.

Chief Risk Officer

The Chief Risk Officer submitted the Tableau de Bord of the critical issues in his own Governance Area to the Committee on a six-monthly basis, the annual report on the activities carried out in 2018, the risk assessment and the plan of the activities scheduled for 2019, including those for the validation function. In accordance with Article 13 of the Regulations issued by the Bank of Italy and Consob pursuant to Article 6, paragraph 2-bis of the Consolidated Law on Finance, he also illustrated the risk management activities within the scope of the investment services to customers carried out during 2018.

The Chief Risk Officer described the results of the annual assessment on the overall consistency of the ratings of the External Credit Assessment Institutions with the measurements processed independently by the Bank.

At the Committee's request, the Chief Risk Officer provided an in-depth report on the new regulatory framework concerning requests for authorisation to use internal credit risk models as a result of recent changes to regulations and the new approach adopted by the ECB for the validation of internal models.

Chief Audit Officer

The Committee mainly uses the internal audit function to carry out its supervisory duties. The Chief Audit Officer normally participates at meetings and provides ongoing information about the activities carried out - some of which at the Committee's own request - and on the progress of the remediation plans put in place by the competent corporate functions to overcome the critical issues encountered. The high priority issues reported by the Committee are taken into account at the time of defining the annual internal audit plan.

During the year, the Chief Audit Officer systematically and promptly reported the main findings that emerged whilst performing his own activities to the Committee. In particular, the results of the checks on the following points should be noted:

- anti-money laundering controls of the subsidiary Sirefid;
- IT security and performance monitoring of outsourced IT service providers;
- reporting obligations to Consob and the markets in compliance with MiFID II (so-called transaction reporting);
- legal proceedings against employees of the former Banca Popolare di Vicenza;
- new paid-for advisory service for customers of the Banca dei Territori Division;
- adequacy and compliance of the IT security controls at the New York branch;
- sustainability of the new business model and adequacy of the internal control system of Banca 5;
- implementation of the ECB guidelines for monitoring leveraged transactions.

At the Committee's specific request, the Chief Audit Officer also produced the following informative reports:

- validity of the process for requesting and collecting proxies to vote in the Shareholders' Meeting of savings shareholders on 27 April 2018;
- process of defining and authorising fees for expert opinions;
- development and operation of the models to support carrying out audits within the new risk assessment framework of the internal audit function;
- management of the investment diamonds resulting from the Bank's direct intervention to meet the realisation requirements of its own customers.

Every three months, using the Audit Tableau de Bord, the Chief Audit Officer reported on the outlook for the weaknesses found during the internal audit activities including in light of the progress of the respective remediation plans. Every six months, within the context of a specific report, he submitted his own considerations and assessments on the adequacy of the internal control system for risk management. On an annual basis, he prepared and shared with the Committee, the final report on the activities carried out and the results of the audit risk assessment and the activities plan for the following financial year. The final report on the activities carried out in 2018 also fulfils the obligations laid down by the Bank of Italy with regard to disclosures to the competent bodies on some specific areas such as liquidity risk management, anti-money laundering, information systems and business continuity, Parent Company governance of the asset management companies (*Società di Gestione del Risparmio*), the result of the audits carried out at foreign branches and the internal systems for reporting violations of the rules governing banking (so-called whistleblowing).

The Chief Audit Officer also conducted the compulsory assurance activities (amongst which those on the remuneration and incentives system, on transactions with related parties and on the MST) and prepared the following regular disclosures pursuant to the current Supervisory Rules:

- the annual report on the outsourcing of important operational functions;
- the quarterly report on whistleblowing reporting;
- the annual report on internal audit activities required by Article 14 of the Consob-Bank of Italy joint Regulation pursuant to Article 6, paragraph 2-bis, of the Consolidated Law on Finance.

During Board meetings, the Committee received reports from the internal audit function on the results of consistency checks on the operating practices followed in the quantification and approval as well as in the actual delivery of the 2017 incentive system with the policies and the application parameters approved by the various Bodies and with the provisions issued by the Bank of Italy on this subject in transposing the CRD IV. The Chief Audit Officer expressed an opinion of adequacy about these practices including in light of the positive response obtained to the suggestions made, despite the presence of some areas for further improvement.

Finally, the Chief Audit Officer submitted the results of the confidence survey conducted amongst the internal auditors as well as the state of progress of the internal audit rolling plan (Future Audit Solutions & Transformation project), among which the "Adopt the Issue" programme, which aims to strengthen the follow-up monitoring process, and the actions aimed at spreading the corporate risk culture stand out.

Integrated Reporting by the Corporate Control Functions

The integrated Tableau de Bord was submitted to the Committee on a six-monthly basis; it provides a summary of the findings with the greatest impact among those highlighted by the Corporate Control Functions and the Management and Financial Governance unit in their own Tableau de Bord, with details of the progress of their respective mitigation actions. On the basis of the assessments carried out by the Corporate Control Functions in 2018, the annual summary report was drawn up which shows that overall risk management is adequate in terms of completeness, functionality and reliability of the internal control system. This opinion is supported by the integrated risk assessment, the results of which were included in the RAF for 2019.

To analyse the causes and remedies of the critical issues highlighted by the Corporate Control Functions and monitor the actions aimed at improving the efficiency of the internal control system, the Committee - in the presence of the Chief Audit Officer - held the following meetings:

- with all the owner corporate functions of the NPL Data project to follow-up on the improvements to the IT tools and the data quality of bad loans, with a focus on data migration and cleansing activities and full implementation of the Data Quality Unit;
- with all the owner corporate functions to monitor the progress of the actions to strengthen the rules, processes and controls relating to the assessment of leasing bad loans;

- with the Chief Risk Officer, the Chief Compliance Officer and the Chief IT, Digital and Innovation Officer to examine the progress of the remediation measures to deal with the critical issues detected in the infrastructure and in the quality of the data supporting the regulatory reports and in the mandatory reporting envisaged in the finance area in compliance with the MiFID II and EMIR regulations (EU Regulation 648/2012);
- with the head of the Banca dei Territori Division for updates on the developments in the internal control system, including in light of the changes affecting its service model, the strengthening of controls on the operations of the branches as well as the progress of the remedial actions of the critical issues detected at Mediocredito Italiano;
- with the head of the Corporate and Investment Banking Division for updates about improving the efficiency of the internal control system, the operations of Banca IMI Securities, the dynamic management of the portfolio and the streamlining of the RWAs, as well as strengthening the monitoring of credit quality;
- with the head of the Corporate and Investment Banking Division and the Chief IT, Digital and Innovation Officer to examine the project to replace the information system of the foreign network;
- with the head of the Insurance Division for updates on the progress of the corrective measures put in place as a result of the IVASS inspections regarding anti-money laundering and Solvency II and the streamlining of the claims settlement process for life insurance policies;
- with the head of the Private Banking Division to monitor the progress of the reorganisation and strengthening plan of the internal control system, with particular reference to compliance and anti-money laundering controls, including in light of the internationalisation of the business, and bank branch risks. The Committee also examined the results of the internal audit assessment on the internal control system and of the anti-money laundering due diligence on the portfolio of the customers with a higher risk profile of the Morval Group, as also requested by the ECB at the time of authorising the Morval Vonwiller Holding acquisition.

Assessment of the Corporate Control Functions

For the purposes of assessing the suitability of the essential elements of the risk management internal control system architecture, the Committee examined the annual disclosure on the changes in staff, the IT costs and investments directly attributable to the Corporate Control Functions. Further details on the staffing and target sizing of the structures of the Corporate Control Functions are provided in their respective periodic reports to the Corporate Bodies.

In light of the results obtained during its activities, the Committee expressed its own considerations on the aspects of independence, objectivity and effectiveness of risk management actions for the annual assessment carried out by the Board of Directors regarding the adequacy of the Corporate Control Functions.

The Committee contributed – within its own remit – to defining the individual targets set for the heads of the Corporate Control Functions for the purposes of the 2018 incentive system. Partly by virtue of the changes introduced in the internal regulations in the matter of incentives and remuneration, during performance evaluation the Committee examined the self-assessments of the Chief Risk Officer, the Chief Compliance Officer and the head of the Safety and Protection Department, as well as information on the key performance indicators and elements for the measurement of the 2018 results of the internal audit function. The Committee also examined the assessment, proposed by the direct heads, of the Manager responsible for preparing the Company's financial reports and of the heads of the validation and anti-money laundering functions. Subsequently to the examination of the aforementioned information - certified by the Chief Operating Officer - the Committee expressed its opinion on the level of achievement of the objectives by said Managers for the purposes of payment of the variable remuneration for 2018.

For the purposes of the 2019 incentive system, during goal and target setting, the Committee then expressed its opinion - within its own remit - in defining the objectives and individual performance levels to be attributed to the said Managers.

8. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE GOVERNANCE AND RISK MANAGEMENT PROCESS

The Committee monitored:

- compliance with the provisions relating to the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process (ICAAP / ILAAP), examining scenarios and methodological aspects, the results of the validation function on the adequacy of the framework for the quantification of economic capital and for managing liquidity risk as well as the results of the internal audit self-assessment on the quantification and assessment processes adopted;

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Opinions

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Internal
control
system

- the completeness, adequacy, functionality and reliability of the internal risk measurement systems to determine capital requirements, checking their compliance with regulatory requirements including for the purpose of the annual certification issued by the Board of Directors. The Committee examined the specific annual reports by the internal audit and validation functions as well as the action plan of the risk management function in order to mitigate the critical points highlighted;
- the completeness, adequacy, functionality and reliability of the RAF for 2019, examining its methodological aspects, definition process and consistency with the recovery plan. As from 2019, the RAF includes, among the non-financial risks, specific limits deriving from the results of the integrated risk assessment.

In view of the Group's decision to proceed with the early introduction of the new definition of default set by the ECB for banks that apply internal rating models in the assessment of creditworthiness, the Committee examined the so-called application package aimed at aligning the processes, procedures and IT systems used to identify defaults with the new definition, accompanied by the results of the analysis of the validation function and the certification of the internal audit function for the purposes of sending it to the Authority.

The Committee examined the following periodic reports:

- the results of the annual checks by the Asset Monitors on the covered bonds programmes;
- the results of the annual self-assessment of the IT risk exposure on the procedures used by the Group;
- preparation of the Group's IT security plan for 2018, consistent with the provisions of the 2018-2021 Business Plan in terms of digitalisation of financial services and new business models;
- the report by the Data Protection Officer on the activity carried out in 2018 as well as the activities plan for 2019.

The Committee met the Chief IT, Digital and Innovation Officer several times, including at its own explicit request, to examine:

- the main initiatives to transform the processes in the credit area and the relative IT interventions as well as the application changes required to support the NPL Data project, including in light of the provisions in this regard in the 2018-2021 Business Plan;
- the progress of the RADAR project, for compliance with the dictates of the Basel Committee on Banking Supervision, and the Big Data Engine project, to define the target architecture for data governance in the Big Financial Data architecture;
- the progress of the digitalisation process aimed at the progressive elimination of paper files (so-called Digital Document Single Repository);
- the results of the annual assessment of IT security initiatives, carried out with the support of a consulting firm, and the actions to strengthen oversight of the providers of outsourced IT services;
- the progress of the Processes Integrated Governance project, aimed at updating and simplifying corporate regulations in an end-to-end process logic;
- the progress of the plan to extend the Group IT security model to the foreign Legal Entities.

At the request of the Committee, the Chief Cost Management Officer and the Chief Operating Officer provided an update on the progress of the project for the rationalisation and centralisation of Group purchases.

9. SUPERVISORY ACTIVITIES OF COMPLIANCE WITH THE LEGISLATION APPLICABLE TO THE BANK IN ITS CAPACITY AS THE PARENT

The Committee found that the Bank, within the framework of the management and coordination activity of the Group, exercises control over the development of the different business areas in which the Group operates and the incumbent risks, over the maintenance of conditions of economic, financial and equity equilibrium both of the individual companies and of the Group as a whole, as well as over the assessment of the various risk profiles contributed by individual subsidiaries and the total risk. The information flows between the Parent Company and its subsidiaries guarantee an effective exchange of information with regard to the management and control systems and the overall performance of the business. The rules and procedures in place allow the Parent Company to promptly fulfil its disclosure obligations to the public in accordance with current provisions pursuant to Article 114, paragraph 2, of the Consolidated Law on Finance.

The Committee, as foreseen inter alia by Article 151-ter, paragraph 4, of the Consolidated Law on Finance, exchanged information flows with the Boards Statutory of Auditors of the main Italian subsidiaries of the Group.

The Committee sent the Italian Group companies the update of the Operational guidelines for Boards of Statutory Auditors, including in their capacity of Surveillance Bodies pursuant to Legislative Decree 231/2001, whose purpose is to promote alignment with shared and uniform standards of behaviour with respect to those of the Parent Company and to facilitate the exchange of information with said companies to pursue maximum effectiveness in the controls structure.

As part of the assignment process of the appointment to perform the statutory audit of accounts for the 2021-2029 period, in order to safeguard continuity with the principle of the Sole Auditor for the Group, the request for quote was also submitted by Intesa Sanpaolo for the Public Interest Entities belonging to the Group. The Committee has therefore assumed a coordinating role vis-a-vis these companies' control Bodies, who are responsible for formulating proposals to the relevant Shareholders' Meetings, promoting a meeting between their Chairmen and the Manager responsible for preparing the Parent Company's financial reports in order to examine and share operational aspects and coordination arrangements.

As part of the plan to rationalise the Group's corporate structure and as a result of the extraordinary transactions calendar, the Committee met with the Boards Statutory of Auditors of Intesa Sanpaolo Group Services and Cassa di Risparmio di Pistoia e della Lucchesia - whose mergers by incorporation into the Parent Company took legal effect on 21 January 2019 and 25 February 2019 respectively - to examine the results of the activities carried out by them during 2018. The Committee also met with the Manager responsible for preparing the Parent Company's financial reports and the Reporting Officers of the aforementioned companies to examine the draft financial statements as at 31 December 2018. The Committee therefore prepared the reports pursuant to Article 2429, paragraph 2, of the Italian Civil Code, for the Parent Company's Shareholders' Meeting called to approve the financial statements of these companies for 2018.

10. CONCLUSIVE ASSESSMENTS ON THE SUPERVISORY ACTIVITY CARRIED OUT

As detailed in the Report, the Committee verified the functionality of the internal procedures, which have been found fit to guarantee compliance with the laws, regulations and articles of association. The Committee ascertained that the decision-making process takes into due consideration the riskiness and the effects of management decisions taken and that company Boards have an adequate information flow system, including with reference to any Directors' interests. The organisational structure, the administrative and accounting system and the statutory audit of accounts process were found adequate and functional for the tasks they are expected to perform. The non-existence of critical elements such as to affect the structure of the internal controls system and the governance and risk management process was also verified.

Taking into account all the foregoing, having considered the content of the opinions issued by the Independent Auditors, and having taken note of the attestations issued jointly by the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports, the Committee is not reporting - in as far as it is within their remit - any impediment to the approval of the financial statements of Intesa Sanpaolo S.p.A. as at 31 December 2018 accompanied by the report on operations and the notes thereto, as approved by the Board on 26 February 2019.

The Committee expresses a favourable opinion on the proposed allocation of the profit for the year and the distribution of dividends included in the financial statements.

Milan, 21 March 2019

For the Management Control Committee

The Chairman - Marco Mangiagalli

This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.

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