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# Report of the Board of Directors

## Ordinary Part - Item 3 on the agenda

### Remuneration and own shares:

#### d) Authorisation to purchase and dispose of own shares to service the 2017 Annual Incentive Plan

Distinguished Shareholders,

You have been called to this Ordinary Meeting to discuss and pass resolutions on the purchase of shares to service the 2017 Incentive Plan (hereinafter, also, the “Plan”), of the Intesa Sanpaolo Group, intended for Risk Takers who accrue a bonus in excess of so-called “materiality threshold” (equal to 80,000 euro) and those who, among Managers or Professionals that are not Risk Takers, accrue “relevant bonuses” (i.e. an amount exceeding 80,000 euro and 100% of the fixed remuneration); this Plan involves the use of Intesa Sanpaolo ordinary shares to be purchased on the market, as required by the Provisions on remuneration, upon your specific authorisation.

Furthermore, in accordance with the same Provisions, the Remuneration Policies of the Group require that also the possible remuneration granted to Risk Takers in the event of early termination (Severance<sup>1</sup>) be paid, at least in part, in shares.

As the Company currently does not hold a sufficient number of own shares in its portfolio to ensure implementation of the Plan and the payment of possible Severance, it was decided to request authorisation from the Shareholders’ Meeting pursuant to Articles 2357 et seq. of the Italian Civil Code, so that the Company may purchase the necessary own shares and assign them to its employees and other staff and to directors, employees and other staff of its subsidiaries, in implementation of the variable remuneration system illustrated and/or when applying severance possibly recognised.

For these purposes, authorisation is requested for the purchase, also in several tranches, of ordinary shares, up to a maximum number and a maximum percentage of Intesa Sanpaolo share capital calculated by dividing the comprehensive amount of approximately 40,000,000 euro by the official price recorded by the share on 27 April 2018 (date of the Shareholders’ Meeting). The above amount thus includes both the portion for employees of Intesa Sanpaolo and the portion for employees of companies it directly and/or indirectly controls. By the start date of the purchase plan at Group level, said companies shall complete the procedure for requesting the equivalent authorisation from their shareholders’ meetings, or from the related competent decision-making bodies on the matter.

As at the date of this Report, Intesa Sanpaolo’s share capital subscribed and paid-in amounts to 8,731,984,115.92 euro, represented by 16,792,277,146 shares, comprising 15,859,786,585 ordinary shares and 932,490,561 non-convertible savings shares. In this regard, it is worth noting that under item 1 of the Agenda of the Extraordinary Shareholders’ Meeting set for 27 April 2018, the proposal was submitted relating to the mandatory conversion of the savings shares into ordinary shares as well as the removal from the Articles of Association of the indication of the nominal value of the shares of Intesa Sanpaolo, to which reference is made in the related explanatory report.

The maximum number of ordinary shares for which purchase authorisation is requested pursuant to Art. 2357 of the Italian Civil Code is thus within the legal limits, also considering any shares owned by subsidiaries.

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<sup>1</sup> As provided for by EBA Guidelines 2015, “Severance” is defined as the payment agreed in view of or upon early termination of the employment relationship or early termination of office for the amount exceeding the provisions of the National Collective Bargaining Agreement (CCNL).

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Own shares shall be purchased within the limits of distributable income and available reserves as per the latest approved financial statements at the time the purchases are carried out.

An unavailable reserve equal to the amount of own shares recorded under balance sheet assets must be established and maintained until the shares are transferred or cancelled.

Purchase authorisation is requested for the maximum period of 18 months permitted by applicable law, from the date of the Ordinary Shareholders' Meeting resolution.

The Board of Directors may confer the mandate to the Managing Director and the Chief Financial Officer, individually and with the right to sub-delegate, to make the purchase of Intesa Sanpaolo shares on the regulated market pursuant to art. 144-bis, lett. b), of the Issuers' Regulation in compliance with the regulations on the equality of shareholders, the measures to prevent market abuse and the related market practices permitted by Consob as well as the terms approved by the Shareholders' Meeting. These purchases must be made also on behalf of the subsidiaries participating in the initiative.

The authorisation to use the own shares purchased as above is requested within the time frame required to implement the Plan.

The Board of Directors proposes that the purchase be made, in compliance with any regulatory restrictions or permitted market practices, at a price identified on a case by case basis, net of accessory charges, in the range of a minimum and maximum price which can be determined using the following criteria:

- the minimum purchase price cannot be lower than the reference price the share recorded in the stock market session on the day prior to each single purchase transaction, decreased by 10%;
- the maximum purchase price cannot be higher than the reference price the share recorded in the stock market session on the day prior to each single purchase transaction, increased by 10%.

In any case, the price may not exceed the higher between the price of the last independent transaction and the current price of the highest bid for independent purchase in the market.

Purchases shall be made on the regulated market - pursuant to Article 144-bis, letter b) of the Issuers' Regulation - in full compliance with the regulations on the equality of shareholders, the measures to prevent market abuse and the related market practices permitted by Consob.

Ordinary shares purchased based on the authorisation requested in this proposal shall be assigned to the recipients according to the terms and conditions envisaged by the Plan and/or by any severance recognised. The shares shall be assigned free of charge, at a value for Recipients calculated in compliance with the provisions of tax and social security regulations in force from time to time.

If the shares purchased exceed the actual needs in service of this resolution, the Company may dispose of them on the regulated market, using the same methods provided for their purchase, at a price of no less than the reference price that the share recorded in the stock market session on the day prior to each single transaction decreased by 10%, or retain them for the service of any future incentive plans and/or any severance recognised.

Distinguished Shareholders, you are therefore invited to approve the proposed authorisation for the purchase and use of own shares, in accordance with the terms illustrated.

20 March 2018

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

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*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.*