
Report of the Board of Directors

Extraordinary part – Item 2 on the Agenda

Mandate to the Board of Directors to increase the share capital pursuant to Article 2443, as well as Article 2349, paragraph 1, and Article 2441, paragraph 8 of the Italian Civil Code for the purposes of implementing the 2018-2021 LECOIP 2.0 Long-term Incentive Plan based on financial instruments, referred to under item 3f) of the ordinary part, and consequent amendment of Article 5 (Share Capital) of the Articles of Association.

Distinguished Shareholders,

You are called to an Extraordinary Shareholders' Meeting to resolve upon the granting of powers, pursuant to Article 2443 of the Italian Civil Code, to the Board of Directors of Intesa Sanpaolo to do all of the following: (a) increase a share capital of Intesa Sanpaolo in one or more tranches by 27 October 2019, pursuant to Article 2349, paragraph 1 of the Italian Civil Code, for a maximum amount of Euro 400,000,000, (inclusive of share premium) with the issuance of up to 170,000,000 ordinary shares of Intesa Sanpaolo; and (b) increase a share capital of Intesa Sanpaolo - in divisible form, carried out on one or more tranches by 27 October 2019 - for a maximum amount of Euro 1,200,000,000, (inclusive of share premium, and net of discount), excluding option rights in favour of certain employees of the Intesa Sanpaolo Group, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, with the issuance of up to 555,000,000 ordinary shares of Intesa Sanpaolo. The share issue price will be inclusive of a discount from the market price of ordinary shares of Intesa Sanpaolo, calculated as the average of market prices observable in the 30-day period immediately prior to the issue date.

Reasons for the share capital increases

The share capital increases referred to in this report are intended to allow (i) the implementation of the plan based on financial instruments, namely LECOIP 2.0 Professional (the "**Professional Plan**"), addressed to the employees other than top management, risk-takers and managers of the Intesa Sanpaolo Group; and (ii) the implementation of the plan based on financial instruments, namely LECOIP 2.0 Manager (the "**Manager Plan**"), addressed to non-key managers within the Intesa Sanpaolo Group, referred to in item 3f of the ordinary section of the agenda.

In particular, the share capital increases aim at creating a stock of financial instruments necessary to achieve the objectives of the Professional Plan and the Manager Plan.

With reference to the share capital increase pursuant to Article 2441, paragraph 8 of the Italian Civil Code, the objective referred to above justifies, *inter alia*, the exclusion of option right in favour of certain employees of Intesa Sanpaolo Group who are the addressees of the Professional Plan and the

Manager Plan, as well as the share price that contains a discount from the market price of Intesa Sanpaolo shares calculated as an average of market prices observable in the 30-day period immediately prior to the issue date.

For further information on the Professional Plan and the Manager Plan, please refer to the Resolution 3 f and the information document prepared in accordance with the provisions of Article 84-*bis* of the CONSOB Regulation that CONSOB No. 11971 of 14 May 1999, as amended and made available in accordance with the provisions of Article 125-*ter*, paragraph 1 of Legislative Decree No. 58 of 24 February 1998, as amended.

It should be noted that the granting of powers to the Board of Directors, in accordance with Article 2443 of the Italian Civil Code, gives the Company greater flexibility in carrying out the share capital increases with a view to implementation of the Professional Plan and the Manager Plan. Such powers also enable the Board of Directors to decide on the economic terms of the transactions as a whole, depending upon prevailing market conditions at the time the powers are exercised by the Board of Directors, reducing, *inter alia*, the risks of Italian Stock Exchange price volatility of ordinary shares of Intesa Sanpaolo in the period between the transaction announcement and its commencement, which would necessarily be the case if such matters are to be decided upon by the shareholders' meeting.

1. Free share capital increase pursuant to Article 2349, paragraph 1 of the Italian Civil Code

1.1 Terms and conditions of the transaction

The proposal to the Extraordinary Shareholders' Meeting relates to the granting of powers, pursuant to Article 2443 of the Italian Civil Code, to the Board of Directors to allow it to resolve, no later than 27 October 2019, upon a free share capital increase that can be implemented in one or more tranches, pursuant to Article 2349 of the Italian Civil Code, for a maximum amount of Euro 400,000,000, (inclusive of share premium) with the issuance of up to 170,000,000 ordinary shares of Intesa Sanpaolo with the features identical to those of the ordinary shares of Intesa Sanpaolo in circulation, with ordinary dividend rights, to be allocated to the addresses of the Professional Plan and the Manager Plan, upon the terms and conditions set forth in the respective plans.

The issue of free ordinary shares will take place through the use of a corresponding maximum amount of profits and/or profit reserves recorded in the last regularly approved financial statements.

It is further proposed that the Board of Directors be granted powers to identify the profits and/or profit reserves recorded in the last regularly approved financial statements to be allocation for this purpose, with a power to make appropriate accounting entries as might be necessary following the issue of the shares, in compliance with the law and the accounting standards applicable at the relevant times.

As at the date hereof, the share capital of Intesa Sanpaolo amounts to Euro 8,731,984,115.92, divided into 16,792,277,146 shares, of which 15,859,786,585 ordinary shares and 932,490,561 non-convertible savings shares. In this respect, it should be noted that, the first item on the agenda of the Extraordinary Shareholders' Meeting called for 27 April 2018 contains a proposal for the mandatory conversion of savings shares into ordinary shares, and the elimination from the Articles of Association of the reference to the nominal value of Intesa Sanpaolo shares. Please refer to the relevant report. It follows that the aforementioned amounts may change in the event of the approval of the resolution by the Extraordinary Shareholders' Meeting and, for matters within their particular purview, by the special meeting of savings shareholders.

The free share capital increase of Intesa Sanpaolo does not have adverse effects upon the shareholders' equity of Intesa Sanpaolo or the Group's Common Equity.

2. Share capital increase pursuant to Article 2441, paragraph 8 of the Italian Civil Code

2.1 Effects of the share capital increase on the assets and financial position pursuant to Article 2441, paragraph 8 of the Italian Civil Code

As at the date hereof, the share capital of Intesa Sanpaolo amounts to Euro 8,731,984,115.92, divided into 16,792,277,146 shares, of which 15,859,786,585 ordinary shares and 932,490,561 non-convertible savings shares. It should be noted that, the first item on the agenda of the Extraordinary Shareholders' Meeting called for 27 April 2018 contains a proposal for the mandatory conversion of savings shares into ordinary shares, and the elimination from the Articles of Association of the reference to the nominal value of Intesa Sanpaolo shares. Please see the relevant report for further information. It follows that the aforementioned amounts may change in the event of approval of the resolution by the Extraordinary Shareholders' Meeting, and, for matters within their particular purview, by the special meeting of savings shareholders.

On the assumption that the Professional Plan and the Manager Plan are fully adhered to, and that the participating employees subscribe the ordinary shares arising out of the share capital increase pursuant to Article 2441, paragraph 8 of the Italian Civil Code (for the purposes of the Professional Plan and the Manager Plan, the Discounted Shares), there would be an increase in the shareholders' equity of Intesa Sanpaolo and, consequently, in the Group's Common Equity. The increase in shareholders' equity may vary, depending on the effective subscription price of the shares.

2.2 Underwriting syndicate

No underwriting syndicate is expected to be formed.

2.3 Other forms of placement

Since the offer is reserved to employees of the Intesa Sanpaolo Group, the beneficiaries of the Professional Plan and the Manager Plan, the shares will be offered to such employees directly by Intesa Sanpaolo, and no other forms of placement are expected.

2.4 Criteria used in determining the price

The proposal provides for an issue price that incorporates a discount from the market price of ordinary shares of Intesa Sanpaolo, calculated as the average of the prices observable in the 30-day period immediately prior to the issue date.

Accordingly, following determination of the maximum number of ordinary shares to be issued and subscribed by the employees under the Professional Plan and the Manager Plan, upon the terms and conditions thereof, the Board of Directors shall determine the issue price (including share premium).

In any event, the theoretical maximum number of ordinary shares that may be issued is 555,000,000. Such amount assumes a stress scenario in line with the characteristics observed in equity markets over a significant period of time, in order to enable the transaction's completion also in the event of negative developments of the market price of ordinary shares of Intesa Sanpaolo.

2.5 Persons who have expressed willingness to subscribe

As at the date of this report, the Intesa Sanpaolo is yet to receive indications of interest to subscribe for the newly-issued shares from the persons to whom the share capital increase is addressed.

2.6 Period for the execution of the transaction

The period during which the transaction is to be implemented will be determined following the approval of the Professional Plan and the Manager Plan and of the terms for their implementation by the Board of Directors, and following the approval of the transaction by the relevant authorities.

3. The aggregate effects on equity of the share capital increases

Dilutive effects of the share capital increases

Assuming that the Professional Plan and the Manager Plan are fully adhered to, the two share capital increases would have a 3.5% dilutive effect on the ordinary share capital of Intesa Sanpaolo on the assumption that share price is Euro 3, and of 4.4% on the assumption that the maximum amount of shares per the Shareholder's Meeting resolution is issued in a stress scenario at a price of Euro 2.4. Further assuming that all of the savings shares are converted into ordinary shares, the dilutive effect would be of approximately 4.1% of total share capital, post-conversion of the savings shares.

2. Date from which dividends and other entitlements would accrue on the newly-issued shares

Dividends and other entitlements will accrue on the ordinary shares to be issued under the share capital increases described in this report in the same way as they accrue on the ordinary shares of Intesa Sanpaolo outstanding at the date of issue of new shares. It should be noted that in the event that the savings shares conversion is completed subsequent to the issue of the ordinary shares of Intesa Sanpaolo under the share capital increases described in this report, those newly-issued shares will not confer upon their holders any pre-emption rights on the savings shares for which the withdrawal rights are exercised.

3. Other information

The subscription of the newly-issued ordinary shares will take place through authorised intermediaries that are members of the Monte Titoli S.p.A. centralised management system. The shares will be made available to the entitled persons through authorised intermediaries that are members of Monte Titoli S.p.A.

4. Changes to the Articles of Association

Approval of the proposed resolution will require changes to be made to the paragraphs 5.3 and 5.4 of Article 5 of the Articles of Association that govern the shareholders' approval of the granting of powers to the Board of Directors to implement: (i) share capital increase pursuant to Article 2349, paragraph 1 of the Italian Civil Code; and (ii) share capital increase pursuant to Article 2441, paragraph 8, exclusion of option rights in favour of the employees of the Intesa Sanpaolo group, as described below.

Current article

Article 5. Share capital

5.3. The Extraordinary Shareholders' Meeting, by the resolutions of 8 May 2014 and 26 February 2016, has granted to the Board of Directors (i) the powers, pursuant to Article 2443 of the Italian Civil Code, to carry out a free share capital increase by 28 February 2018, in one or more tranches, for a maximum amount of Euro 53,101,088.56, through the issue of up to 102,117,478 ordinary shares of Intesa Sanpaolo, with the same characteristics as those outstanding at the time of new share allocation, with ordinary dividend rights, to be allocated to the addressees of the Investment Plan approved on the same date, upon the terms and conditions thereof, all of the above through the allocation, pursuant to Article 2349 of the Italian Civil Code, of a maximum corresponding amount of the profits and/or profit reserves recorded in the financial statements most recently approved; and (ii) all such powers to identify the profits and/or

Proposed article

Article 5. Share capital

~~5.3. The Extraordinary Shareholders' Meeting, by the resolutions of 8 May 2014 and 26 February 2016, has granted to the Board of Directors (i) the powers, pursuant to Article 2443 of the Italian Civil Code, to carry out a free share capital by 28 February 2018, in one or more tranches, for a maximum amount of Euro 53,101,088.56, through the issue of up to 102,117,478 ordinary shares of Intesa Sanpaolo, with the same characteristics as those outstanding at the time of new share allocation, with ordinary dividend rights, , to be allocated to the addressees of the Investment Plan approved on the same date, upon the terms and conditions thereof, all of the above through the allocation, pursuant to Article 2349 of the Italian Civil Code, of a maximum corresponding amount of the profits and/or profit reserves recorded in the financial statements most recently approved; and (ii) all such powers to identify the profits and/or~~

profit reserves recorded in the financial statements most recently approved, for application of such profits and/or profit reserves for the purpose described in subparagraph (i), with powers to make such accounting records as may be necessary following the issuance of new shares, in compliance with the law and the accounting standards applicable at the relevant times.

5.4. The extraordinary shareholders' meeting, by the resolutions of 8 May 2014 and 26 February 2016, granted to the Board of Directors, pursuant to Articles 2441, paragraph 8 and 2443 of the Italian Civil Code, powers to carry out a share capital increase, in one or more tranches, to be made against payment, for a maximum amount of Euro 213,073,650.40, excluding the option rights in favour of employees, no later than 28 February 2018, with the issue of up to 409,757,020 shares, at a price that incorporates a discount from the market value of ordinary shares of Intesa Sanpaolo, with the view to implementing the Investment Plan approved on the same date. The Extraordinary Shareholders' Meeting granted to the Board of Directors all such powers as may be required in order to: (i) determine the issue price of the newly-issued ordinary shares, applying a discount to the market price of the shares, calculated as the average of the prices observed in the 30-day period immediately prior to the issue date; provided always that it may not be less than the nominal amount per share (Euro 0.52); (ii) determine the maximum number of ordinary shares that may be issued and allocated for subscription by employee participants in the Investment Plan, upon the terms and conditions thereof; and (iii) determine the timetable for the execution of the resolution approving on the share capital increase.

~~profit reserves recorded in the financial statements most recently approved, for application of such profits and/or profit reserves to the purpose described in subparagraph (i), with powers to make such accounting records as may be necessary following the issuance of new shares, in compliance with the law and the accounting standards applicable at the relevant times.]~~

~~[5.4. The extraordinary shareholders' meeting, by the resolutions of 8 May 2014 and 26 February 2016, granted to the Board of Directors, pursuant to Articles 2441, paragraph 8 and 2443 of the Italian Civil Code, powers to carry out a share capital increase, in one or more tranches, to be made against payment, for a maximum amount of Euro 213,073,650.40, excluding the option rights in favour of employees, no later than 28 February 2018, with the issue of up to 409,757,020 shares, at a price that incorporates a discount from the market value of ordinary shares of Intesa Sanpaolo, with the view to implementing the Investment Plan approved on the same date. The Extraordinary Shareholders' Meeting granted to the Board of Directors all such powers as may be required in order to: (i) determine the issue price of the newly-issued ordinary shares, applying a discount to the market price of the shares, calculated as the average of the prices observed in the 30-day period immediately prior to the issue date; provided always that it may not be less than the nominal amount per share (Euro 0.52); (ii) determine the maximum number of ordinary shares that may be issued and allocated for subscription by employee participants in the Investment Plan, upon the terms and conditions thereof; and (iii) determine the timetable for the execution of the resolution approving on the share capital increase.]~~

5.3. The Extraordinary Shareholders' Meeting of 27 April 2018 granted to the Board of Directors, (i) powers, pursuant to Article 2443 of the Italian Civil Code, to carry out a free share capital increase by 27 October 2019, in one or more tranches, for a maximum amount of Euro 400,000,000, (inclusive of share premium) through the issue of up to 170,000,000 ordinary shares of Intesa Sanpaolo, with the same characteristics as those outstanding at the time of the new share allocation, with ordinary dividend rights, to be allocated to the addresses of the Professional Plan and the Manager Plan

approved on the same date , upon the terms and conditions of those plans; all of the above through the allocation, pursuant to Article 2349 of the Italian Civil Code, of the maximum corresponding amount of the profits and/or profit reserves recorded in the financial statements most recently approved; and (ii) all such powers that may be necessary to identify the profits and/or profit reserves recorded in the financial statements most recently approved, for application to the purpose described in sub- paragraph (i), with powers to make such accounting records as may be required following the issuance, in compliance with the law and the accounting standards applicable at the relevant times.

5.4 The Extraordinary Shareholders' Meeting of 27 April 2018 granted to the Board of Directors powers pursuant to Articles 2441, paragraph 8 and 2443 of the Italian Civil Code to carry out a share capital increase against payment, in one or more tranches, for a maximum amount, including share premium and net of a discount, of Euro 1,200,000,000, excluding the option rights in favour of the employees, no later than 27 October 2019, with the issue of up to 555,000,000 ordinary shares. The issue price incorporates a discount from the market price of the ordinary shares of Intesa Sanpaolo. The share capital increase against payment is made with the view to implementing the Professional Plan and the Manager Plan approved on the same date. The Extraordinary Shareholders' Meeting granted to the Board of Directors all such powers as may be required in order to: (i) determine the issue price of the newly-issued ordinary shares, applying a discount to the market price of the shares, calculated as the average of the share prices observed in the 30-day period immediately prior to the issue date; provided always that it may not be less, in aggregate, than the amount of the increase; (ii) determine the maximum

number of ordinary shares to be issued and allocated for subscription by employee participants in the Professional Plan and the Manager Plan, upon the terms and conditions thereof; and (iii) determine the timetable for the execution of the resolution approving the share capital increase.

The proposed changes to the Articles of Association do not give the shareholders who did not participate in the approval of the resolutions the withdrawal rights.

Dear Shareholders, you are invited to approve the following resolution:

PROPOSED RESOLUTION

The Extraordinary Shareholders' Meeting of Intesa Sanpaolo S.p.A., having acknowledged the report prepared by the Board of Directors and filed in accordance with the law,

RESOLVED

- a.** *to grant powers to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to carry out a free share capital increase by 27 October 2019, in one or more tranches, for a maximum amount of Euro 400,000,000, (inclusive of share premium) through the issue of up to 170,000,000 ordinary shares of Intesa Sanpaolo, with the same characteristics as those outstanding at the time of the new share allocation, with ordinary dividend rights, to be allocated to the addressees of the Professional Plan and the Manager Plan approved on the date hereof, upon the terms and conditions contained therein; all of the above through the allocation, pursuant to Article 2349 of the Italian Civil Code, of a corresponding amount of profits and/or profit reserves, as recorded in the most recently approved financial statements;*
- b.** *to grant to the Board of Directors all such powers as it may require to identify the profits and/or profit reserves recorded in the most recently approved financial statements, for application of such profits and/or profit reserves to the purpose described in paragraph a. above, with powers to make such entries in the accounts as may be required following the issue of the shares, in compliance with the law and the accounting standards applicable at the relevant times;*
- c.** *to amend paragraph 5.3 of Article 5 of the Articles of Association of Intesa Sanpaolo S.p.A. a, as follows:*
"5.3.- The Extraordinary Shareholders' Meeting of 27 April 2018 granted to the Board of Directors, (i) powers, pursuant to Article 2443 of the Italian Civil Code, to carry out a free share capital increase by 27 October 2019, in one or more tranches, for a maximum amount of Euro 400,000,000, (inclusive of share premium) through the issue of up to 170,000,000 ordinary shares

of Intesa Sanpaolo, with the same characteristics as those outstanding at the time of the new share allocation, with ordinary dividend rights, to be allocated to the addresses of the “Professional Plan” and the “Manager Plan” approved on the same date, upon the terms and conditions of those plans; all of the above through the allocation, pursuant to Article 2349 of the Italian Civil Code, of the maximum corresponding amount of the profits and/or profit reserves recorded in the financial statements most recently approved; and (ii) all such powers that may be necessary to identify the profits and/or profit reserves recorded in the financial statements most recently approved, for application to the purpose described in sub-paragraph (i), with powers to make such accounting records as may be required following the issuance, in compliance with the law and the accounting standards applicable at the relevant times.”

- d. to grant to the Board of Directors powers, pursuant to Articles 2441, paragraph 8 and 2443 of the Italian Civil Code, to carry out a share capital increase against payment for a maximum amount, including share premium and net of a discount at issue, of Euro 1,200,000,000, excluding option rights in favour of employees, in one or more tranches, no later than 27 October 2019, with the issue of up to 555,000,000 ordinary shares. The issue price shall incorporate a discount from the market value of the ordinary shares of Intesa Sanpaolo. That share capital increase against payment is made with the view to implementing the Professional Plan and the Manager Plan;*
- e. to grant to the Board of Directors all such powers as may be necessary in order to: (i) determine the issue price of the newly-issued ordinary shares, applying a discount to the market price of the shares, calculated as the average of the prices observable in the 30-day period immediately prior to the issue date; (ii) determine the maximum number of ordinary shares to be issued and allocated for subscription by employee participants in the “Professional Plan” and the “Manager Plan”, upon the terms and conditions thereof; and (iii) determine the timetable for the execution of the resolution on the share capital increase;*
- f. to amend paragraph 5.4 of Article 5 of the Articles of Association of Intesa Sanpaolo S.p.A., as follows:
"5.4.-The Extraordinary Shareholders' Meeting of 27 April 2018 granted to the Board of Directors powers pursuant to Articles 2441, paragraph 8 and 2443 of the Italian Civil Code to carry out a share capital increase against payment, in one or more tranches, for a maximum amount, including share premium and net of a discount, of Euro 1,200,000,000, excluding the option rights in favour of the employees, no later than 27 October 2019, with the issue of up to 555,000,000 ordinary shares. The issue price incorporates a discount from the market price of the ordinary shares of Intesa Sanpaolo. The share capital increase against payment is made with the view to implementing the Professional Plan and the Manager Plan approved on the same date. The Extraordinary Shareholders' Meeting granted to the Board of Directors all such powers as may be required in order to: (i) determine the issue price of the newly-issued ordinary shares, applying a discount to the market price of the shares, calculated as the average of the share prices observed*

in the 30-day period immediately prior to the issue date; provided always that it may not be less, in aggregate, than the amount of the increase; (ii) determine the maximum number of ordinary shares to be issued and allocated for subscription by employee participants in the “Professional Plan” and the “Manager Plan”, upon the terms and conditions of those plans; and (iii) determine the timetable for the execution of the resolution approving the share capital increase.”;

- g.** *to grant to the Board of Directors, in the persons of its Chair and its Managing Director and CEO, acting together or each acting alone, and with full power of sub-delegation, every power to implement the above mentioned resolutions, including all powers to make from time to time such changes to Article 5 of the Articles of Association as may be required by the resolutions, and the execution and completion of the share capital increases, and, in general, any other power that may be required for the full implementation of the resolutions, together with any necessary power, without any exclusion or exception, including the power to comply with any request of the competent Supervisory Authorities .*

20 March 2018

For the Board of Directors
The Chairman – Gian Maria Gros-Pietro

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.