

# Report of the Management Board

## Extraordinary Part - Item 2 on the agenda

**Proposal to authorise the Management Board to increase the share capital pursuant to art. 2349, paragraph 1, and art. 2441, paragraph 8, of the Italian Civil Code for the purposes of implementing the Investment Plan based on financial instruments referred to under ordinary part 2 b) above, and consequent amendment of Article 5 (Share capital) of the Articles of Association**

Dear Shareholders,

you have been called to this Extraordinary Shareholders' Meeting to discuss and resolve upon the grant of delegated powers, pursuant to article 2443 of the Civil Code, to the Management Board of Intesa Sanpaolo for (a) a share capital increase, pursuant to article 2349, first paragraph, of the Civil Code, for up to an amount of euro 53,101,088.56, through the issuance of up to 102,117,478 of Intesa Sanpaolo ordinary Shares and (b) a share capital increase – in one or more tranches and on one or more occasion within 28 February 2018 – for up to an amount of Euro 213,073,650.40, made in absence of a rights offering and in favour of employees of the Intesa Sanpaolo Group pursuant to article 2441, eighth paragraph, of the Civil Code, through the issuance of up to 409,757,020 Intesa Sanpaolo ordinary Shares, at a price that incorporates a discount from the market price of ordinary shares of Intesa Sanpaolo, as calculated as the average of the prices observed during the 30 days preceding the issue date.

### **Justification for share capital increases**

The share capital increases described by this report is to be in service of the implementation of the investment plan based upon financial instruments called *Leverage Employee Co-Investment Plan* (the “**Investment Plan**”), which is addressed to employees and to the individuals considered ‘*risk-takers*’ of the Intesa Sanpaolo Group, referred to paragraph 2 b) above of the ordinary part.

In particular, such transactions constitute two of the essential stages in the creation of the supply of financial instruments necessary to achieve the objectives of the Investment Plan.

With specific reference to the share capital increase pursuant to article 2441, eighth paragraph, of the Civil Code, the objective described above justifies, *inter alia*, the absence of any right offering and the offering of the shares to Intesa Sanpaolo Group’s employees, to whom the Investment Plan is addressed, as well as an issue price that is at a discount to the market value of the Intesa Sanpaolo share calculated as the average of the prices observed during the 30 days preceding the issue date..

For further information on the Investment Plan, please refer to the disclosure document drafted in accordance with article 84-*bis* of the Regulation that CONSOB adopted by its Resolution No. 11971 of 14 May 1999, as amended, and made available in accordance with article 125-*ter*, first paragraph, of Legislative Decree No. 58 of 24 February 1998, as amended.

It should be noted that the delegation of powers to the administrative board, pursuant to article 2443 of the Civil Code, provides the Company with greater flexibility in the execution of the share capital increases for the

implementation of the Investment Plan. Such delegation also enables the Management Board to reach determinations as to the financial terms of the transaction as a whole, depending upon market conditions at the time of the powers' exercise. Thereby, it reduces, *inter alia*, the risks associated with movements in the share price of Intesa Sanpaolo between the transaction's announcement and its commencement, which would instead be greater were such matters to be decided upon by the shareholders' meeting.

## **1. Free share capital increase pursuant to article 2349, first paragraph, of the Civil Code**

### *1.1 Terms and conditions of the transaction*

The proposal before the Extraordinary Shareholders' Meeting regards the conferring upon the Management Board of delegated powers to resolve, pursuant to article 2443 of the Civil Code, within 28 February 2018, in one or in more tranches, upon a free share capital increase, pursuant to article 2349 of the Civil Code for up to an 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 shares already outstanding, to which dividends and other entitlements accrue in the usual way, for allocation to the persons to whom the Investment Plan is addressed, upon the terms and conditions of such Investment Plan.

The issue of free ordinary shares will take place through the use of a corresponding amount of profits and/or profit reserves, as shown in the financial statements most recently approved at the time.

It is further proposed that the Management Board be granted powers to identify in detail the profits and/or profit reserves shown in the financial statements most recently approved for allocation to that purpose, with a mandate to make such accounting records as may be consequent to the issue of the shares, in compliance with the law and the accounting standards applicable at the relevant times.

The share capital of Intesa Sanpaolo amounts to euro 8,549,266,378.64, comprising 16,440,896,882 shares of a nominal value of euro 0.52 each, of which, 15,508,406,321 ordinary shares, and 932,490,561 non-convertible saving shares.

Assuming the Investment Plan is taken up in full, and the consequent free allocation to the participants in the Investment Plan of the ordinary shares issued in the free share capital increase pursuant to article 2349, first paragraph, of the Civil Code (which, for the purposes of the Investment Plan, are the Matching Shares), there would be an increase of Intesa Sanpaolo's share capital up to a maximum of euro 53,101,088.56 without any effect on shareholders' equity of Intesa Sanpaolo and on Group's *Common Equity*.

## **2. Share capital increase pursuant to article 2441, eighth paragraph, of the Civil Code**

### *2.1 Economic, on Capital and financial effects of share capital increase pursuant to article 2441, eighth paragraph, of the Civil Code*

The share capital of Intesa Sanpaolo amounts to euro 8,549,266,378.64, comprising 16,440,896,882 shares of a nominal value of euro 0.52 each, of which, 15,508,406,321 ordinary shares, and 932,490,561 non-convertible saving shares.

Assuming the Investment Plan is taken up in full, and the consequent subscription from the participant of the ordinary shares issued in the share capital increase pursuant to article 2441, eighth paragraph, of the Civil Code (which, for the purposes of the Investment Plan, are the Discounted Shares), there would be an increase to shareholders' equity of Intesa Sanpaolo and, consequently, of Group's *Common Equity*. The extent of the increase in equity, may, in any case, vary depending on the effective subscription price of the shares.

## *2.2 Underwriting syndicate*

Is it not anticipated that any underwriting syndicate will be formed.

## *2.3 Other forms of placement*

Since the offered is reserved to employees of Intesa Sanpaolo Group, as beneficiary of the Investment Plan, the shares will be offered to them directly by the Company, and it not anticipated that there will be any forms of placement.

## *2.4 Criteria used in determining the price*

Under the terms of the proposal submitted for your approval, the price of the newly-issued ordinary shares incorporate a discount against the market value of the ordinary shares of Intesa Sanpaolo, calculated as the average of the prices observed during the 30 days preceding the issue date.

Accordingly, the issue price per ordinary share may not, in any event, be less than the nominal value per share (euro 0.52).

Therefore, following its confirmation of the maximum number of ordinary shares to be issued and allotted for subscription by those employees who participate in the Investment Plan, upon the terms and conditions thereof, the Management Board will determine the issue price (including the share premium).

In any case, the theoretical maximum number of ordinary shares that may be issued is 409,757,020.

## *2.5 Person who have expressed willingness to subscribe*

As at the date of this report's preparation, the Company has not received any indications from the persons to whom the share capital increase is addressed that they wish to subscribe the newly-issued shares.

## *2.6 Period allocated for the transaction's execution*

The offer of newly-issued shares may have commenced subject to approval of the Investment Plan and its implementation by the Management Board and also subject to receipt of the necessary authorizations from the relevant authorities.

## **3. Capital aggregate effects of the share capital increases**

Assuming the Investment Plan is taken up in full, (i) the free allocation to the participants in the Investment Plan of the ordinary shares issued in the free share capital increase pursuant to article 2439, first paragraph, of the Civil Code does not determine effects on shareholders' capital of Intesa Sanpaolo and on Group's *Common Equity*; (ii) the subscription by the participants in the Investment Plan of the ordinary shares issued in the share capital increase pursuant to article 2441, eighth paragraph, of the Civil Code (which, for the purposes of the Investment Plan, are the Discounted Shares), there would be an increase to shareholders' equity of Intesa Sanpaolo and, consequently, of Group's *Common Equity*. The extent of the increase in equity, may, in any case, vary depending on the effective subscription price of the shares.

## **4. Dilutive effects of the share capital increases**

Assuming the Investment Plan is taken up in full, such two share capital increases would lead a dilutive effect

on Intesa Sanpaolo total share capital approximately of 3%.

#### **5. Date for which dividends and other entitlements would accrue to the newly-issued shares**

Dividends and other entitlements accrue to the ordinary shares to be issued under the share capital increases described by this report in the same way as they do to the ordinary shares outstanding at the issue date.

#### **6. 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.

#### **7. Changes to the Articles of Association**

In consequence of the resolution that is proposed for your approval, it will be necessary to amend article 5 of the Articles of Association, to include two sub-articles (5.3 and 5.4) regarding the shareholders' resolution conferring the delegated powers upon the Management Board for (i) a share capital increase, pursuant to article 2349, first paragraph, of the Civil Code and (ii) for a share capital increase, pursuant to article 2441, eighth paragraph, of the Civil Code, made in absence of a rights offering and in favour of employees of the Intesa Sanpaolo Group, as described below.

The proposed changes to article 5 of the Articles of Association also reflect the shareholders' resolution proposed on point 1) above of the agenda (Extraordinary Part), as described in the respective report.

#### **Current terms**

##### **Article 5. Share capital**

The Company's subscribed and paid-in share capital amounts to 8,549,266,378.64 euro, represented by 16,440,896,882 shares with a nominal value of 0.52 euro each, comprising 15,508,406,321 ordinary shares and 932,490,561 non-convertible savings shares.

#### **Proposed terms**

##### **Article 5. Share capital**

**5.1 –** The Company's subscribed and paid-in share capital amounts to 8,549,266,378.64 euro, represented by 16,440,896,882 shares with a nominal value of 0.52 euro each, comprising 15,508,406,321 ordinary shares and 932,490,561 non-convertible savings shares.

**5.2 – The Extraordinary Shareholders' Meeting may resolve upon allocation of profits to the employees of the Company or of its subsidiaries by issuing financial instruments in accordance with the applicable legislation in force at the relevant times.**

**5.3 – The extraordinary shareholders' Meeting of 8 May 2014 conferred, upon the Management Board: (i) delegated powers pursuant to article 2443 of the Civil Code, for a free share capital increase within 28 February 2018, in one or more tranches by up to 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 shares already outstanding, to which dividends and other entitlements accrue in the usual way, for allocation to the persons to whom the “Investment Plan” is addressed, approved on the same date, upon the terms and conditions of the Investment Plan; through the allocation – pursuant to article 2349 of the Civil Code – up to the amount corresponding to the profits and/or profit reserves shown in the financial statements most recently approved; and (ii) all such comprehensive powers to duly identify the profits and/or profit reserves shown in the financial statements most recently approved, for application to the purpose described in (i) above, with a mandate to make such accounting records as may be consequent to the issue of the shares, in compliance with the law and the accounting standards applicable at the relevant times;

5.4 – The Extraordinary Shareholders’ Meeting of 8 May 2014 granted the Management Board delegated powers, pursuant to articles 2441, eighth paragraph, and 2443, of the Civil Code, for a share capital increase, for up to an amount of euro 213,073,650.40 without a rights offering and in favour of the employees, in one or more tranches and on one or more occasions, within 28 February 2018, with the issue of up to 409,757,020 shares, at a price that incorporates a discount against the market value of Intesa Sanpaolo ordinary shares, in service of the Investment Plan, approved in such date. The same extraordinary shareholders’ meeting granted the Management Board all such comprehensive powers as may be required for: (i) settling the issue price of the newly-issued ordinary shares; this issue price will be determined applying a discount on the market price of the share, calculated as the average of the prices observed during the 30 days preceding the issue date, provided always that it may not be less

than the nominal value per share (euro 0.52); (ii) establishing 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) determining the timetable for the execution of the resolution on the share capital increase.

The proposed changes to the Articles of Association do not entitle shareholders that did not participate in the resolutions to withdraw their investments.

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Dear Shareholders, you are accordingly invited to approve the resolution below:

***Proposal of resolution***

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

***resolved***

*Effectively subordinate to the Companies Register's registration of the resolution concerning the inclusion in the Articles of Association of article 5.2:*

- a. to grant to the Managing Board delegated powers, pursuant to article 2443 of the Civil Code to increase the share capital gratuitously within 28 February 2018, in one or more tranches, by up to euro 53.101.088,56, through the issue of up to 102.117.478 ordinary shares with the same characteristics as those shares already outstanding of Intesa Sanpaolo, to which dividends and other entitlements accrue in the usual way, for allocation to the persons to whom the "Investment Plan" is addressed, upon the terms and conditions of the Investment Plan; through the allocation, pursuant to article 2349 of the Civil Code, of the corresponding amount of profits and/or profit reserves, which may not exceed such amounts as shown in the financial statements most recently approved at that time;*
- b. to grant to the Management Board all such comprehensive powers as it may require duly to identify in detail the profits and/or profit reserves shown in the financial statements most recently approved, for application to the purpose described in a. above, with a mandate to make such entries in the accounts as may be appropriate, consequent to the issue of the shares, in compliance with the law and the accounting standards applicable at the relevant times;*
- c. to amend article 5 of the Articles of Association of Intesa Sanpaolo S.p.A., with the introduction of a sub-article 5.3 in the following terms:*

5.3 - "The Extraordinary Shareholders' Meeting of 8 May 2014 conferred, upon the Management Board:

(i) delegated powers pursuant to article 2443 of the Civil Code, for a free share capital increase within 28 February 2018, in one or more tranches by up to euro 53,101,088.56 through the issue of up to 102,117,478 ordinary shares with the same characteristics as those shares already outstanding, to which dividends and other entitlements accrue in the usual way, for allocation to the persons to whom the Investment Plan is addressed, upon the terms and conditions of the Investment Plan; through the allocation – pursuant to article 2349 of the Civil Code – up to the amount corresponding to the profits and/or profit reserves shown in the financial statements most recently approved; and (ii) all such comprehensive powers to duly identify the profits and/or profit reserves shown in the financial statements most recently approved, for application to the purpose described in (i) above, with a mandate to make such accounting records as may be consequent to the issue of the shares, in compliance with the law and the accounting standards applicable at the relevant times”;

- d. *to authorize the Management Board, in accordance to articles 2441, eighth paragraph, and 2443 of the Civil Code, delegate powers for a share capital increase, for up to an amount of euro 213,073,650.40 with absence of a rights offering and in favour of employees in one or more tranches and on one or more occasions, within 28 February 2018, with the issue of up to 409,757,020 shares, at a price that incorporates a discount against the market value of the ordinary shares of Intesa Sanpaolo, in service of the “Investment Plan”;*
- e. *to authorize the Management Board: (i) settling the issue price of the newly-issued ordinary shares; this issue price will be determined applying a discount on the market price of the share, calculated as the average of the prices observed during the 30 days preceding the issue date, provided always that it may not be less than the nominal value per share (euro 0.52); (ii) establishing 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) determining the timetable for the execution of the resolution on the share capital increase;*
- f. *to amend article 5 of the Articles of Association of Intesa Sanpaolo S.p.A., with the introduction of a sub-article 5.4 in the following terms:*

5.4 – “The extraordinary shareholders’ meeting of 8 May 2014 granted the Management Board delegated powers, pursuant to articles 2441, eighth paragraph, and 2443, of the Civil Code, for a share capital increase, for up to an amount of euro 213,073,650.40 without a rights offering and in favour of the employees, in one or more tranches and on one or more occasions, within 28 February 2018, with the issue of up to 409,757,020 shares, at a price that incorporates a discount against the market value of Intesa Sanpaolo ordinary shares, in service of the “Investment Plan”, approved in such date. The same extraordinary shareholders’ meeting granted the Management Board all such comprehensive powers as may be required for: (i) settling the issue price of the newly-issued ordinary shares; the issue price will be determined applying a discount on the market price of the share, calculated as the average of the prices observed during the 30 days preceding the issue date, provided always that it may not be less than the nominal value per share (euro 0.52); (ii) establishing 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) determining the timetable for the execution of the resolution on the share capital increase.”; and

- g.** *to grant to the Management Board – in the person of the Chairman of the Management Board and the Managing Director and CEO – jointly and severally, all powers to make from time to time all such changes to article 5 of the Articles of Association as may be consequent to the resolutions, their execution and the completion of the share capital increase for which they have received delegated powers, and to that end performing all such duties, and disclosure obligations, as may be required by the law and regulations, and performing all such formal requirements as may be necessary for the resolutions’ registration with the Register of Companies in Turin;*

7 of April 2014

On behalf of the Management Board

Gian Maria Gros-Pietro

*Chairman*