



Report on Corporate Governance and Ownership Structures
Report on Remuneration

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Intesa Sanpaolo S.p.A. Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,984,115.92 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund Parent Company of "Intesa Sanpaolo" banking group, included in the National Register of Banking Groups.

This is an English translation of the Italian original "Relazione su Governo Societario e Assetti Proprietari. Relazione sulle Remunerazioni" that has been prepared solely for the convenience of the reader

Contents

	Page
Glossary	9
REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES	15
Introduction	15
Adoption of the Corporate Governance Code	17
PART I – PROFILE OF THE COMPANY AND THE GROUP	19
Corporate Governance model	
The Intesa Sanpaolo Group	
- The role of the Parent Company and management and coordination activities	
- Group Regulations	
PART II – INFORMATION ON OWNERSHIP STRUCTURES	25
Introduction	
Share Capital	
- Ordinary shares and savings shares	
- Securities traded on non-European markets	
- Own shares	
Share Transfers	
Shareholder Base	
- Main Shareholders	
- Shareholders' agreements	
"Change of control" clauses	
Allocated Assets	
PART III – INFORMATION ON THE ADOPTION OF THE CORPORATE GOVERNANCE CODE AND OTHER INFORMATION ON GOVERNANCE	29
The Board of Directors	29
POWERS OF THE BOARD OF DIRECTORS	29
COMPOSITION OF THE BOARD OF DIRECTORS	30
- Structure, composition and appointment	
- Term of office, replacement and removal	
- Chairman and Deputy Chairperson	
- Managing Director	
QUALIFICATION REQUIREMENTS	34
- Integrity requirements	
- Reputation and fairness requirements	
- Professionalism requirements	
- Board induction	
- Independence requirements: independent Board Directors	
- Grounds for incompatibility	
- Management or control positions of Board Directors and time availability	

CONFLICTS OF INTEREST	38
- Introduction	
- Interests of Board Directors	
- Transactions with related parties and associated entities and obligations of Board Members and General Managers of the Bank	
THE BOARD OF DIRECTORS' SELF-ASSESSMENT	40
OPERATION OF THE BOARD OF DIRECTORS	41
- Calling of meetings	
- Reports to Directors	
- Conduct of meetings and the decision-making process	
- Frequency of meetings and Director attendance	
- Contestation of resolutions	
MANAGEMENT CONTROL COMMITTEE	45
- Duties and powers	
- Composition and appointment	
- Term of office, replacement and removal	
- Qualification requirements	
- Operation of the Management Control Committee	
- Self-assessment of the Management Control Committee	
COMMITTEES APPOINTED BY THE BOARD OF DIRECTORS: COMPOSITION AND OPERATIONS	51
- Nomination Committee	
- Remuneration Committee	
- Risks Committee	
- Committee for transactions with related parties and associated entities	
INFORMATION FLOWS FROM CORPORATE BODIES AND TO CORPORATE BODIES	56
Bodies of the two-tier governance model (until 27 April 2016)	57
INTRODUCTION AND REFERENCE TO THE 2016 REPORT	57
THE SUPERVISORY BOARD	57
- Composition and operation	
- Internal Committees	
THE MANAGEMENT BOARD	60
- Composition	
- Operation	
Operating structure	62
- Divisions and Business Units, Governance Areas and Head Office Departments reporting directly to the Managing Director and CEO	
- Group's Managerial Committees	
The internal control and risk management system	64
MAIN CHARACTERISTICS	64
THE ROLE OF THE CORPORATE BODIES	66
THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS	67
THE FINANCIAL REPORTING PROCESS MONITORING	68
THE ROLE OF THE MANAGERIAL COMMITTEES	68
THE CHIEF RISK OFFICER	70

THE CHIEF COMPLIANCE OFFICER	70
THE LEGAL AFFAIRS HEAD OFFICE DEPARTMENT - GROUP GENERAL COUNSEL	71
INTERNAL AUDITING	71
THE SURVEILLANCE BODY AND THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001	73
INDEPENDENT AUDITING	74
TREATMENT OF CORPORATE INFORMATION	76
- Inside information and Insiders List	
- Internal Dealing	
RELATIONS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY – THE WEBSITE	77
SHAREHOLDERS’ MEETINGS: PROCEDURES AND SHAREHOLDERS’ RIGHTS	78
- The Shareholders’ Meeting of Intesa Sanpaolo	
- Duties of the Shareholders’ Meeting	
- Calling and conduct of work	
- Additions to the agenda and submission of new proposed resolutions	
- Right to ask questions on items on the agenda	
- Participation and representation – The Appointed Representative	
- Voting rights	
- Quorum and voting majorities	
- Contestation of shareholder resolutions	
- The Special Savings Shareholders’ Meeting	
- The right of withdrawal	
SOCIAL AND ENVIRONMENTAL RESPONSIBILITY	83
PART IV – SUMMARY TABLES	85
Table No. 1: Composition of the Board of Directors and Committees	85
Table No. 2: List of other management or control offices of Board Directors in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies	87
Table No. 3: Composition of the Supervisory Board and Committees	89
Table No. 4: Composition of the Management Board	90

REPORT ON REMUNERATION	91
Introduction	93
SECTION I – 2017 Remuneration policies adoption proposal	95
1. Procedures for adoption and implementation of the Remuneration policies	
1.1. The role of corporate bodies	
1.1.a. The Shareholders' Meeting	
1.1.b. The Board of Directors	
1.2. The Human Resources Head Office Department and the Company Control Functions	
1.3. Criteria used to assess the performance targets at the basis of assignment of variable components	
2. Remuneration of the members of the Board of Directors	97
2.1. Remuneration of Board Members	
2.2. Remuneration of the Management Control Committee members	
2.3. Remuneration of the members of the Board Committees	
2.4. Remuneration of the Managing Director and CEO	
2.5. Insurance policy for Board Members and General Managers	
2.6. Termination of office; employee termination indemnities	
3. Remuneration policy for the corporate bodies of subsidiaries	100
4. Remuneration policy for employees and staff not bound by an employment agreement	101
4.1. Objectives of the remuneration policies	
4.2. Segmentation of personnel	
4.3. The correlation between remuneration, risk and performance	
4.4. Remuneration components	
4.4.1. Fixed remuneration	
4.4.2. Variable remuneration	
4.5. The remuneration pay mix	
4.5.1. General criteria	
4.5.2. Increase in the variable remuneration-to-fixed remuneration cap for specific and limited professional categories and business segments	
4.6. Incentive systems for Group personnel	
4.6.a. Conditions to activate incentive systems	
4.6.b. Minimum activation conditions required by the Regulator	
4.6.c. Group's bonus funding mechanism and configuration by department	
4.6.d. Individual access condition	
4.6.e. Risk Takers	
4.6.f. Other managers	
4.6.g. Specific professional business categories	
4.6.h. Guaranteed bonuses	
4.6.i. Claw-back mechanisms	
4.6.l. Prohibition of hedging strategies	
4.7. Variable Result Bonus	
4.7.1. Purposes	
4.7.2. Structure	
4.7.2.a. Base Bonus	
4.7.2.b. Additional Bonus	
4.7.2.c. Excellence Bonus	
4.7.3. Minimum activation conditions	
4.7.3.a. Minimum activation conditions at Group level	
4.7.3.b. Conditions of funding	
4.7.3.c. Individual access condition	
4.8. Employee share ownership	
4.8.1. Employee investment plan – LECOIP (Leveraged Employee Co-Investment Plan)	
4.8.1.a. Principles	
4.8.1.b. Characteristics	

4.8.1.c. Diversification by cluster	
4.8.1.d. Compliance with the Provisions on remuneration	
4.8.1.e. Individual conditions governing participation in the LECOIP Plans	
4.8.1.f. Early Settlement Event	
4.8.1.g. Expected benefits	
4.9. Termination of the employment agreement	
4.9.1. Criteria and maximum limits for the determination of severance payments in the event of termination of the employment agreement	
4.10. Discretionary pension benefits	
5. Remuneration policy for certain categories governed by the agency contract	125
SECTION II – 2016 Remuneration policies disclosure	127
Introduction	127
PART I – General information	128
Description of remuneration items and consistency with the relevant policy	128
The 2016 incentive system for Risk Takers	130
PART II – QUANTITATIVE ANALYTICAL TABLES	132
Remuneration	132
Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers	132
Table No. 2: Stock options granted to members of the Management Board, General Managers and other Key Managers	143
Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers	144
Table No. 3B: Monetary incentive plans in favour of Managing Director and CEO, other Key Managers, and Deputy Chairpersons of Management Board in office until 27/04/2016	147
Equity	151
Table No. 1: Equity investments of Supervisory Board and Management Board members and of General Managers	151
Table No. 1: Equity investments of Members of Board of Directors	152
Table No. 2: Equity investments of other Key Managers	153
PART III – AGGREGATE QUANTITATIVE INFORMATION PURSUANT TO THE SUPERVISORY PROVISIONS OF THE BANK OF ITALY	154
The 2016 incentive system for Risk Takers	154
Quantitative information broken down by business area	157
Quantitative information broken down by various categories of identified staff	158
PART IV – INTERNAL AUDITING DEPARTMENT ASSESSMENT OF THE INCENTIVE SYSTEM	160

APPENDIX**161**

Table No. 1: "Check List"

163

Table No. 2: "Art. 123-bis - Report on corporate
governance and ownership structures"

179

Table No. 3: "Art. 123-ter - Report on remuneration"

181

Glossary

European Central Bank or ECB:

the European Central Bank, an EU institution responsible for the prudential supervision of banks within the Single Supervisory Mechanism, which comprises the same ECB and the national competent authorities. Its main aim is to contribute to the safety and soundness of the banking system and the stability of the financial system within the EU as well as to ensure a consistent and efficient prudential supervision (www.ecb.europa.eu)

Bank of Italy:

Bank of Italy - central bank of Italy, part of the Eurosystem, comprising the central banks of the Eurozone and the European Central Bank - is a public institution whose main functions are designed to ensure, among others, the stability and efficiency of the financial system by pursuing the sound and prudent management of financial intermediaries as well as compliance with relevant laws in force (www.bancaditalia.it)

Italian Stock Exchange or Borsa Italiana:

Borsa Italiana S.p.A. is the company responsible in Italy for the organisation, management and development of markets for the trading of financial instruments, on which Intesa Sanpaolo S.p.A. instruments are also listed (www.borsaitaliana.it)

c.c.:

Italian Civil Code

Parent Company:

Intesa Sanpaolo, the Parent Company of the Banking Group, pursuant to the Consolidated Law on Banking

Corporate Governance Code or Code:

Corporate Governance Code for listed companies, published in March 2006 and updated in July 2015 by the Corporate Governance Committee, on corporate governance principles applicable to companies listed on the stock exchange

Consob:

Commissione Nazionale per le Società e la Borsa, the Italian financial market supervisory authority, which monitors the transparency and proper conduct of operators (www.consob.it)

Manager responsible for preparing the Company's financial reports:

Manager responsible for preparing the Company's financial reports (pursuant to Article 154-bis of the Consolidated Law on Finance)

Supervisory Provisions:

Provisions issued by the Bank of Italy as part of its supervisory functions, applicable to banks and banking groups

Supervisory Provisions on remuneration:

Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, laid down in Circular 285 of 17 December 2013 (First Part, Title IV, Chapter 2)

Supervisory Provisions on corporate governance:

Provisions on bank corporate governance, laid down in Circular 285 of 17 December 2013 (First Part, Title IV, Chapter 1)

Supervisory Provisions on the control system:

Provisions on the banks' internal control system, currently laid down in Circular 285 of 17 December 2013 (First Part, Title IV, Chapter 3)

European Banking Authority or EBA:

European Banking Authority, an independent European Union authority, which works to ensure an efficient and standardised level of regulation and prudential supervision in the European banking sector

Financial Stability Board or FSB:

Financial Stability Board, independent body that collaborates with the national and international financial institutions to develop and implement effective regulatory, supervisory and other specific sector policies in the interest of global financial stability (www.financialstabilityboard.org)

Banking Group or Intesa Sanpaolo Banking Group:

the Banking Group is composed of the Parent Company Intesa Sanpaolo and the banking, financial and instrumental companies – with registered offices in Italy and abroad – controlled directly or indirectly by the Parent Company

Group or Intesa Sanpaolo Group:

the Group is composed of the Parent Company Intesa Sanpaolo and the companies controlled directly or indirectly by the same, including companies that are not part of the Banking Group – with registered offices in Italy and abroad

Intesa Sanpaolo or Company or Bank:

Intesa Sanpaolo S.p.A.

Surveillance Body:

Body with independent initiative and control powers, which is entrusted – according to Legislative Decree No. 231/2001 on the administrative liability of companies – with the task of supervising effective implementation, operation and compliance with the Organisational, Management and Control Model pursuant to the aforesaid Decree

Borsa Italiana Regulations:

Regulations governing markets organised and managed by Borsa Italiana

Issuers' Regulation:

Regulation implementing the Consolidated Law on Finance and governing issuers, adopted by Consob Resolution 11971 of 14 May 1999, and subsequent amendments thereto

Consob Regulation on related parties:

Regulation issued by Consob Resolution 17221 of 12 March 2010 (and subsequent amendments), governing transactions with related parties by companies using the venture capital market directly or through subsidiaries

RPT Procedures:

Group Procedures regulating the conduct of transactions with related parties of Intesa Sanpaolo S.p.A., associated entities of the Group and relevant parties pursuant to Article 136 of the Consolidated Law on Banking, approved by the Board of Directors on 2 August 2016

Report on Governance:

the Report on Corporate Governance and Ownership Structures drawn up pursuant to Article 123-bis of the Consolidated Law on Finance

Report on Remuneration:

the Report on Remuneration drawn up pursuant to Article 123-ter of the Consolidated Law on Finance and subsequent implementation provisions

Bank's website or Company's website:

the website group.intesasanpaolo.com

Articles of Association:

Intesa Sanpaolo's Articles of Association (available in the Governance section of the Bank's website)

Consolidated Law on Banking:

Italian Legislative Decree No. 385 of 1 September 1993 – Consolidated Law on Banking

Consolidated Law on Finance (CLF):

Italian Legislative Decree No. 58 of 24 February 1998 – Consolidated Law on Finance



Report on Corporate Governance and Ownership
Structures

21 February 2017

Introduction

This Report, available in the “Governance” section of the Company’s website, as well as in the authorised storage mechanism eMarket Storage, has been prepared in accordance with Article 123-bis of the Consolidated Law on Finance, which requires issuers to provide the market yearly with a set of information, precisely identified by the said Article, on their ownership structures, their compliance to a corporate governance code, their corporate bodies structure and operation as well as their corporate governance practices.

The Report also seeks to fulfil the public disclosure obligations on organisational structures and corporate governance laid down for banks by the Supervisory Provisions on corporate governance.

In addition to being required by law, the Report also represents an opportunity for Intesa Sanpaolo to carry out a periodic overall self-analysis, as well as an important means of communication with its shareholders, investors and the market, illustrating the governance mechanisms that drive the Bank’s operations.

Within this framework, the Report describes the levels of compliance with the Corporate Governance Code, and identifies the rare cases of discordance with the latter and the reasons supporting them, also considering the peculiarities of the one-tier corporate governance model and taking into account the Code Guidelines as to “comply or explain” in the event of any deviation from the recommendations contained in the related principles and application criteria.

More specifically, the Report comprises four parts:

- Part I provides a brief description of the Company and its corporate governance model as well as of the Intesa Sanpaolo Group;
- Part II discloses information on the ownership structure, except for certain information that has been included in Part III for the purposes of greater clarity;
- Part III contains more precise information on the Bank’s corporate governance, Corporate Bodies, the corporate structure and the internal control and risk management system;
- Part IV, finally, includes summary tables on the Bodies' structure.

In Part III, a specific section is dedicated to the two-tier governance system – in force until 27 April 2016 – with particular reference to the composition and operations of the Supervisory Board and the Management Board in office until that date and without prejudice to what was set out in the Report published in 2016.

Information on application of Article 6 of the Code is mainly contained in the Report on Remuneration published together with this Report.

For more immediate interpretation, specific margin notes have been included alongside the text citing the relevant Principles and Criteria of the Code, along with the requirements of paragraph 1 (ownership structures) and paragraph 2 (corporate governance) of Article 123-bis of the Consolidated Law on Finance.

The Appendix to this document contains two check lists that indicate, on one side, the Principles and Criteria of the Code applied and the provisions of Article 123-bis and, on the other side, the relative implementation (with any amendments) or non-application, with reference to the page of the document in which the matter is discussed.

However, these check lists should be read together with the clarifying notes and details provided in the Report as regards application of the individual provisions.

Information contained in this Report, unless otherwise stated, refers to the position as at 21 February 2017, the date of its approval by the Board of Directors.

This Report was audited for consistency by the independent auditors KPMG, in accordance with the aforementioned Article 123-bis. Their findings are published in the Independent Auditors’ Reports, prepared in

accordance with Article 14 of Italian Legislative Decree 39/2010, annexed to the Parent Company's and consolidated financial statements for 2016.

Adoption of the Corporate Governance Code

Intesa Sanpaolo has adopted the Corporate Governance Code, as updated in July 2015, available on the Corporate Governance Committee website (on page www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm). Consequently, the Bank's governance is also inspired by the aims and guidelines enshrined therein, with a view to ensuring the effective and transparent separation of the roles and responsibilities of its Corporate Bodies, and, in particular, also in accordance with supervisory provisions, a proper balance of strategic supervision, management and control functions.

Art. 123-bis (2),
(a) CLF

The Bank adapts the principles and criteria of the Code to its own one-tier governance system – adopted by the Extraordinary Shareholders' Meeting on 26 February 2016 and in force since 27 April 2016 – this option being offered by the Code for alternatives to the traditional governance and control models, in a manner consistent with the objectives of good corporate governance, transparent reporting and the protection of investors and the market, as well as of the interests of all the stakeholders that the Bank liaises with in the conduct of its business. Consequently, the articles of the Code that make reference to the Board of Directors and the Board of Statutory Auditors, or their members, are applied, in principle, to the Board of Directors and the Management Control Committee, or their members respectively.

10.P.1.

Furthermore, the Company, aware that efficient corporate governance is essential for the pursuit of its objectives, constantly updates its corporate governance structure on the basis of past experience and changing regulations, national and international best practices as well as corporate governance principles and recommendations promoted by the main Bodies and Authorities (i.e. the Financial Stability Board, the Basel Committee on Banking Supervision and the European Banking Authority).

All the above, with no prejudice to strict compliance with the overall regulatory framework and, in particular, the provisions laid down in EU sector regulations, in the Consolidated Law on Banking, as well as the supervisory provisions issued by the Bank of Italy in the performance of its supervisory functions, pursuant to which, Intesa Sanpaolo, as a Bank, must however adapt its organisational structure; in this regard, it is noted that Intesa Sanpaolo – as a "significant supervised entity" – is subject to the direct supervision of the European Central Bank, which is responsible for the fulfilment of specific duties regarding the prudential supervision of credit institutions within the Single Supervisory Mechanism, including specific controls on the presence of sound corporate governance principles.



Part I – Profile of the Company and the Group

Intesa Sanpaolo is a Bank quoted on the MTA market (Mercato Telematico Azionario) organised and managed by Borsa Italiana. The purpose of the Company is the deposit-taking and the carrying out of all forms of lending activities, both directly and through its subsidiaries, together with any other transactions instrumental or related to the achievement of its corporate purpose.

Corporate Governance model

By resolution of the Extraordinary Shareholders' Meeting of 26 February 2016, which was applied as from 27 April 2016, Intesa Sanpaolo has adopted the "one-tier" governance model and, therefore, operates through a Board of Directors, with guidance and strategic supervision duties, management duties mainly concentrated on the Managing Director and CEO, and control duties that are performed by a committee entirely made up of independent Board Directors (the Management Control Committee).

10.P.1.
10.P.2.
10.P.3.

The primary reasons for adopting a one-tier corporate governance model include the need to pursue the objective of improving governance without marking a radical break of continuity from the positive characteristics offered by the two-tier system, and cultivating the development of the previous experience, while also keeping pace with the models commonly used outside Italy.

Among the most important aspects that the model intends to ensure, there is the assignment to the Board of Directors of a role that closely interlinks the strategic supervision function with the performance of an increasingly ex ante control activity (on strategic plans, business risks, adequacy of the organisation and of the internal control system), understood as a physiological function and a co-essential instrument to the company's strategic direction.

Owing precisely to the specific characteristics presented by the one-tier governance model, this characterisation of the role of the Board (which certainly does not obviate the necessary retrospective controls of acts or conduct already engaged in) can ensure the maximum level of that positive combination of management and control suited to ensuring ongoing supervision of company management and its legitimacy.

The fact that the members of the Management Control Committee are (also) the company's directors entitled to resolve on management decisions significantly strengthens the effectiveness and efficiency of the role of the Board as a whole and ensures the utmost consistency of the administration action, enabling – on the one hand – all directors to evaluate, from the time of the management decisions, all the implications of their decisions, and – on the other hand and at the same time – the control body members to play a more effective role through their direct participation in the decision-making process.

The practical application of the one-tier governance model to Intesa Sanpaolo focuses on the following main guidelines:

(i) a clear division of roles and responsibilities among the various Bodies:

- the framework provides for the assignment to the Board of Directors of the Company's guidance and strategic supervision duties and the duty to resolve on all the relevant corporate deeds;
- the internal Committees within the Board (Risks, Remuneration, Nomination, Related Parties and Associated Entities) support – with assessment, advisory and propositional tasks, each within its own remit – the Board of Directors in carrying out its functions, in order to facilitate the adoption of fully informed decisions;
- the Management Control Committee performs the powers and functions conferred by the current regulations upon the body with the control function and upon the internal control and audit committee, pursuant to Legislative Decree 39/2010;
- the Managing Director and CEO performs the day-to-day management function, within the scope of the powers delegated by the Board of Directors;

-
- the Managers support the Managing Director and CEO in the performance of the day-to-day management function:
 - gathered in Management Committees, in the performance of the duties and powers conferred upon them by the Board of Directors as part of specific Regulations;
 - individually or jointly, in the performance of the powers granted to them by the Board of Directors upon the proposal of the Managing Director;
 - ii) the predominant presence of non-executive Board Directors and, in their area, of the independent Board Directors capable of ensuring a fair and balanced debate within the Board, an effective counterweight to the Managing Director and CEO and the Bank's Management, and adequate monitoring activities on the choices made by them;
 - iii) the important role of the Chairman of the Board of Directors, aimed at encouraging the effective debate within the Board, ensuring its effective functioning and actual contribution of all Board Directors;
 - iv) a system of adequate and timely information flows within the Bodies and between the Bodies and the corporate functions.

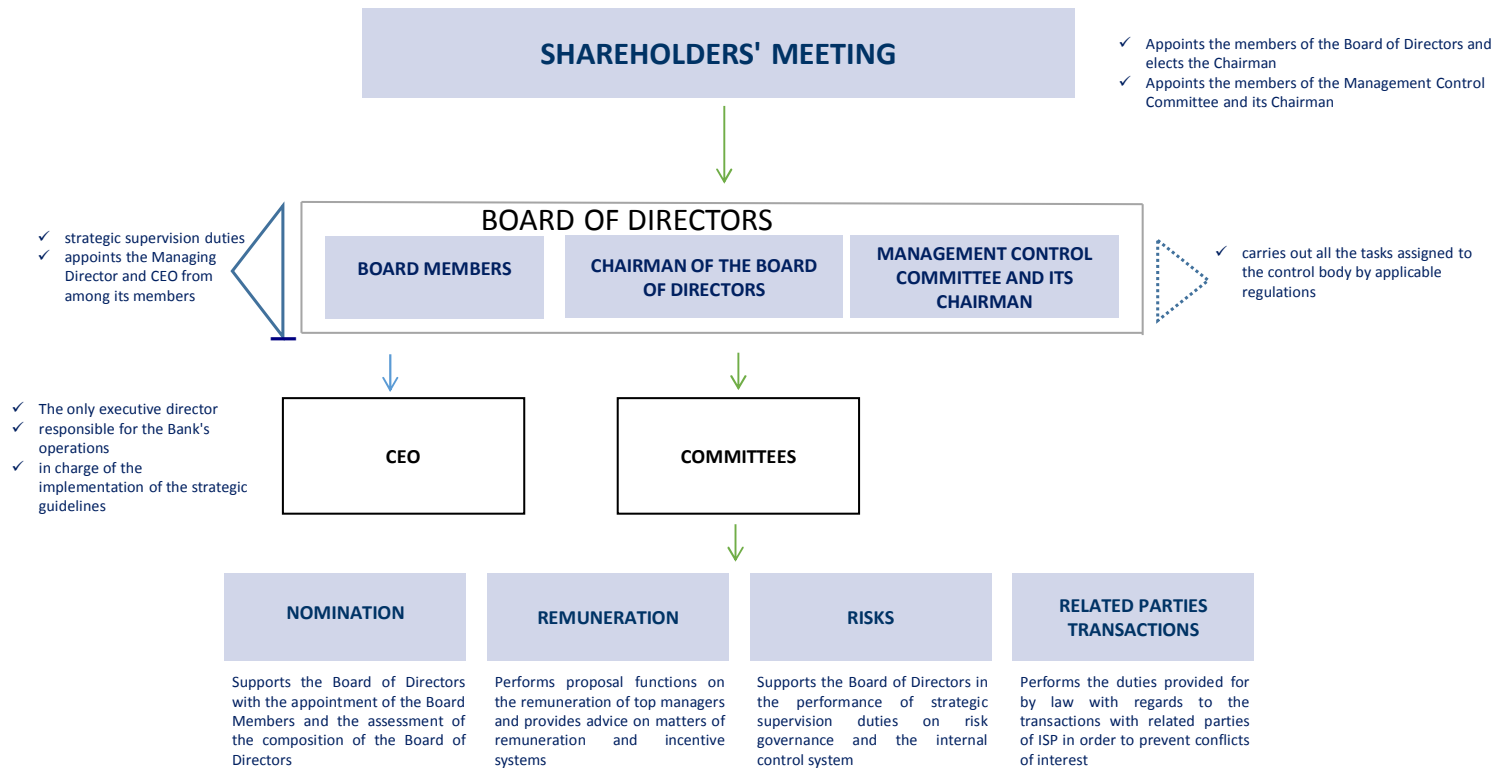
Under the governance model actually adopted by the Bank, the members elected by the minority are also assigned, in addition to the chairmanship of the Management Control Committee, also the chairmanship of the Committee for Transactions with Related Parties and Associated Entities.

The aforesaid framework falls within an adequately structured, functional and effective system of internal controls.

Moreover, in line with recent developments in the ownership structure of Intesa Sanpaolo – which has among its main shareholders major international institutional investors that, overall, hold almost 65% of the capital – the new corporate governance model, in line with best international practices, seems to be easily and fully implemented so as to allow the best representation of foreign shareholders in the Bank's Board.

The following is a slide showing the adopted governance structure.

Intesa Sanpaolo – One-tier governance model



The Intesa Sanpaolo Group

The role of the Parent Company and management and coordination activities

The Intesa Sanpaolo Group provides banking, financial, investment, collective asset management and insurance services.

Intesa Sanpaolo is the Parent Company of the Banking Group bearing its name and, in addition to its member companies, it holds controlling interests in other companies belonging to the broader Business Group.

As Parent Company of the Banking Group, Intesa Sanpaolo is responsible, pursuant to the Consolidated Law on Banking, for the management and coordination of the companies belonging to the Banking Group and issues provisions as required for the implementation of Bank of Italy instructions in the interest of the Group's stability.

Intesa Sanpaolo verifies compliance of the Banking Group companies with the provisions issued as instructed by the Bank of Italy in order to ensure consistency. In particular, this refers to supervisory, regulatory and prudential reporting regulations on, amongst other things, capital adequacy, investments that can be held, risk containment, corporate governance, the administrative and accounting organisation and internal controls, together with the remuneration and incentive systems, without prejudice to the responsibility of the subsidiaries' corporate bodies to ensure the accuracy of information flows and the adequacy of production and control procedures of the figures provided.

In accordance with Legislative Decree 142/2005, the Intesa Sanpaolo Group constitutes a "financial conglomerate" – whose main field of activity is banking – subject to supplementary supervision, exercised by the competent Authorities and coordinated by the European Central Bank, for the purpose of guaranteeing safeguards for the stability of the financial conglomerate as a whole and of its member companies. Intesa Sanpaolo is at the helm of this financial conglomerate.

Furthermore, pursuant to Articles 2497 et seq. of the Italian Civil Code, Intesa Sanpaolo exercises policy, management and coordination activities for all other subsidiaries, with the exception of Risanamento S.p.A.

In this context, note that Intesa Sanpaolo also exercises these activities over the insurance company Intesa Sanpaolo Vita, which, pursuant to Legislative Decree 209/2005 (the "Private Insurance Code") and related enactment provisions, is parent company of the Intesa Sanpaolo Vita Insurance Group. As such, Intesa Sanpaolo Vita exercises policy, management and coordination activities over the Italian companies belonging to the Insurance Group, namely Intesa Sanpaolo Assicura S.p.A., Fideuram Vita S.p.A. and Intesa Sanpaolo Smart Care S.r.l., pursuant to Articles 2497 et seq. of the Italian Civil Code.

Group Regulations

In consideration of the common business strategy and for the purpose of optimising synergies created by the Group, while at the same time maximising the key strengths of the various entities, the Company has adopted Group Regulations which govern the institutional operations of the Intesa Sanpaolo Group and intragroup transactions in accordance with supervisory regulations, which assign responsibility for the overall consistency of group governance to the parent company, through management and coordination activities.

The Regulations are the reference discipline for relations between Intesa Sanpaolo and Group companies and between the latter, whose conduct – in compliance with legal independence and the principles of correct governance and management of such companies – must reflect common organisational and management rules.

The document specifically defines the Group's overall architecture and guarantees standardised management, through compliance with the basic operating principles and through the policy, management and support role of the competent departments within the Parent Company. In this way the Regulations identify precise responsibilities for the Parent Company and Group companies, in a well defined and reciprocal commitment framework.

All Group companies adopt the Regulations by means of a specific resolution adopted by the competent corporate bodies.

For the main Intesa Sanpaolo Group subsidiaries and the related business areas, reference should be made to the Bank's website, section About us/Organisational structure.



Part II - Information on ownership structures

Introduction

This part of the Report provides information on the ownership structures of Intesa Sanpaolo, in accordance with Article 123-bis, paragraph 1, of the Consolidated Law on Finance.

However, some of the information required under paragraph 1 has been exhaustively provided in Part III of this Report, to refer to for greater detail. In particular:

- the topic of shareholders' rights and voting rights at Meetings is examined in the chapter on Meetings;
- the rules applying to the appointment and replacement of members of the Board of Directors and Management Control Committee are discussed in the chapters on these Corporate Bodies.

Furthermore, information on the absence of agreements between the Company and the Board Directors, providing for indemnities in the event of resignation or dismissal without just cause or termination of employment, is contained in the Report on Remuneration.

Share Capital

Share capital subscribed and paid-in totals 8,731,984,115.92 euro, divided into 16,792,277,146 shares of a nominal value of 0.52 euro each, of which 15,859,786,585 ordinary shares (equal to 94.45% of share capital) and 932,490,561 non-convertible savings shares (equal to 5.54% of share capital).

Art. 123-bis (1), (a) CLF

In this regard, it is noted that in 2016 the share capital increased from 8,731,874,498.36 euro to 8,731,984,115.92 euro following the merger by incorporation of Casse di Risparmio dell'Umbria S.p.A. into Intesa Sanpaolo S.p.A. effective as of 21 November 2016.

The Articles of Association do not grant any powers to the Board of Directors to issue equity instruments. As already indicated in the Report on Remuneration published in 2014, for the purposes of the full implementation of the Investment Plan based on financial instruments referred to as Leveraged Employee Co-Investment Plan ("LECOIP"), Intesa Sanpaolo's Articles of Association confer powers upon the Board of Directors in accordance with Article 2443 of the Italian Civil Code to increase the share capital free of charge and for payment, by 28 February 2018 and in accordance with the terms set out in detail in Article 5.

Art. 123-bis (1), (m) CLF

Finally, it is specified that no shares exist that confer special control rights to their holders.

Art. 123-bis (1), (d) CLF

Ordinary shares and savings shares

Each ordinary share confers the right to cast one vote at ordinary and extraordinary Shareholders' Meetings.

Art. 123-bis (1), (a) CLF

Savings shares, which may be in bearer form, do not confer the right to vote in ordinary and extraordinary shareholders' meetings but entitle the holder only to attend and vote at the Special Meeting of savings shareholders.

Pursuant to the Articles of Association, savings shares are also recognised pre-emption rights in the event of reimbursement of share capital on the entire nominal value, and the right to a dividend higher than that of ordinary shares, according to the rules specified below.

Based on the Articles of Association, the responsibility for resolutions on the allocation of net income, if any, lies with the ordinary Shareholders' Meeting, on recommendation of the Board of Directors.

Net income as reported in the financial statements, net of allocations to the legal reserve and the unavailable portion as required by law, shall be distributed to shareholders as follows:

a) a dividend of up to 5% of the nominal value of the non-convertible savings shares shall be distributed to non-convertible savings shares. If in a financial year the dividend is less than 5% of the nominal value of

the non-convertible savings shares, the difference shall be added to the preferred dividend paid in the following two accounting periods;

b) the remaining net income, made available for distribution by the Shareholders' Meeting, shall be divided among all shares so that the dividend allocated to non-convertible savings shares is higher than that allocated to ordinary shares by 2% of the nominal share value.

Securities traded on non-European markets

Art. 123-bis (1), (a) CLF American Depositary Receipts (ADRs), certificates on Intesa Sanpaolo ordinary shares, are outstanding, currently deposited with and managed by the Bank of New York Mellon. Following the deregistration of the ADRs with the SEC, the securities were admitted to trading in the United States on the OTC market only.

Own shares

Art. 123-bis (1), (m) CLF At the end of the financial year 2016, 8,587,277 residual own shares were held in the Bank's portfolio, after the purchases and allocations made during the year in relation to the Incentive and Investment Plans in favour of Employees. Additional packets of shares are held by other Group companies as part of their own ordinary banking and financial operations or to service the aforesaid Incentive and Investment Plans.

Share Transfers

Art. 123-bis (1), (b) CLF There are no limits envisaged to the possession or transfer of shares.

Art. 123-bis (1), (e) CLF Within Intesa Sanpaolo, there are no employee stock ownership schemes that envisage that voting rights are not to be exercised directly by the employees themselves. For information regarding the existing Incentive System, refer to the Report on Remuneration.

Shareholder Base

Main Shareholders

Art. 123-bis (1), (c) CLF According to records in the Shareholders' Register and other available information, there are approximately 280,000 Intesa Sanpaolo shareholders; the table below provides the list of shareholders which, in accordance with the communications provided for in Article 120 of the Consolidated Law on Finance and other information received by the Company, directly and/or indirectly hold more than 3% of ordinary share capital.

Declaring Company	% of ordinary share capital
Compagnia di San Paolo	9.340%
Fondazione Cariplo	4.836%
Assicurazioni Generali S.p.A. (1)	4.492%
Fondazione C.R. Padova e Rovigo	3.305%

(1) 3.184% of the voting rights of Assicurazioni Generali in Intesa Sanpaolo's capital is held through securities lending.

Shareholders' agreements

Art. 123-bis (1), (g) CLF The appointment of Intesa Sanpaolo's Board of Directors and Management Control Committee members for 2016/2017/2018 by the Shareholders' Meeting of 27 April 2016 led to the signing of a shareholders' agreement, pursuant to Article 122 of the Consolidated Law on Finance, for the presentation and voting on a joint slate by the signatories.

More specifically, an agreement that include, as the contracting parties, Compagnia di San Paolo, Fondazione Cariplo, Fondazione Cassa di Risparmio di Padova e Rovigo and Fondazione Cassa di Risparmio in Bologna was signed and disclosed, according to the regulatory methods envisaged.

The agreement, signed on 23 March 2016, expired upon appointment of the Board of Directors. In fact, the contents of the related provisions were completed upon definition of the slate of candidates and the agreed exercising of the voting right in favour of those candidates.

There are no other shareholders' agreements pursuant to Article 122 of the Consolidated Law on Finance.

“Change of control” clauses

As part of their normal business activities, the Bank and other Group companies are usually party to framework agreements and contracts (especially for funding) which, according to standard financial market practice for certain types of relations, envisage specific effects in the event of a “change of control” (agreements “which take effect, alter or terminate upon a change of control of the Company and/or as a result of related events”).

No such framework agreement or contract may be considered significant, per se, in terms of amount or effect on a consolidated basis.

Allocated Assets

As at the reporting date, Intesa Sanpaolo has not allocated assets for specific dealings in accordance with the Italian Civil Code.



Part III – Information on the adoption of the Corporate Governance Code and other information on governance

The Board of Directors

The Board of Directors is governed by legal and regulatory provisions, the Articles of Association and the Regulations on its operation, approved in July 2016, which also takes into account the principles and criteria of the Corporate Governance Code.

The Board of Directors is the highest body in the current one-tier corporate governance system adopted by Intesa Sanpaolo and it is tasked with managing the company.

1.P.1.

Within the Board of Directors, the typical control functions are reserved for Directors sitting on the Management Control Committee, which has adopted its own Regulations in terms of organisation and operation.

Furthermore, in the performance of its duties, the Board of Directors receives support from Committees, appointed by the Board from its members and described in a specific section of this Report:

- Nomination Committee;
- Remuneration Committee;
- Risks Committee;
- Committee for Transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group.

The organisation and operation of each internal Committee are governed by specific Regulations approved by the same Board.

Powers of the Board of Directors

The Board of Directors is responsible for corporate management. The Board may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, relating to both ordinary and extraordinary administration. It is assigned guidance and strategic supervision powers for the Company and the duty to resolve on all the relevant corporate deeds.

Conversely, as regards the corporate management function, the Board of Directors, without prejudice to its powers that cannot be delegated, delegates to the Managing Director the necessary and appropriate powers to ensure consistency with day-to-day management, in implementation of the guidelines decided by the same Board. The Board of Directors determined the content, limits and methods of exercise of the powers granted to the Managing Director and CEO, while also defining the methods whereby the Board of Directors is to receive information concerning the delegated activity.

In the performance of its strategic supervision duties, the Board of Directors, pursuant to the Articles of Association:

1.C.1.
a), b), c), f)

- defines and approves the business model, strategic guidelines and risk appetite, and thus approves the risk appetite framework, the strategic, industrial and financial plans of the Company and the Group and any amendments thereof;
- defines and approves the risk management objectives and policies of the Company and the Group, as well as the general guidelines of the capital adequacy assessment process (ICAAP);
- defines and approves the guidelines of the internal control system of the Company and the Group;
- defines the overall governance structure and approves the organisational structure of the Company; identifies the flow of information required to ensure the full circulation of information within the Board as well as the information flows to Bodies and Committees to be addressed also by the corporate departments;
- approves the accounting and reporting systems;
- supervises the public disclosure and information process of the Company and the Group;
- ensures an effective dialogue with the heads of the main corporate functions.

1.C.1. b) With reference to the risk area, the Board of Directors, with the support of the Risks Committee, defines and approves the general guidelines of the Internal Capital Adequacy Assessment Process (ICAAAP), ensures timely adjustment thereof following significant changes in strategic guidelines, the organisational structure or operating context of reference and promotes use of the ICAAP's results for strategic purposes and business decisions. In this context, it approves the definition of the risk level (the "risk appetite") and the correlated system of limits at the level of overall risk and specific risks (the "Risk Appetite Framework"). It also prepares the ICAAP Report (drafted annually and when exceptional circumstances require a review of the process) to be submitted to the Supervisory Authority, the total internal capital and the final opinion on adequacy of the current and prospective regulatory capital, along with supporting documentation.

Furthermore, the Board of Directors is solely responsible for the following matters, among others:

- the appointment and removal of the Managing Director General Manager, the granting, amendment or termination of his/her powers and the remuneration relating to the office;
- the appointment and removal of members of committees appointed by the Board of Directors instituted in accordance with the Articles of Association, including their chairman and the institution of additional committees within the Board of Directors with assessment and advisory functions;
- the establishment of a Steering Committee and additional Managerial Committees, as provided for by the first-level organisational structure;
- the appointment and removal of the Manager responsible for preparing the Company's financial reports, of the heads of company control functions, and of the head of the Safety and Protection Department;
- the drafting of the remuneration and incentive policy to be submitted to the Shareholders' Meeting, and the definition of remuneration and incentive systems for top managers;
- the approval of major internal regulations and the amendment thereof;
- the decisions concerning i) the purchase and sale of shareholdings amending the composition of the Banking Group, as well as the investments considered strategic under the supervisory regulations or according to the plans and policies adopted by the Board itself, ii) the purchase, sale, contribution of firms, business lines, assets and legal relationships identified en bloc under Article 58 of the Consolidated Law on Banking which are deemed strategic under the above criteria and iii) the investments and divestments, including real estate, deemed to be strategic under the above criteria and in any case iv) transactions which exceed, individually, the value of 3% of the total assets of the Company's capital calculated on a consolidated basis for supervisory purposes;
- the designation of members of corporate bodies of subsidiaries, including executive Board Members.

1.C.1. f) Furthermore, the Board of Directors may confer specific duties upon its members; upon the proposal of the Managing Director, the Board of Directors may also grant Executives, branch managers or other personnel specific powers for certain activities or categories of acts and business activities, and determine the content, limits and methods of performance of such powers, determining when the delegated persons may act separately, jointly or in committee.

1.C.1. c), d), e) The Board of Directors periodically assesses the general development of operations, also on presentation of the financial data of the Bank and the Group, taking into account, in particular, the information received from the Managing Director, and periodically comparing results achieved with those previously forecast. The Board also assesses the adequacy of the organisational, administrative and accounting structure of the Company.

Composition of the Board of Directors

Structure, composition and appointment

3.C.3. 1.C.1. i) The Board of Directors is composed of a minimum of 15 up to a maximum of 19 members, shareholders or otherwise, appointed by the Shareholders' Meeting on the basis of slates submitted by Shareholders. In this context, the Management Control Committee consists of five Members, also appointed directly by the Shareholders' Meeting, in accordance with the requirements laid down by the banking supervision regulations.

2.P.1 2.P.2 The presence within the Board of a large majority of independent members and the appointment by the Board of a single Managing Director and chief executive officer, excluding that other Members may hold executive positions and that the Board may delegate its duties to an executive committee, were considered a priority.

The less-represented gender must be reserved a share of at least one third of the total members, as established by current laws in force on the matter of equal access to the administrative and control bodies of listed companies.

In accordance with the Articles of Association, at least four members shall be enrolled with the Register of Independent Auditors and shall have practised as auditors or acted as member of a limited company control body for at least three years.

The Board of Directors in office at the date of publication of this Report is composed of 19 members elected by the Ordinary Shareholders' Meeting, by way of list voting, on 27 April 2016:

Gian Maria Gros-Pietro	Chairman
Paolo Andrea Colombo	Deputy Chairperson
Carlo Messina	Managing Director
Bruno Picca	Director
Rossella Locatelli	Director
Giovanni Costa	Director
Livia Pomodoro	Director
Giovanni Gorno Tempini	Director
Giorgina Gallo	Director
Franco Ceruti	Director
Gianfranco Carbonato	Director
Francesca Cornelli	Director
Daniele Zamboni	Director
Maria Mazzarella	Director
Maria Cristina Zoppo	Director
Edoardo Gaffeo	Director
Milena Teresa Motta	Director
Marco Mangiagalli	Director
Alberto Maria Pisani	Director

Art. 123-bis (2), (d) CLF

1.C.1. i) 2.P.4.

The detailed composition of the Board is shown in Part IV, Table No. 1, of this Report.

More comprehensive information on the personal and professional background of each Director is available in the documentation published in the Bank's website at the time of their appointment, and is attached to the slate filed by shareholders from which each elected Director was drawn. The Bank website ("Governance" section) provides brief biographical and professional notes on the Directors in office.

In accordance with the provisions of the Articles of Association, the appointment of Board Directors shall take place on the basis of slates of candidates prepared by Shareholders in line with the regulations for listed companies.

The election system defined in the Articles of Association is based on a majority principle, moderated through the provision of a share of Board Directors and members of the Management Control Committee assigned on a proportional basis.

The mechanism put in place thus makes it possible to ensure adequate representation of minority shareholders within the Corporate Bodies, by submitting slates of candidates to the Shareholders' Meeting at the time of the renewal of the Board of Directors and, subsequently, also during the replacement of any outgoing Directors.

The minority shareholders are thus given the option to appoint, both within the Board of Directors and the Management Control Committee, a number of Members well above that normally established by the law. Such a solution creates an ownership structure in line with international standards and enhances the election system by slates, provided for by Italian law, allowing the minorities to appoint Board Directors as well as members of the Management Control Committee.

In any event, the minority slate not connected with the majority shareholders and that obtained the highest number of votes in the Shareholders' Meeting is assured the option to appoint, in addition to the Chairman of the Management Control Committee, also a second member of the same Committee, in order to further strengthen the level of protection of the minorities within the control body.

Art. 123-bis (1), (l) CLF

The slates, containing a minimum of 2 to a maximum of 19 names, must be divided into two sections: the first section shall indicate the names of the candidates for the post of Board Director and the second the names of the candidates for the post of Board Director and member of the Management Control Committee.

For the purposes of the appointment, all Board Directors are drawn from the majority slate except for 5 or 4 Directors based on the total number thereof. In particular, three Directors are drawn from the majority slate to also take up the position of Management Control Committee members. Among the Board Directors expressed by the minority slates, two are in any case reserved to the minority slate that obtained the second highest number of votes (first minority slate) and has no connection with the majority, as laid down by the regulations. The first of said Directors is appointed Chairman of the Management Control Committee. The other Directors are drawn proportionately from other slates than the one that obtained the highest number of votes, it being understood to be included among these also the first minority slate, provided that such slates, taken as a whole, obtained votes at least equal to 10% of the ordinary share capital represented at the Shareholders' Meeting.

Where it is necessary to complete the composition of the Board of Directors upon the outcome of the proportional division, all the other additional members of the Board are drawn from the slate that obtained the highest number of votes, until the exhaustion of the candidates present therein.

The appointment procedure ensures a Board composition in line with the requirements of professionalism, independence and gender balance.

The Articles of Association contemplate a supplementary mechanism whereby a candidate not meeting the requirements is replaced by one who meets the requirements drawn from the same slate as the excluded candidate. In the event whereby the candidates on the slates are not sufficient for that purpose or in any other case in which the established criteria do not make it possible to appoint all Directors in accordance with the requirements, the completion of the structure is ensured by the Shareholders' Meeting with replacement procedures that enable to meet all necessary requirements.

If only one slate of candidates is submitted, the members of the Board of Directors are chosen from that single slate, up to the number of candidates on that slate, drawing from the second section of the slate all the members of the Management Control Committee. In this case, the office of Chairman of the Committee is attributed to the candidate placed in first position in the ranking of the second section of the slate.

In the absence of slates, the Shareholders' Meeting passes resolutions by relative majority of the capital represented at the Shareholders' Meeting, subject to compliance with the requirements established by the applicable regulations and the Articles of the Association. In this case, the Shareholders' Meeting shall appoint the Chairman of the Committee concurrently with the appointment of the Committee members.

The Shareholders' Meeting elects by relative majority the Chairman of the Board of Directors and one or more Deputy Chairpersons.

For additional information on the appointment of Directors, see the relative provisions of the Articles of Association.

Term of office, replacement and removal

Directors remain in office for three financial years until the date of the next Shareholders' Meeting called to approve the financial statements and the proposal for allocation of net income in accordance with Article 2364 of the Italian Civil Code and may be re-elected.

The term of office for the current Directors covers the years 2016/2017/2018. All Directors will end their tenure simultaneously on the date of the Shareholders' Meeting that shall be called pursuant to the aforementioned Article 2364 of the Italian Civil Code, in relation to the approval of the financial statements and the proposal for allocation of net income for 2018.

In the event of a Member's termination of office, the Board of Directors may proceed with the replacement of the outgoing Member by co-option, in compliance with the requirements of the Articles of Association, provided that the majority continues to consist of Members appointed by the Shareholders' Meeting.

If, on the contrary, a member of the Management Control Committee should leave his/her office, the co-option power shall not apply and the first unelected candidate from the second section of the slate to

which the previous member belonged – in possession of the prescribed requirements – shall take up the position or, failing that, the convened Shareholders' Meeting will see to it immediately. If the candidate thus identified fails to meet the requirements applicable by law, regulations or pursuant to the Articles of Association to the outgoing member, the latter shall be replaced by the subsequent unelected candidate satisfying those requirements drawn from the second section of the same slate.

If the Chairman of the Committee leaves office, the second ranked member on the same slate as the outgoing Chairman becomes the new Chairman of the Committee.

The new members of the Management Control Committee and the members appointed by the Board by co-option shall hold office until the next Shareholders' Meeting.

The Shareholders' Meeting called for the appointment of a new Director to replace those directors who have left office shall proceed with the appointment in accordance with the principle of necessary representation of minorities, gender balance and the other requirements provided for by the law and the Articles of Association.

All members of the Board of Directors and of the Management Control Committee may be removed by the Shareholders' Meeting at all times, without prejudice of the Member's right to be indemnified if the removal occurs without just cause. However, considering the guarantee and control functions carried out by the Management Control Committee and pursuant to the Articles of Association, the proposal to remove a Board Director or a member of the Management Control Committee submitted to the Shareholders' Meeting by the Board of Directors or by the Management Control Committee must be duly substantiated and adopted with a more thorough decision-making procedure. The removal of a member of the Management Control Committee also entails that same member's removal from the Board of Directors.

Chairman and Deputy Chairperson

The Shareholders' Meeting held on 27 April 2016 elected by a relative majority the Chairman of the Board of Directors, Gian Maria Gros-Pietro, and a Deputy Chairperson, Paolo Andrea Colombo.

The Chairman of the Board of Directors has a non-executive role and does not carry out, not even de facto, management functions.

1.C.1. i)

2.P.4

Under the governance model currently adopted and considering the duties assigned to him by the Articles of Association, as disciplined more extensively in the Regulations of the Board of Directors, the Chairman plays a leading role in the Bank, enhanced by distinguished authority and experience as well as time dedicated to duties.

The Chairman of the Board of Directors oversees the work of the Board, organises and directs the activity and performs all the tasks set by the supervisory regulations.

In this context, the Chairman, among his various duties : i) promotes and supervises the actual operation of the corporate governance system, including with regards to internal and external communications, while also acting as liaison to the internal Board committees established by the Articles of Association on which he/she does not sit, and ensures the balance of power with particular reference to the delegated day-to-day management powers; ii) entertains the necessary and appropriate relations with the Managing Director; iii) requests and receives information also on specific aspects of the Company and the Group management and on business performance in general, also in terms of business outlook, in any event having access to all corporate functions to this end; iv) supervises relations with Shareholders, verifying that such relations are managed correctly, in agreement with the Managing Director; v) manages relations with the Supervisory Authorities.

In urgent cases, the Chairman or, in the case of his/her absence or impediment, the Deputy Chairperson or the eldest Member, following a binding proposal of the Managing Director, may take resolutions on any matters within the powers of the Board of Directors, with the exception of the strategic matters or those which may not be delegated and are solely within the powers of the Board itself.

With the adoption of the new Articles of Association, the outgoing Chairman of the Supervisory Board, Giovanni Bazoli, has taken the unpaid position of Chairman Emeritus. In that capacity, he may issue opinions and participate in meetings, with advisory functions, at the request of the Chairman of the Board of Directors and/or the Managing Director, in relation to the new governance of the Bank; he also cooperates with the Chairman in relation to the Group's cultural initiatives. The Chairman Emeritus shall not be a member of the Board of Directors.

Such a tenure shall last for the three years following the first implementation of the amendments to the Articles of Association that led to the transition to the new governance system.

Managing Director

Art. 123-bis
(2), (d) CLF
2.C.1

The Board of Directors shall elect, with a qualified majority, from among its members, except for the Chairman of the same Board, the members of the Management Control Committee and the minimum number of Independent Directors, a Managing Director with the powers related to the Company's day-to-day management.

2.C.5. The Board of Directors' meeting held on 28 April 2016 appointed Carlo Messina as Managing Director, thereby granting him the necessary and appropriate powers to ensure consistency with day-to-day management, in implementation of the guidelines decided by the same Board.

The Managing Director is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his/her assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors. He/she is responsible for personnel management and determines operational directives. Within the scope of the duties assigned, he/she shall be vested with powers of proposal for the resolutions of the Board of Directors, notwithstanding in any case the right to propose of any other Member and the powers typically within the remit of the Committees provided for by the Articles of Association, as defined by the applicable regulations and the Articles of Association.

The Managing Director shall implement the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the risk appetite framework and the risk governance policies defined by the Board.

He/she shall also ensure that the organisational, administrative and accounting structure as well as the internal control system are appropriate to the nature and size of the company and suited to furnishing a proper representation of operations.

In the performance of his/her functions, the Managing Director relies on the support of the management committees.

In urgent cases, the Managing Director and CEO may propose that the Chairman take resolutions on all matters pertaining to the Board (except for those that cannot be delegated); still in urgent cases and on an exclusive basis, he/she shall take resolutions on lending matters.

In the event of absence or impediment of the Managing Director, the powers belonging to the same as General Manager are exercised with the joint signatures of two Top Managers, identified by the Board of Directors as the Chief Financial Officer and the Chief Operating Officer.

5.C.2. In 2016 the Board of Directors established the general guidelines of the Group "Strategic Succession Planning", drawn up with the support of a leading consultancy firm.

The aim of the aforesaid plan is the definition of processes and methodologies relating to the succession of key management positions within the Group.

With reference to the succession plans for the Managing Director and the General Manager, the Company has brought the internal Regulations into line with the one-tier governance system, specifically the Nomination Committee Regulations, assigning to this Committee the task of supporting the Board, in coordination with the Chairman of the Board of Directors, in the definition of the process relating to the succession plan for the replacement of the Managing Director and the General Manager.

Qualification requirements

In order to ensure the sound and prudent management of the Company and the proper functioning of the Board of Directors as a whole, the members of the Board must meet the qualification requirements for the office as established by the applicable regulations and the Articles of Association.

2.P.1. Specifically, Directors must meet the professionalism and integrity requirements and comply with the criteria of competence, fairness and time commitment and the specific limits to the number of concurrent offices laid down by the current regulations and in any event those provided for by the so-called CRD IV Directive, for the performance of the role of director of a bank issuing shares listed in regulated markets, and the prohibition of interlocking directorates established by Article 36 of Italian Law Decree 201/2011, converted by Law 214/2011.

Moreover, taking into account the chosen corporate governance model and the specific characteristics of the Bank in terms of size and operations, the Articles of Association of Intesa Sanpaolo set out specific additional statutory requirements for members of the Board of Directors and particularly for members of the Management Control Committee (reference is made to the next chapter dedicated to this Body).

The qualification requirements for the exercise of the office laid down by the current regulations and the Articles of Association for the members of the Board must be verified within 30 days of the appointment and must be subject to specific continuous monitoring.

Specifically, the Board of Directors assesses the qualification requirements for the office of all Directors, except for the members of the Management Control Committee, who are assessed by the same Committee.

Where appropriate, the Board proposes the revocation or declares the disqualification or suspension of any Directors who are unable to prove that they meet the established requirements, in the cases provided for in applicable legislation. For the members of the Management Control Committee, any declaration of disqualification is pronounced by the same Committee.

The assessment of qualification carried out by the Board of Directors is subject to a specific supervisory power by the Banking Supervisory Authority.

It is recalled that the regulations on the qualification requirements for the office of Director were reviewed by Italian Legislative Decree No. 72/2015, issued in implementation of the so-called CRD IV Directive, which mandated the definition of the enforcement provisions to new ministerial regulations not yet enacted.

In this regard, since 2011 the EBA has provided precise details about the requirements that must be met by members of the Board of Directors in terms of integrity, competence, independence and time commitment ("Guidelines on Internal Governance" of 27/9/2011 and "Guidelines on the assessment of the suitability of members of the management body and key function holders" of 22/11/2012).

Moreover, EU legislation is constantly evolving, having an important process of consultation on the qualification requirements for the office been recently concluded, among other things.

Additional conditions for undertaking the office and for assessing the suitability of the members of the Corporate Bodies were also defined by the Supervisory Provisions on corporate governance.

Each Director is required to submit to the Board the declarations and documentation proving that he/she meets the qualification requirements and the absence of grounds for incompatibility, and to communicate any changes.

The Board of Directors, following the renewal of the Bodies, successfully conducted the process of assessment of all the qualification requirements for the office and also evaluated the overall compliance of the qualitative and quantitative composition of the Board with the recommendations provided by the outgoing Supervisory Board (see document published on the Bank's website at the time of the appointment of the Bodies currently in office).

The same positive finding was renewed at the time of approval of this Report.

A similar positive assessment was conducted by the Management Control Committee for the requirements of its members.

Below is a summary of the details of the qualification requirements for the office of Directors.

Integrity requirements

The Board of Directors has confirmed that all Members meet the integrity requirements set forth for board members and general managers by the Regulation adopted by Ministerial Decree 161/1998, as well as those set forth for members of the board of statutory auditors of listed companies by the Regulation adopted by Ministerial Decree 162/2000.

Loss of the requirements leads to disqualification from office.

The regulations also set forth specific causes of suspension from office. Both the disqualification and the suspension must be declared within thirty days of the appointment or the discovery of the shortcoming by the Board of Directors.

Further sanctions against the such persons may also lead to the temporary loss of the integrity requirement (for example, ancillary sanctions due to breaches of regulations governing market abuse).

Reputation and fairness requirements

The supervisory regulations require that bank board members must also enjoy a good reputation. To this end, the criteria for assessing the reputation of the members of a bank's administrative and control bodies as defined by the EBA on 22 November 2012 ("Guidelines on the assessment of the suitability of members of the management body and key function holders") may be applied directly by the Supervisory Authorities.

In this respect, pending the enactment of the implementing regulatory provisions laid down by Article 26 of the Consolidated Law on Banking concerning requirements of board members and general managers, the Board of Directors, concurrently with the verification of the qualification requirements for the office, conducted a thorough analysis of the reputation and fairness requirements of each Director, thereby specifically and formally evaluating the possible occurrence of the various situations covered by European legislation concerning the conduct of such persons and the grounds for their suitability.

Professionalism requirements

All Directors must meet the professionalism requirements set forth for members of the Board of Directors of banks by the Regulation adopted by Ministerial Decree 161/1998, gained for at least three years. Specific requirements are provided for the Chairman of the Board of Directors and for the Managing Director.

Loss of the professionalism requirements leads to disqualification from office.

Furthermore, pursuant to the Articles of Association, at least four members shall be enrolled with the Register of Independent Auditors and have practised as auditors or acted as member of a limited company control body for a period of at least three years; the effects of the loss of the requirements are also governed in Articles of Association.

Additional requirements are set forth by the Articles of Association for members of the Management Control Committee, to which reference is made in the chapter dedicated to this Body.

Board induction

2.C.2. The Chairman of the Board of Directors shall ensure that the Bank draws up and implements induction and training programmes for the members of the Board. In this context, he/she organises, and promotes Directors' participation in initiatives aimed at providing them with an increasing degree of knowledge of the sector of operation of the Bank and Group, company dynamics and their development, the principles of sound risk management and the regulatory and self-regulatory environment of reference, and in formal and informal meetings, aimed at further review of strategic matters ("ongoing-induction").

The induction sessions are organised according to adequate structure levels: Directors are formally invited to take part, they are provided with the relevant documentation and are given the option to connect via videoconference if they are unable to attend in person.

From the time of the installation of the new Board of Directors and up to the publication of this Report, 10 specific induction sessions were held to allow Directors to learn of and discuss the various aspects of the Bank's and Group's business, the regulatory framework of reference and the duties and responsibilities of their office.

The induction sessions covered the following issues in particular:

- governance issues, such as the Regulations of the Board of Directors and of the individual Committees as well as the updating of the "Organisational, Management and Control Model pursuant to Legislative Decree 231/2001";
- risk management issues, including the Group Risk Appetite Framework;
- the Group control system;
- the Group's technological model and IT issues;
- issues relating to bank financial statements;
- remuneration and incentive policies;
- banking regulatory issues.

Finally, in order to promote better understanding of the reference corporate and regulatory environment and its evolution, a collection of governance documents, regulatory references, key correspondence with the Supervisory Authorities, accounting positions and any additional documentation conducive to the performance of their duties is made available to Directors – and regularly updated – through the aforementioned dedicated IT platform.

Independence requirements: independent Board Directors

Under the Articles of Association of Intesa Sanpaolo, at least two thirds of the Directors must meet the independence requirements established in the Articles of Association.

To this end, Intesa Sanpaolo has chosen to adopt, in the Articles of Association, a particularly strict requirement of independence thereby imposing, upon Independent Directors, the obligation to accumulate the conditions required by Article 3 of the Corporate Governance Code and the independence requirements provided for statutory auditors by Article 148, third paragraph, of the Consolidated Law on Finance, where they set out more restrictive conditions.

The choice, according to the Articles of Association, to provide for such a large number of Independent Directors reflects the great value that the Bank recognises to the role played by such Directors and helps to ensure a composition of the Committees within the Board of Directors that is in line with the best international practices. In particular, both the Management Control Committee and the Committee for Transactions with Related Parties and Associated Entities are entirely composed of Independent Directors, whereas the majority of independent members is provided for the other Committees. In addition, according to the Articles of Association, the chairmanship of the Committees is always entrusted to Independent Directors.

Upon acceptance of the office, 14 Directors declared that they met the independence requirements laid down by the Articles of Association. The Board of Directors proceeded to ensure the independence requirements at the conclusion of the appointment of the 14 Directors concerned, thereby announcing the outcome of the assessment in a press release. This assessment was renewed positively at the time of the approval of this Report (21 February 2017), based on the specific statements made by the parties concerned, the information available to the Bank, as well as the criteria adopted by the Board, after examination of the Management Control Committee, to evaluate the significance of the financial relations entertained by the directors with the Intesa Sanpaolo Group. These criteria take into account the size and significance of any equity investment or credit relations and the credit rating associated with such relations. In this regard it is noted that the following 14 Directors were found to be in possession of the independence requirements laid down by the Articles of Association: Paolo Andrea Colombo, Rossella Locatelli, Livia Pomodoro, Giovanni Gorno Tempini, Giorgina Gallo, Gianfranco Carbonato, Francesca Cornelli, Daniele Zamboni, Maria Mazzarella, Maria Cristina Zoppo, Edoardo Gaffeo, Milena Teresa Motta, Marco Mangiagalli, Alberto Maria Pisani.

The members of the Management Control Committee, also acting as members of the Board, positively assessed the correct implementation of the criteria and procedures adopted by the Board of Directors to evaluate the independence of the aforesaid 14 Directors.

The Articles of Association govern the effects of the loss of the independence requirements. Specifically,, the loss of the requirement in the case of a Director, who is not a member of the Management Control Committee, does not result in his/her disqualification if the minimum number of Director in possession of the necessary requirements does not change. However, this is without prejudice to the termination of those offices for which said requirement is mandatory by current regulations or under the Articles of Association.

The Regulations of the Board of Directors envisage the option that at least once a year the Independent Directors should meet in the absence of other Directors. The meeting shall be called by the most senior Independent Member in terms of age, who shall chair the meeting, take care of the minutes and report to the Board at its next meeting.

At the date of approval of this Report, the Independent Directors met once in February. The appointment of a lead independent director has not been envisaged.

Grounds for incompatibility

The Directors are subject to the grounds for incompatibility provided for by the regulations on public employment (Article 53 of Italian Legislative Decree No. 165/2001) and other grounds for incompatibility provided for by law.

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Management or control positions of Board Directors and time availability

1.C.2. Each Director is responsible for examining and assessing the conditions which enable him/her to perform his/her duties diligently and dedicating the time necessary, also with regard to membership of Committees appointed by the Board.

1.C.3.
1.C.4. The Articles of Association of Intesa Sanpaolo already incorporate the guidelines provided for by the so-called CRD IV Directive concerning limits to the number of concurrent offices, designed to ensure maximum availability of time to the office held.

The Directors may thus concurrently hold only one of the following combinations of directorship positions:

- a) one executive directorship with two non-executive directorships;
- b) four non-executive directorships.

To this end, the following shall be considered as one single directorship:

- a) executive or non-executive directorships held within the same group;
- b) executive and non-executive directorship held within: i) institutions which are members of the same institutional protection scheme provided that the conditions set out in Article 113, paragraph 7, of the so-called CRR Regulation are fulfilled or ii) undertakings (including non-financial entities) in which the institution holds a qualifying holding.

1.C.2. Furthermore, by virtue of the antitrust regulations on interlocking directorates (Article 36 of Law Decree No. 201/2011, converted with amendments into Law No. 214/2011), Board Members cannot accept or exercise office in the management, supervisory or control bodies of competing companies or groups of companies operating in the credit, insurance or financial markets.

In this respect, note that the Directors holding offices that are covered by the prohibition must inform the Board of the option exercised within 90 days of their appointment. If the option is not exercised by said deadline, the Director in question is required to confirm to the Board that the offices held do not give rise to situations of incompatibility pursuant to the abovementioned Article 36, stating the reasons in detail.

Directors are required to renew each year their certification that they do not hold offices in the management, supervisory or control bodies of competing companies or groups of companies, to allow the plenary meeting of the Board to perform its annual assessment. Said certification was renewed with a positive outcome also with reference to the 2016 financial year at the time of approval of this Report.

1.C.2. Directors are required to inform the Bank of any office accepted in other companies and entities. In Part IV of this Report, in compliance with the Corporate Governance Code, summary table No. 1 indicates the number of other management and control offices that Directors have reported as held in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies, while table No. 2 provides the list of such offices.

For the sake of completeness, finally it is recalled that the Directors cannot act in the capacity of general partners in competing companies, or engage themselves in a competing business on their own account or that of third parties, or take the office of directors or general managers in competing companies, unless authorised by the Shareholders' Meeting (Article 2390 of the Italian Civil Code).

Conflicts of interest

Introduction

The Intesa Sanpaolo Group has adopted special measures to manage possible conflicts of interest arising from the close connections that some parties and entities may have with company decision-makers.

The set of rules and measures taken is aimed at ensuring that the transactions entered into by the Group are carried out transparently and in line with the substantial and procedural fairness criteria and in compliance with the principle of sound and prudent management, in line with corporate law, banking supervisory regulations and Consob provisions.

The management and control measures for potential conflicts of interest that were put in place to safeguard the Bank's and the Group's capital are described below.

Interests of Board Directors

In line with the provisions of Article 2391 of the Italian Civil Code, each Director is required to promptly inform the other Directors and the control body of any personal interests held or interests held on behalf of third parties, with reference to a specific corporate transaction subject to the attention of the Board of Directors, specifying the nature, terms, origin and extent of the interests and, in accordance with the provision laid down by Article 53, paragraph 4, of the Consolidated Law on Banking, to refrain from voting on resolutions where such Director has a conflict of interest on his/her own behalf or on behalf of third parties.

In such cases, the resolution of the Board of Directors in favour of the transaction shall adequately justify the reasons and convenience thereof for the Company.

The Board of Directors always has jurisdiction over decisions regarding transactions in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per Article 2391 of the Italian Civil Code.

In addition, in accordance with the provisions of the Group's Code of Conduct and the new RPT Procedures (see paragraph below), all Directors and general managers, employees and other staff in the performance of their respective duties are to abstain from making decisions and engaging in activities contrary to, or in conflict with, the interests of the Company and/or the Group, or otherwise incompatible with their duties.

The above is in any event subject to the implementation of the special decision-making procedure set forth in Article 136 of the Consolidated Law on Banking and the regulations regarding transactions with related parties and associated entities, as applicable, whenever the specific conditions exist.

Transactions with related parties and associated entities and obligations of Board Members and General Managers of the Bank

By resolution of 2 August 2016 the Board of Directors of the Parent Company adopted the new RPT Procedures.

These Procedures take into account, in line with the previous version, both the regulations issued by Consob, pursuant to Article 2391 bis of the Italian Civil Code, and the Bank of Italy's Supervisory Provisions implementing Article 53, paragraph 4 et seq., of the Consolidated Law on Banking, and, in addition, the rules laid down by Article 136 of the Consolidated Law on Banking.

The Procedures, the full text of which is available on the Bank's website (Governance/Company documents section), apply to the entire Intesa Sanpaolo Group and govern the dealings with related parties of Intesa Sanpaolo and associated entities of the Intesa Sanpaolo Group with respect to the following aspects:

- the criteria for identifying related parties and associated entities;
- the process of analysis, decision-making and information to the Corporate Bodies on transactions executed with related parties and associated entities with an important role of the Board of Directors' independent Committee;
- market disclosure for transactions with related parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to associated entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention for the management of the personal interests of Directors and general managers, employees and other staff, including other than associated entities.

As a form of self-regulation, the Bank has extended the regulations in terms of transactions with related parties, as well as those on activities involving risk and conflicts of interest with respect to associated entities within a wider scope than that required by the regulations.

A more detailed description of the Group procedures is provided in Part H of the Notes to the separate and consolidated financial statements, available on the Bank's website.

The new Procedures also govern operations with members of the Board of Directors and parties associated to them pursuant to Article 136 of the Consolidated Law on Banking. This rule requires the adoption of a more thorough decision-making procedure (unanimous decision by the Board of Directors excluding the vote of the party concerned, and the favourable vote of the Management Control Committee members) in order to allow the Directors to undertake obligations, directly or indirectly, with the Bank.

The Board of Directors' self-assessment

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Upon the outcome of the renewal of the Bodies, the Board of Directors assessed the adequacy of its own qualitative and quantitative composition, also taking into account the recommendations of the outgoing Supervisory Board, published on the Bank's website on the occasion of the appointment of the Bodies currently in office.

In February 2017, the Board of Directors conducted the annual self-assessment of the composition, performance, conduct and dynamics characterising the Body and the Committees established within it.

A similar self-assessment was carried out by the Management Control Committee, to which reference is made in the relevant paragraph.

The self-assessment process was performed in accordance with the provisions of the its own Regulations on the self-assessment process, adopted in implementation of the Supervisory Provisions on corporate governance, as well as in consideration of the recommendations of the Corporate Governance Code.

Self-assessment of the Board was performed with the professional assistance of Crisci & Partners, expert consulting firm which has supported the Bank in the board review process since 2015. This company was deemed to possess the requirements of neutrality, objectivity, expertise and independence envisaged by the Regulations. With regards to the independence profile, it is specified that Crisci & Partners has not recently had economic dealings with the Bank and/or Group companies, except for the assignments granted to the company in 2015 and 2016 for its assistance with the self-assessment process of the Management Board and the Supervisory Board for the year 2014 and 2015 and in September 2014 for the drawing up of the Regulations on the self-assessment processes of the same Boards.

The self-assessment process, in addition to analysing the activities conducted by the Board during the year, also examined the improvements made on the weaknesses emerged in the previous self-assessment.

Pursuant to the provisions of the Regulations, Crisci & Partners assisted the Board of Directors in the following phases of the self-assessment process:

- Information collection: information was collected on the qualitative-quantitative composition and functioning of the Board. Based on the profiles under analysis, this phase involved the collection of information already available to the Bank, as well as information obtained through questionnaires and individual interviews.
- Data processing: the information collected during the previous phase was analysed and consolidated, taking care to ensure the anonymity of the Directors.
- Preparation of process results: Crisci & Partners, after discussion with the Nomination Committee, on the results of the data processing, and having shared said results on a collective basis, formalised the self-assessment results in the document "Results of the Board of Directors' Self-assessment", which summarises the methods used and results achieved.

The self-assessments were carried out based on questionnaires and individual interviews conducted between 9 November and 17 November 2016. The documents used for the interviews with Directors were structured in such a way as to collect quantitative information, organised into an actual questionnaire, and qualitative information, consisting of an outline of topics, partly comprising those of the questionnaire and party aimed at guiding the interview.

Before conducting the interviews, the consultants of Crisci & Partners in charge of carrying them out carefully read all the minutes of the Board of Directors' meetings, including the pre-meeting documentation, as well as all the agendas and a large sample of the minutes of the meetings for the same year relating to the Committees established within the Board, including the pre-committee documentation, in order to become acquainted with, and examine, the issues dealt with during the year, the comments expressing the diversified competences within the Board and the discussions held.

The questionnaire and interviews, in line with the approach adopted in the board review of the last few years, focused on various areas regarding the composition and operation of the Board of Directors and its internal Committees.

The main aspects subject to assessment regarded the adequacy of the following profiles:

- professionalism, in terms of knowledge, experience and skills, recognised with regard to the Board in its entirety, and its individual members;
- composition and balancing of roles within the Board;
- frequency and quality of induction meetings;
- overall operation of the Board;
- organisation of meetings in terms of frequency, topics discussed, duration, attendance and Board participation methods, with particular reference to existing relationships of trust, collaboration and interaction among Directors;
- the role of the Chairman;
- the information flows between the Board and the Chief Executive Officer, between the Board and the Management Control Committee as well as between the Board and the internal Board Committees;
- overall performance of the self-assessment process.

The self-assessment highlighted a high level of overall compliance of the board governance with the Borsa Italiana Corporate Governance Code provisions for listed companies, the guidelines of the European Banking Authority, the provisions of Section VI of Circular 285 "Supervisory Provisions for Banks" of Bank of Italy, as well as with the best practices of other listed companies, insofar as comparable with the Bank.

In light of the findings emerged following the submission of the questionnaire and the interviews conducted, some good practices worthy of being preserved and developed in the future have been identified, as part of the consolidation of the new governance model, including the further development of the induction activity, extended to additional topics to those dealt with so far, and the further shortening of the time required to send the most complex and/or highly confidential pre-meeting documentation.

Operation of the Board of Directors

Calling of meetings

The Board of Directors is called by the Chairman whenever deemed useful or necessary or when a written request is made by the Managing Director or by at least two members, thereby specifying the agenda items to be dealt with; subject to prior notification to the Chairman of the Board of Directors, the Board may also be called by the Management Control Committee or by its members, including individually.

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Art. 123-
bis (2),
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The Board of Directors shall appoint a Secretary who provides support to the Chairman and the Board in exercising their respective duties, arranging all matters necessary to the overall operations of the Board. The Chairman, upon calling the Board meeting, sets the agenda, also taking into account any requests formulated by the Directors, including individually and ensuring prioritisation of matters of strategic importance.

The notice of call, containing the agenda of matters to be discussed, shall be sent to the Directors at least four days before the date set for the meeting, by any suitable means to provide proof of receipt thereof. In particularly urgent cases, the meeting may be called by giving a twenty-four hour notice. In any event, a meeting of the Board of Directors shall be deemed to be validly constituted when, even in the absence of a formal call, it is attended by all members of the Board of Directors itself.

Agenda items are grouped by topic areas, in order to ensure their orderly discussion. An indication is also given of whether the item will be subject to resolution or merely for information purposes.

The Board of Directors meets alternatively at the Torino registered office and Milano secondary office or, exceptionally, at another venue in Italy. The Articles of Association also permit the holding of valid Board meetings through remote connection systems, provided that the identity of those attending can be verified and that all are able to follow discussions and intervene in real time with regard to the matters on the agenda as well as view, receive and transmit documents. In such cases, at least the Chairman and the Secretary must be physically present at the venue officially designated as that in which the Board meeting is deemed to have taken place.

Reports to Directors

1.C.5. The Chairman, aided by the Secretary of the Board where necessary, ensures that documentation relating to items on the agenda is brought to the attention of all Directors in accordance with criteria of completeness and suitably in advance with respect to the meeting date.

1.P.2. As a rule, the documentation regarding the agenda is distributed four business days prior to the meeting in order to allow each Director to inform himself or herself of each agenda item appropriately, and thus to perform his or her duties with awareness, as well as to contribute to adopt informed resolutions on the agenda items; documentation for information purposes only can also be sent after this deadline. The documentation made available to the Directors must include everything that is useful, necessary and adequate, in quantitative and qualitative terms, to the subject matter to be discussed.

Where the matters subject to the resolution of the Board of Directors must be submitted in advance to the internal Committees, the Chairman ensures that the documentation is made available to them in the manner and timing indicated in the specific Regulations; subsequently he/she ensures that the documentation in support of the Board's activities includes the opinions or any proposals put forward, on the basis of the records of the minutes of each Committee. The documentation made available to the members of a Committee appointed by the Board for the conduct of the related activities shall also be made available to the other Directors.

If the documentation for submission to the Board contains price-sensitive elements, on a special accompanying form the proposing Department indicates the assessments performed to guarantee correct processing of the sensitive data and prompt compliance with disclosure obligations envisaged by law.

Proposals to the Board are first presented to the Chairman in order to enable the latter an appropriate assessment of the issues to be placed on the agenda and the adequacy of the information provided to the Directors.

In the event that the documentation provided is particularly lengthy or complex, an executive summary is provided, recapping the most significant points of relevance for resolutions, without prejudice to the fact that such document is in no way considered a replacement for the complete documentation sent to Directors.

Directors undertake to observe the Bank's internal policies in order to ensure absolute confidentiality of the documentation that is made available to them for the purpose of their decisions.

Directors may normally consult the documentation made available to the same via a dedicated IT platform, which is managed by the Board of Directors' Secretariat. Directors who intend to access documentation made available to the Board of Directors by other methods must be authorised in advance by the Chairman of the Board of Directors, who may refuse authorisation if he or she believes that the requested access methods may jeopardise the confidentiality of the documentation to be provided, or for other reasons.

If, in entirely exceptional situations, the Chairman considers it appropriate given the confidential topic and related resolution, or if there are other justified reasons for which the documentation cannot be made available, it may be provided directly at the meeting and its nature as additional material indicated. In such cases the Chairman shall verify compliance with the principles of completeness and adequacy of the information on the agenda items for all Directors and ensure that all adequate and regular in-depth analyses are conducted during the meeting; the Directors in any event have the right to request any clarification, further details or additional information considered necessary or appropriate for a correct assessment of the topics.

In any event, the documentation made available to the Directors is kept, as well as on the dedicated IT platform, at the Secretariat of the Board of Directors, remaining available to the Directors.

Conduct of meetings and the decision-making process

The meeting of the Board of Directors is duly constituted if the majority of its members in office are in attendance.

The Chairman chairs Board meetings and coordinates discussions, ensuring adequate space is given to the discussion of each topic on the agenda, giving priority to key strategic issues and ensuring that the necessary amount of time is dedicated to them. The Chairman ensures the effectiveness of Board discussions and endeavours in a neutral way so that the resolutions taken by the Board are the result of a proper debate, in particular between the Managing Director and the other Directors, and of the informed and reasoned contribution of all its members. In any case, the meeting must ensure the full and exhaustive discussion of each item and special attention to the content of the documents that could not be made available in advance.

The Chairman of each of the Committees appointed by the Board shall report on the activities carried out by the Committee on matters within its sphere of competence subject to discussion, thereby giving account, where appropriate, of the opinion issued or proposal formulated by the Committee in relation to the decision to be taken.

Directors actively participate in Board discussions, contribute to discussions based on their respective skills and knowledge, and analyse the various topics from different viewpoints, contributing to achieving a reasoned decision-making process and to reaching jointly considered Board resolutions. Without prejudice to the prerogatives of the Managing Director and CEO or - where expressly so provided - the Committees, each member of the Board of Directors may formulate proposals or motions regarding the items on the agenda to the Board of Directors.

2.P.2.
2.P.3.

According to the subject matter to be discussed, the Board of Directors may, for tasks within their purview and in view of the need for further information, admit to its meetings employees and/or Board Members and General Managers of the Bank or Group companies, advisors or external experts of the same Bank or other internal or external parties whose presence is nonetheless deemed an aid to better performance of the Board's duties. The Chief Governance Officer is invited to and has the right to attend meetings of the Board of Directors. Within the scope of duties in support of the Board activities, the Head of the Corporate Bodies Secretariat shall also assist meetings, directly or through assistants.

1.C.6.

Such management participation has allowed the Directors to obtain clarification and additional information on items on the agenda and has proved particularly important in encouraging adequate contribution and involvement of corporate Departments in the decision-making process, through direct involvement in the Board's activities. The Board meetings held during 2016 were regularly attended by Executives of the Bank and the Group companies, as well as by the Heads of the relevant corporate functions according to the items dealt with from time to time.

The Board of Directors normally resolves by absolute majority vote of those in attendance; in the event of a tie, the Director in the Chair shall have the casting vote. Resolutions concerning the appointment, removal of the Managing Director, the assignment, modification or revocation of his/her powers and the determination of his/her remuneration, the replacement of outgoing Members by co-option, the proposed revocation of the members of the Management Control Committee, the appointment and removal of the Manager responsible for preparing the Company's financial reports are adopted by the favourable vote of the majority of members in office.

The Chairman, with the assistance of the Secretary, oversees the preparation of the minutes of the meetings – save as when the minutes are not drawn up by a Notary pursuant to the law – ensuring the transcription in the appropriate mandatory corporate registers and their storage, including for consultation purposes, at the Secretariat of the Board of Directors.

The minutes illustrate in a complete and detailed manner the Board discussion and the method adopted for decision-making and the underlying reasons for such decisions.

Each Director has the right to ensure that the minutes include a note of any vote against or abstention and the related reasons.

Resolutions made by the Board on the agenda items are sent by the Corporate Secretariat to the Departments involved, to ensure timely information and subsequent implementation within the Bank or Group.

Within the Chief Governance Officer Area, the Corporate Affairs and Advisory Department also operates in support of the Board of Directors' activities. Said Department coordinates the definition of the rules and proposals of the main corporate governance documents to be submitted to the approval of the Corporate Bodies or the Managing Director within the remit of the Secretary of the Board of Directors. Concurrently, the measures concerning the supervision and specialised control of the Group's main corporate governance processes are prepared, ensuring all appropriate legal advice for the proper functioning of the governance arrangements of the company and the Group, including those relating to the qualification requirements of board members and general managers, related party transactions and the accuracy of the decision-making process, as well as the associated interactions with the Supervisory Authorities.

Frequency of meetings and Director attendance

1.C.1. i) Pursuant to the Articles of Association, meetings of the Board of Directors are held at least once a month. In effect, the Board meets on a regular basis, normally almost twice a month. This frequency has allowed a suitable number of items to be included in the meeting agenda, along with proper discussion and constructive debate.

In 2016 the Committee held 19 meetings.

As in the past, Directors' attendance at meetings has proved constant, despite the higher number of meetings held during the year. In particular, during 2016, the attendance of Directors at meetings was equal to 100% for 17 Members, while for two Members attendance stood at about 95%.

This attendance in the Board meetings ensured the systematic contribution of all members to the management of Group and Bank business, thereby allowing the Bank to make full use of the professional skills represented.

However, the overall commitment of Directors is not expressed merely in attendance at Board meetings. For all Directors, in fact, the activities associated with the meetings (study of documentation on items on the agenda, meeting preparation, queries and requests for information, etc.) and the activities related to participation in internal Committees must be taken into consideration.

The Board meetings lasted an average of 4 hours, considered adequate in satisfying the need for thorough development and discussion of matters on the agenda, also in view of the appropriate meeting and pre-meeting information, and the number of meetings held.

In 2017, the Board of Directors had held 4 meetings at the date of approval of this Report. The Company's 2017 financial calendar – announced to the market (and made available on the website) in December 2016 in compliance with the Borsa Italiana Regulations – indicates the following dates: 5 May for the approval of the Interim Statement as at 31 March 2017, 1 August 2017 for the approval of the half-yearly Report as at 30 June 2017 and 7 November 2017 for the approval of the Interim Statement as at 30 September 2017.

Contestation of resolutions

Resolutions adopted by the Board of Directors in breach of law or the Articles of Association may be contested by the Directors who were absent or who voted against the resolution, by and no later than ninety days from the date the resolution was adopted.

Shareholders may also contest the resolutions of the Board of Directors where a resolution is prejudicial to their rights. In this case, the term and procedures for contesting resolutions are determined in application of the provisions governing the contestation of shareholder resolutions in the Italian Civil Code, where compatible, which are addressed in this Report in the chapter on Shareholders' Meetings.

Management Control Committee

Duties and powers

The Management Control Committee, established within the Board of Directors in accordance with the Articles of Association, shall perform the duties assigned by law to the control body of the parent company of a banking group heading a financial conglomerate and issuing listed shares as provided for – in addition to the legal and regulatory provisions – by the Articles of Association and its own Regulations, approved on 24 May 2016 subject to the favourable opinion of the Board.

8.P.1.

With the aforementioned Regulations, the Committee has governed its operations and its organisation, in compliance with legal and regulatory provisions and the provisions of the Articles of Association and, to the extent applicable, with the provisions of the Corporate Governance Code. The Regulations govern the operations and organisation of the Committee also in its capacity as Internal Control and Audit Committee in accordance with Article 19, paragraph 2, letter. c) of Italian Legislative Decree No. 39/2010.

8.P.2.

More specifically, among its various tasks and duties, the Management Control Committee shall:

7.P.3. d)

- oversee the compliance with legal and regulatory provisions and the Articles of Association and the principles of correct management;
- oversee the methods for the actual implementation of the corporate governance rules laid down by the Corporate Governance Code or the codes of conduct drawn up by management companies of regulated markets or by trade associations which the Bank declares to adhere to;
- oversee the adequacy, efficiency and functionality of the organisational structure of the company and the internal control system, as well as of the administration and accounting system and its suitability to furnish a proper representation of operations, as well as the statutory audit process;
- oversee the adequacy, efficiency and functionality of the internal control system and assess the adequacy and effectiveness of all the structures involved and the proper coordination thereof, by promoting the adoption by the Board or by the Managing Director, of corrective measures of any deficiencies and irregularities detected;
- be consulted by the Board on decisions regarding the appointment and removal:
 - o of the heads of the compliance, risk management, internal validation and internal audit departments, to be taken on the proposal of the Risks Committee
 - o of the head of the anti-money laundering department
 - o of the Manager responsible for preparing the Company's financial reports, as well as the assignment of powers and resources to the same to support the performance of his/her duties;
- propose to the Shareholders' Meeting the auditing firm to which to assign the statutory audits of accounts and the fee for its mandate and be consulted on the proposal for the removal of the independent auditors; it shall supervise its work, examine its work plan and provide it with the relevant data and information for the performance of the respective duties;
- also in its capacity as Internal Control and Audit Committee and with the support of the compliance and internal auditing departments, it shall:
 - o oversee the financial reporting process
 - o oversee the effectiveness of the internal auditing systems
 - o oversee the statutory audit of the financial statements and consolidated financial statements
 - o oversee the independence of the independent auditors, ensuring compliance with the regulatory provisions, the nature and extent of the services other than the statutory audit provided to the Bank and its subsidiaries by the same independent auditors and by the entities belonging to their network; in this context, it shall review the mandates conferred by the Bank upon the independent auditors for the provision of services other than the statutory audit subject to consultation in advance with the Manager responsible for preparing the Company's financial reports
 - o examine the work plan prepared by the independent auditors
 - o examine, also taking into account the evaluations of the Risks Committee, the report on the fundamental issues that emerged during the audit and, in particular, the significant gaps found in the internal control system in relation to the financial reporting process referred to in Article 19 of Italian Legislative Decree No. 39/2010, as well as of the letter of recommendations prepared by the independent auditors;
- oversee the completeness, adequacy and functionality of the risk management process; in this context, it shall oversee, among other things, the Risk Appetite Framework, and the enforcement of ICAAP and ILAAP-related provisions;

7.C.2. d)

7.C.2. a)

7.C.2. b)
8.C.6.

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- oversee the adequacy, overall reliability and security of the information system as well as of the business continuity plan;
 - oversee compliance with the regulations applicable to Intesa Sanpaolo as the Parent Company of a banking group issuing shares listed on regulated markets.

7.C.2. c) With reference to the internal control system, the periodic reports of the control functions shall be transmitted directly from the heads of the respective departments to the Committee. In this respect, in particular, the Committee shall formulate opinions on the report prepared by the internal auditing function relating to the controls carried out on major operational or outsourced control functions as well as on the periodic report of the internal auditing function and the independent auditors with regards to the checks carried out on branches abroad.

The Committee, in its capacity as the Control Body, shall promptly report to the Bank of Italy and Consob on any management irregularities or breaches of the regulations, pursuant to Article 52, paragraph 1, of the Consolidated Law on Banking and Article 149, paragraphs 3 and 4-ter of the Consolidated Law on Finance.

The Committee shall report, pursuant to Article 153 of the Consolidated Law on Finance, on the supervisory activities carried out, on any omissions and reprehensible facts detected to the Shareholders' Meeting called to approve the financial statements.

The Committee shall promptly notify the Board of Directors and the Managing Director of any gaps and irregularities found, subsequent also to checks specifically requested by the Supervisory Authorities, and request the adoption of suitable corrective measures, thereby verifying their effectiveness over time. At Board meetings, the Committee Chairman discusses the findings of the activities conducted since the last meeting.

In any event, the Committee Chairman shall inform the Board of the supervisory activities, checks and audits conducted and their outcomes at least once every quarter.

7.C.2. b) The Committee shall issue the opinions required from the control body by the regulations in force, in accordance with the provisions of the Articles of Association and its own Regulations. The opinions, signed by the Chairman of the Committee, are submitted to the Chairman of the Board of Directors and, through the latter, to all Board Directors, in time for them to take them into due account, including for the purposes of taking the decisions they are aimed at.

Finally, the Committee, in line with its control function, can perform the additional duties assigned to it by the Board of Directors, namely the activities requested from it by the Chairman of the Board for the purposes and within the scope of the powers assigned to the same pursuant to the Articles of Association.

The Committee or its individual members, within the limits and in the manner permitted by Article 151-ter of the Consolidated Law on Finance, are vested with the following powers: i) the powers to request news and information to the other Board Directors or to the management and control bodies of the subsidiaries, without prejudice to the fact that such information is provided to all Committee members; ii) the power to request the Chairman to convene the Committee itself thereby indicating the agenda items to be discussed; iii) the power, subject to notice to the Chairman of the Board of Directors, to convene the Board itself.

The Committee may, subject to notice to the Chairman of the Board of Directors, convene the Shareholders' Meeting whenever deemed necessary for the performance of its duties or in the event that, in the performance of its duties, it should detect reprehensible facts of significant severity and urgent measures need to be taken.

7.C.2. e)
8.C.5. The Committee has independent initiative and control powers and, with the support of the corporate control functions, may proceed at any time, even through a specially appointed member, to carry out inspections and controls, also with reference to the companies belonging to the Group. The Committee, for the purposes of performing its duties, shall have unrestricted access to all the Bank's company functions and may also make use of external consultants.

The Committee and each member thereof, including individually, may request the heads of the corporate control functions to report any relevant data and information to the Committee.

Composition and appointment

The Management Control Committee is composed, pursuant to the Articles of Association, of 5 Board Directors, all independent pursuant to the Articles of Association. The members of the Committee may not be members of other Committees set up by the Board.

1.C.1. i)
10.C.2.b)

In adherence to the guidelines of the Supervisory Provisions on the corporate governance of banks that adopt the one-tier governance model, and as permitted by Article 2409-octiesdecies of the Italian Civil Code, the Articles of Association of Intesa Sanpaolo assign the power to appoint the Committee members to the Ordinary Shareholders' Meeting.

The Committee in office at the time of publication of this Report is composed of the following Board Directors: Marco Mangiagalli, Maria Cristina Zoppo, Edoardo Gaffeo, Milena Teresa Motta and Alberto Maria Pisani, elected by the Shareholders' Meeting on 27 April 2016, which appointed Marco Mangiagalli as Chairman.

Art. 123-
bis (2),
(d) and (1),
(l) CLF

As for the appointment of the Committee members and its Chairman, reference is made to what is described above in the paragraph on the appointment of Board Directors, which recalls the provisions of the Articles of Association providing for the appointment of Board Directors on the basis of slates of candidates submitted by the shareholders.

The Chairman of the Committee convenes and chairs the meetings of the Committee, directs, coordinates and moderates the discussion and, on behalf of the Committee, describes the results of the activities carried out.

The Chairman ensures the effectiveness of the discussions within the Committee and endeavours so that the resolutions are the result of a proper debate and of the informed and reasoned contribution of all its members. To this end, he/she shall ensure that all members of the Committee are sent – well in advance of the meeting – documentation in support of the Committee's activities or at least a first report on the items up for discussion and he/she shall ensure that the supporting documentation is adequate in terms of quantity and quality with respect to the items on the agenda.

In the event of the Chairman's absence or temporary impediment, his/her duties shall be undertaken by the Committee member placed in the highest ranking position of the second section of the slate from which the Chairman was elected. In the absence thereof, the Chairman's duties shall be undertaken by the longest-serving Committee member or, in the case of equal terms of service, by the eldest Committee member.

Term of office, replacement and removal

The members of the Management Control Committee shall remain in office for the entire term of office of the Board of Directors to which they were elected; the mandate of the Committee in office thus relates to the 2016/2017/2018 financial years, expiring at the next Shareholders' Meeting called to approve the financial statements for the last year of their office. They may be re-elected.

As regards the replacement and removal of the Committee members, reference is made to what is described in the paragraph on the replacement and removal of Board Directors.

Qualification requirements

The members of the Management Control Committee must be in possession of all the requirements applicable to Board Directors (for which reference is made to the paragraph on this Body).

In addition to such requirements, the Committee members shall ensure compliance with the limits on concurrent positions provided by the law and by the current regulations for the performance of the duty of member of the control bodies of a bank issuing shares listed on regulated markets.

All Committee members shall also meet the more stringent independence requirements defined by the Articles of Association.

8.C.1.

In addition, the Articles of Association set out additional requirements for the Committee members in terms of professionalism and the number of concurrent offices.

8.C.2.

With regards to the professionalism requirements, the Committee members shall have acquired proven professional experience of at least five years in the internal control, administration and finance sectors. This special requirement of professionalism shall have been acquired as Board Directors or as executives in banking, financial, insurance companies or other companies of qualified size (as defined in the Articles of Association), or at Public Administrations of at least regional importance or Authorities whose area of

expertise is connected with the banking-financial-insurance activities or in professional activities carried out to the benefit of the aforesaid companies, or for the performance of activities of university lecturing in legal and economic subjects.

In addition, at least three Committee members shall be enrolled on the register of independent auditors and have practised as auditors or acted as a member of a limited company control body for a period of at least three years.

Without prejudice to the limits on concurrent offices envisaged for all Board Directors, the members of the Committee may not take:

- ✓ positions of an executive nature in other companies
- ✓ more than two non-executive positions in corporate bodies (including those as members of control bodies) of other large companies.

To this end, the candidates for the office of Committee member shall expressly undertake the obligation to immediately step down from any incompatible offices in the event of their appointment.

The above is in any event subject to the provisions laid down by the supervisory regulations, whereby the members of the Management Control Committee are prohibited from taking up positions in bodies other than those in charge of the control function in other Group companies or belonging to the financial conglomerate, as well as in companies in which the Bank holds a strategic stake. The rules relating to the limits on concurrent offices laid down under Article 148-bis of the Consolidated Law on Finance and the related implementing regulations also apply to Committee members: these rules set out the limits and parameters to take into account in order to determine the maximum limit to the number of offices, as well as the manner and terms for the disclosure to be provided to Consob and to the public.

For each member of the Committee, the loss of the requirements of independence or professionalism or the failure to comply with the limits to the number of offices pursuant to the Articles of Association as set out above, shall result in the disqualification from the office of Board of Directors.

It follows that the independent Member of the Committee who ceases to be eligible as an independent member shall also be disqualified from being a member of the Committee and of the Board. The same applies if he/she ceases to be statutory auditor, notwithstanding other three members of the Committee who are statutory auditors remain in office.

In accordance with the requirements laid down by the Supervisory Provisions and the internal regulations, on 16 February 2017 the Committee also conducted an annual check to ensure that the necessary requirements were still being satisfied by its members. The latter declared to meet the professionalism and integrity requirements and to comply with the criteria of competence, fairness, independence and time commitment, as well as the specific limits on the number of offices and the incompatibilities provided for by the applicable regulations and the Articles of Association.

Operation of the Management Control Committee

The Committee regularly meets on a weekly basis and the meeting is convened by a notice of call containing the agenda, typically sent by its Secretariat three days before the date set for the meeting. The Secretariat ensures compliance with the terms and expected timing and the procedures to ensure compliance with any instructions received from Authorities.

4.C.1 e) The notice of call is typically accompanied by the submission of the available documentation useful to ensure the best performance of the Committee members' duties. In any case, the meeting shall ensure the full and exhaustive discussion of each item and special attention to the content of the documents that could not be made available in advance.

4.C.1. f) The Committee may ask the departments of the Bank for access to any information considered necessary to perform the duties assigned to it and also rely on the support of external consultants. Upon invitation of the Committee itself, individuals who are not part of the Committee may attend the meetings in relation to specific items on the agenda.

In the performance of its duties, the Committee relies on the corporate control functions and, in particular, on the internal auditing function, reporting functionally also to the Committee which monitors its independence, adequacy, effectiveness and efficiency.

The Committee receives from the heads of the corporate control functions periodic reports on specific situations, breaches or significant shortcomings – also produced at the express request of the Committee itself – and examines the work plans.

7.C.2. c),
d), e)

The Management Control Committee coordinates with the Risks Committee to the extent applicable, and certain information flows are discussed in joint meetings, it being understood that each Committee shall proceed independently for the respective assessments. One of the Committee members, appointed in rotation by the same Committee, shall attend the meetings of the Risks Committee without voting rights, subsequently reporting to the control body.

7.C.3.
8.C.6.
10.C.2.b)

The Committee also coordinates with the Surveillance Body, with the Manager responsible for preparing the Company's financial reports and with the independent auditors, with which it convenes regular meetings aimed at the performance of the auditing activities related to the formulation of the opinion on the financial statements and thereby monitoring its independence.

The Committee also meets with the Boards of Statutory Auditors of the Group's main subsidiaries, with which it works closely and exchanges information with respect to their management and control systems and the general performance of their business.

In 2016 the Management Control Committee met a total of 27 times, with the following attendance percentage for each member:

Members	Independent pursuant to the applicable regulations and the Articles of Association	Attendance percentage at meetings
Marco Mangiagalli – Chairman	X	100%
Edoardo Gaffeo	X	96%
Milena Teresa Motta	X	93%
Alberto Maria Pisani	X	100%
Maria Cristina Zoppo	X	100%

The meetings lasted an average of 4 hours, considered adequate in satisfying the need for thorough development and discussion of matters on the agenda, also in view of the proper information and the number of meetings held.

In 2017, the Committee had held 7 meetings at the date of approval of this Report.

The Management Control Committee, in line with the provisions of its own Regulations, supervised compliance with legal and regulatory provisions and the provisions of the Articles of Association, the principles of proper management, the adequacy of the organisational structure, the administration and accounting system and the internal control system. In particular, the Committee examined:

- the proposals for adapting the internal regulations, including the updating of the RPT Procedures and the Regulations on the Board of Directors' self-assessment process;
- the disclosure regarding the ECB's 2016 Supervisory Plan for the Group;
- the organisational structures and the control system of the main Government Areas and Business Units.

Within the scope of the activities relating to the verification of the risk management process, the Committee monitored the completeness, adequacy, functionality and reliability of the Risk Appetite Framework and of the internal risk measurement systems for the determination of the capital requirements as well as compliance with ICAAP and ILAAP-related provisions. The Committee also monitored the adequacy, reliability and security of the information system and of the business continuity plan.

Finally, the Committee was invited to attend the meetings of the Risks Committee during meetings with the Manager responsible for preparing the Company's financial reports in relation to the preparation of the financial statements and the periodic financial reports.

7.C.2 a)

Downstream of its activities, on a quarterly basis, the Committee illustrated to the Board of Directors the supervisory, inspection and examination activities carried out and the results thereof and periodically met with the Managing Director to further investigate specific topics of interest and examine the points of attention highlighted in its reports.

7.C.2. f)

Self-assessment of the Management Control Committee

The Management Control Committee performs a separate self-assessment on its composition and its operation, inspired by the same purposes of proper and efficient performance of the specific corporate governance duties entrusted to it as the Company's control body and, therefore, in accordance with criteria and methods in line with the characteristics of the principal function performed within the one-tier governance model.

The self-assessment process is related to the Committee as a whole and the contribution that the individual Board Directors who sit on it provide to its work.

The Members of the Committee are specifically called upon to submit – separately from the Board's self-assessment process as a whole – also an assessment of the qualitative and quantitative composition, operation and effective performance of the Committee's duties.

Considering the Committee's prerogatives of autonomy and independence, such self-assessment process takes place separately from that of the Board of Directors.

Given the need for consistency and overall coherence of the results, the process is typically entrusted to the same individuals designated by the Board of Directors, who in this case report directly to the Chairman of the Management Control Committee, which remains responsible for the process as a whole.

The Committee's self-assessment for the year 2016 was performed with the professional assistance of Crisci & Partners, expert consulting firm which simultaneously also supported the Board of Directors in its self-assessment process.

The Management Control Committee's self-assessment process essentially follows similar process rules to those for the self-assessment of the Board of Directors (for which reference is made to the paragraph on the self-assessment of this Body).

With regard to the assessment of the qualitative and quantitative composition, the following elements acquire specific importance in the context of knowledge, experience and skills specifically relevant for the performance of the Committee's duties:

- the in-depth knowledge of the methodologies for identifying, measuring, assessing and controlling risks;
- the ability to assess the overall internal control system.

As regards the independence of the Committee members, it must be noted that it constitutes a specific requirement for the purposes of the suitability of the members pursuant to the Articles of Association and is therefore one of the elements for the assessment and verification of the qualitative composition the loss of which results in disqualification from office. As such, it is subject to a specific assessment in the context of the ongoing review process of the requirements of Board Directors.

With regard to the assessment of the operation and the effective performance of the Committee's duties, which relate to the fulfilment of the control functions, the following matters represent specific areas of evaluation by the Committee:

- the proper management of relations with the independent auditors;
- the proper management of relations with the Surveillance Body;
- the proper management of relations with the Manager responsible for preparing the Company's financial reports;
- the proper management of relations with the control functions.

The Committee takes into account the results of the analysis on its operations in the assessment of the Report on the Company's Governance, as well as for the purposes of preparation of the report required by law on the supervision activities carried out, so as to ensure the correct reporting due to shareholders.

On 16 February 2017, the Committee conducted a separate self-assessment from that of the Board, in accordance with criteria and methods in line with the characteristics of the principal function performed within the one-tier governance model. This assessment, based on the analysis carried out by the external consultant, involved both the use of questionnaires and the conduct of individual interviews on the operation, efficiency and effectiveness of the Committee. The qualitative and quantitative results of the questionnaires and interviews confirmed the adequacy of the Committee and the high level of overall compliance with the provisions of the Code of Corporate Governance, with the guidelines of the EBA, with the provisions of Bank of Italy Circular 285/2013 and with the best practices of other listed companies, in as far as comparable with the Bank. The Committee therefore issued an assessment of adequacy in terms of size, composition and operations of the control Body.

Committees appointed by the Board of Directors: composition and operations

The committees constitute an organisational method through which the Board of Directors increases the effectiveness of its strategic supervision, having regard to the Bank in its capacity as the Parent Company of a banking group heading a financial conglomerate whose shares are admitted to trading on a regulated market. Without prejudice to the Board of Directors' corporate powers and responsibilities, the Committees have the proposal, advisory and inquiry duties (including the issue of opinions, where provided for by applicable regulations) assigned to them by current legislation and, to the extent applicable, the Corporate Governance Code and the Articles of Association. In accordance with each Committee's function, they may specifically be assigned other tasks by the Board of Directors, which they shall perform in accordance with the regulations adopted for each. Such activities facilitate the task of the Board in making more reasoned decisions, increasing the efficiency and effectiveness of its work.

4.P.1.
4.C.1.
a) b) and c)
4.C.2.

Pursuant to the Articles of Association, the Committees are composed of a minimum of three and a maximum of five non-executive Board Directors who are mainly independent Board Directors. No Board Director may take up the office of Chairman of more than one Committee or be part of more than two Committees.

The following Committees are currently established within the Board of Directors:

- Nomination Committee: 5 members – including the Chairman of the Board of Directors – 3 of whom are independent pursuant to the applicable regulations and the Articles of Association;
- Remuneration Committee: 5 members – including the Deputy Chairperson of the Board of Directors – 3 of whom are independent pursuant to the applicable regulations and the Articles of Association;
- Risks Committee, composed of 5 members, 3 of whom are independent pursuant to the applicable regulations and the Articles of Association; two members are also enrolled on the Register of Auditors and have practised the legal auditing of accounts for a period of at least three years.

5.P.1.

6.P.3.

7.P.4.

The Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group is also in place; it is composed of 5 members, all independent pursuant to the applicable regulations and the Articles of Association; one member is also enrolled on the Register of Auditors and has practised the legal auditing of accounts for a period of at least three years.

In establishing the Committees, the Board of Directors took into consideration the professional characteristics and experience of its members, so that each Committee is composed of members whose competence and professional skills are appropriate in terms of the duties attributed and is able to ensure the performance of tasks in a timely manner.

The activities of each Committee are coordinated and directed by a Chairman designated by the Board of Directors. The Member appointed as Chairman of a Committee must be independent and may not hold the office of Chairman of another Committee appointed by the Board.

The Chairman calls the meetings and describes the activities, proposals and opinions of the Committee during meetings of the Board of Directors. In the event of absence or impediment of the Chairman, the longest-serving independent member or, in the case of equal terms of service, the eldest member takes on the functions.

The duties of each Committee are specified in special Regulations, approved by the Board of Directors, which govern the operation and organisation of the Committees.

4.C.1. b)

Meetings are generally held at the Torino registered office and Milano secondary office. Meetings may also be validly held through telecommunication methods; such meetings are considered to have been held at the location of the Chairman.

The Regulations of each Committee require that minutes specific to each meeting are prepared by an appointed secretary, who may also be a non-Board Member, in which case the secretary should be selected from the Board of Directors' Secretariat.

4.C.1. d)

Each Committee may contact the corporate functions to access the information required to perform their assigned tasks.

4.C.1. e)

Committees can also make use of external consultants, as indicated in each set of Regulations.

Individuals who are not part of a Committee may attend Committee meetings provided they are invited by the Chairman of the Committee concerned, and only in relation to specific items on the agenda.

4.C.1. f)

The Chief Governance Officer and the Secretary of the Board of Directors are invited and may attend the Committee meetings. The head of the Corporate Bodies Secretariat attends sessions, directly or through assistants.

Also in consideration of the time dedicated to each task in hand, Committee work is always performed in a constructive environment based on exchange and dialogue among the respective members, encouraging personal contributions, open discussion and criticism not only among Board Directors but also with heads of the control functions, Business Units, Governance Areas and of the various Departments involved in meetings within their purview.

4.C.1. g) Below is a list of detailed information regarding each Committee which, following the adoption of the one-tier governance system, the Board of Directors established on 19 May 2016 for the 2016/2017/2018 financial years, with reference to the composition, duties attributed and activities performed (in addition to details on meetings and the attendance of the related members).

Art. 123-bis (2), (d) CLF

Nomination Committee

1.C.1. i)	Members	Enrolment on the Register of Statutory Auditors Practice as an auditor	Independent pursuant to the applicable regulations and the Articles of Association	Attendance percentage at meetings
	Gianfranco Carbonato – Chairman		X	100 %
	Paolo Andrea Colombo	X	X	67 %
	Giovanni Costa			100 %
	Gian Maria Gros-Pietro			100 %
	Livia Pomodoro		X	100 %

In 2016 the Committee held three meetings. The average duration of meetings was approximately one hour.

5.P.1. The Committee performs investigative and consulting functions to support the Board of Directors in the process of appointment or co-optation of the Board Directors to ensure that the Body's composition, in terms of size and professionalism, makes it possible to fulfil its duties efficiently.

In this context, the Committee supports the Board:

- in the activity aimed at the early identification of the qualitative and quantitative composition of the Body considered optimal, including the theoretical profile of the candidates to be presented to the Shareholders' Meeting in time for the appointment of the Board Directors and, subsequently, in the verification, to be conducted as part of the assessment of the suitability of Board Directors pursuant to Article 26 of the Consolidated Law on Banking, of the match between the composition considered optimal and the one actually resulting from the Shareholders' Meeting appointment, including in the light of the choices formulated by the shareholders when presenting the slates;
- in the verification, also conducted pursuant to Article 26 of the Consolidated Law on Banking, of the satisfaction of the requirements laid down by the applicable regulations and the Articles of Association by board members and in the verification of compliance with the limit to the number of concurrent offices laid down by the applicable regulations and the Articles of Association, as well as the prohibition of interlocking directorships provided for by Article 36 of Law Decree No. 201/2011, converted into Law No. 214/2011. The Committee, specifically, supports the Board for the purposes of assessment of the compliance with the independence requirements as provided for in the Articles of Association, including a review of all credit arrangements between the Bank and board members considered independent;
- in the definition of the body's self-assessment process and in the actual fulfilment thereof, on an annual basis.

5.C.1. a) and b)

5.C.2. The Committee is also specifically heard by the Board of Directors regarding the identification of the Managing Director, pursuant to the Articles of Association, and, in coordination with the Chairman, supports the Board itself in the definition of the process governing succession plans for senior executives, in order to ensure their orderly succession in the respective positions in the event of termination or expiry of the mandate or for any cause, in order to ensure business continuity and avoid economic and reputational repercussions.

The Committee, finally, works with the Risks Committee for the purpose of identification by the latter of the proposals for appointment and removal of the heads of the Compliance, Risk Management, Internal Validation and Internal Auditing departments.

In the 2016 meetings, the Committee, among other things, supported the Board of Directors with regard to the verification of the fulfilment of the legal requirements by each of its members and the assessment of the adequate collective composition of the Board. In addition, the Committee supported the Board of Directors in the definition of its Self-assessment Regulations and in providing feedback to the ECB concerning the Fit and Proper Assessment of its Board Directors. Finally, the Committee supported the Board in the adoption of criteria to evaluate the significance of the financial relations maintained by the Board Members with the Intesa Sanpaolo Group, for the purpose of satisfying the independence requirements.

Remuneration Committee

Members	Enrolment on the Register of Statutory Auditors Practice as an auditor	Independent pursuant to the applicable regulations and the Articles of Association	Attendance percentage at meetings
Paolo Andrea Colombo – Chairman	X	X	100%
Giovanni Costa			100%
Giorgina Gallo		X	100%
Giovanni Gorno Tempini		X	100%
Bruno Picca	X		100%

1.C.1. i)

In 2016 the Committee held seven meetings. The average duration of meetings was approximately two hours.

The Remuneration Committee, in its current composition, ensures adequate knowledge and expertise in financial matters and remuneration policies.

6.P.3.

Pursuant to its Regulations, the Remuneration Committee proposes, advises and enquires on remuneration and incentive matters, thereby supporting the Board of Directors.

With reference to the definition of proposals by the Board of Directors for approval by the Shareholders' Meeting, the Committee provides support in the preparation of the remuneration policies of the Board directors, employees and other staff not bound by an employment agreement, in the preparation of plans based on financial instruments and criteria for determining the remuneration to be granted in the event of early termination of the employment contract or early termination of the office held. It also supports the Board in the definition of any proposal relating to the resolution on the determination of a ratio between the variable component and the fixed component of the personnel's individual remuneration above the 1:1 ratio.

6.C.5.

With reference to the advisory and support activity in respect of the Board of Directors in relation to the decisions within its remit, the Committee assists the Board in the process of identifying the Risk Takers and performs an advisory role for the determination of the criteria for their remuneration.

With reference to the propositional function assigned to it, the Committee, on the basis of the remuneration policies approved by the Shareholders' Meeting, submits proposals to the Board of Directors in relation to the additional remuneration, including the variable component thereof, due for the specific office of Managing Director and General Manager, the remuneration to be paid to other Board Directors that have been assigned additional specific offices in accordance with the Articles of Association as well as the remuneration for the members of the Surveillance Body. As for the remuneration of its members, the Committee relies entirely on the opinion of the Board of Directors.

6.C.6.

With reference to the support and activities aimed at checking the proper implementation of the rules on remuneration, the Committee:

- supports the Board of Directors in checking the proper implementation of the remuneration policies approved by the Shareholders' Meeting;
- checks and monitors the implementation of the decisions adopted by the Board of Directors;
- monitors the proper implementation of the rules on the remuneration of the heads of the corporate control functions, in close coordination with the Management Control Committee.

The Committee also performs the duties of Related Parties Committee in accordance with the provisions of the RPT Procedures, with regard to transactions with the Bank's related parties and Group associated entities concerning remuneration. In the performance of the said duty, the Committee in particular, where provided for by the RPT Procedures, issues a reasoned opinion on the Bank's interest in the payment of the remunerations in question, as well as their cost-effectiveness and substantive correctness.

The Committee assisted the Board of Directors in the approval of the following proposals:

- additional remuneration to be paid to the Managing Director and to the Chairpersons and to the members of the Board-appointed Committees;
- remuneration due to the Top Risk Takers and Senior Heads of the Corporate Control Functions, and update of the Group Risk Takers' Perimeter as at 1 July 2016;
- remuneration of the Surveillance Body;
- rules for identifying risk takers in the Intesa Sanpaolo Group.

The Committee also supported the Board of Directors in examining the report of the Internal Auditing Department on the 2015 Remuneration and Incentive System in the part concerning the verification of operating practices.

6.C.7. The Committee did not use any consultants in 2016.

For additional information on remuneration, see Section I of the Report on Remuneration.

Risks Committee

1.C.1. i)	Members	Enrolment on the Register of Statutory Auditors Practice as an auditor	Independent pursuant to the applicable regulations and the Articles of Association	Attendance percentage at meetings
	Rossella Locatelli – Chairwoman		X	100%
	Franco Ceruti			100%
	Francesca Cornelli		X	100%
	Bruno Picca	X		100%
	Daniele Zamboni	X	X	100%

In 2016 the Committee held nineteen meetings. The average duration of meetings was approximately four hours.

7.P.3. a) ii)
7.C.2. The Risks Committee proposes, advises and enquires on the relevant matters, submitting opinions where required by the reference laws. It pays special attention to instrumental activities to enable the Board to come to a fair and efficient determination of the Risk Appetite Framework (RAF) and the risk governance policies, as well as the further determinations regarding risk reserved to it by the applicable regulations.

7.C.2. g)
10.C.2. In particular, the Risks Committee supports the Board of Directors for the purposes of improved risk monitoring and the effective implementation of the RAF in the performance of the strategic supervisory duties with regard to:

- business model, strategic guidelines and risk appetite, in order to make the Board aware of the risks to which this model exposes the Bank and understand the methods through which risks are recognised and assessed;
- corporate governance and organisational structure of the Bank and the Group, in order to verify their consistency with the activity carried out and the business model adopted;
- accounting and budget administrative system and statutory auditing process for the purposes of approval of the accounting and reporting systems and evaluation of the correct implementation of the accounting principles and their consistency with reference to the preparation of the financial statements and the consolidated financial statements;
- internal control system, for the purposes of defining and approving the guidelines of the internal control system as well as checking the effectiveness in capturing the evolution of the business risks and the interaction between them; in this context, it submits to the Board proposals for the appointment and removal of the heads of the Compliance, Risk Management, Internal Validation and Internal Auditing departments and of the head of the Anti-Money Laundering department and the head of the Business Continuity Plan;
- risk governance and management, performing support functions also with specific regard to all Corporate Social Responsibility matters; in this context, it provides support in defining and approving

risk governance policies at Group level, including those related to liquidity risk, so as to implement an integrated and coherent risk management policy; it performs the necessary evaluation and propositional activities to enable the Board to define and approve, taking into account the Managing Director's proposals, risk objectives ("Risk appetite") and, where deemed appropriate, the tolerance threshold ("Risk tolerance") as well as the liquidity risk tolerance threshold;

- information systems, for the purposes of approval of the information system development strategies and the IT security policy;
- business continuity, for the purposes of the definition and approval of the business continuity objectives and strategies, approval of the business continuity plan proposed by the Managing Director and the assessment of the residual risks not managed by the business continuity plan, which must be explicitly accepted by Board.

The Committee also acts as "US Risk Committee" in accordance with the provisions laid down by Section 165 of the Dodd Frank Act and the tighter supervisory standards envisaged for foreign banks operating in the United States issued by the Federal Reserve. For the fulfilment of this duty, the Committee must have at least one member with experience in the identification, assessment and management of the risk exposure of large complex companies.

With reference to the support activity in the supervision of the transactions carried out by Group units located in the United States, the Committee supports the Board of Directors in evaluating the adequacy – and in the periodic review – of the Group's risk governance policies with respect to all the transactions carried out by the Group units located in the United States. It ensures that the aforesaid policies are implemented and that it receives sufficient information for the performance of its duties. It also examines the report prepared for the Board of Directors by the Risk Management department with regards to any significant or potential issues found and the related proposals for the adoption of corrective measures. Committee members are in possession of such expertise, skills and experience as to be able to fully understand and monitor the Bank's risk strategies and guidelines. The Risks Committee meetings are attended, without voting rights, by a member of the Management Control Committee designated by the same in rotation, in order to ensure coordination in the performance of the respective duties and functions.

The Risks Committee has always reported in detail at each Board of Directors' meeting on the activity carried out and the main findings thereof, through specific reports and in summary format. With regard to the matters strictly related to its duties, the Committee supported the Board, among other things, in the adoption and implementation of the IRB Retail, EaD Corporate and SME Retail models and in the approval of the update of the following documents:

- Risk Appetite Framework Guidelines;
- Guidelines on IT Risk Management and exposure assessment methodology;
- Guidelines for the Group Banking Book Rate Risk;
- Roll-out plan of the internal systems for the management of credit, operational and market risks;
- Group Guidelines on outsourcing;
- Guidelines for the governance of the preparation and implementation processes of the Recovery Plans;
- Group Code of Ethics;
- Market Risk Charter.

Committee for transactions with related parties and associated entities

Members	Enrolment on the Register of Statutory Auditors Practice as an auditor	Independent pursuant to the applicable regulations and the Articles of Association	Attendance percentage at meetings
Daniele Zamboni – Chairman	X	X	100 %
Giorgina Gallo		X	100 %
Giovanni Gorno Tempini		X	100 %
Rossella Locatelli		X	100 %
Maria Mazzarella		X	100 %

In 2016 the Committee held nine meetings. The average duration of meetings was approximately two hours.

1.C.1. i)

The Committee performs the duties and functions assigned to it by the RPT Procedures, in accordance with the provisions laid down by the Consob Regulation on Related Parties, the Bank of Italy regulations and Article 136 of the Consolidated Law on Banking.

In particular, it issues its opinion on the transactions that fall within the scope of the aforesaid Group Procedures, in the cases and in the manner provided for by the same. In the fulfilment of its duties, the Committee takes into account the guidelines provided by the competent Supervisory Authorities.

In 2016, the Committee examined the new RPT Procedures, issuing its opinion for the benefit of the Board of Directors. The Committee also examined 18 transactions, for each of which it issued a favourable, reasoned, non-binding opinion.

Information flows from Corporate Bodies and to Corporate Bodies

Effective internal information flows are a key element in Intesa Sanpaolo's organisation and corporate governance: thus, they enable the proper fulfilment of the duties of the Board of Directors, the Board-appointed Committees and the Management Control Committee, as well as the fulfilment of the obligations imposed by the applicable regulations and proper interaction with the corporate Departments.

In this regard, the Articles of Association and the Regulations of the Board and the Committees contain provisions aimed at ensuring these objectives as well as more effective coordination and full liaison between the same Bodies. In particular, the Regulations of the Board of Directors contain a specific "Information flows document", which forms an integral part thereof and summarises the necessary exchanges of information between the Board of Directors, the Management Control Committee, the other Committees, the Managing Director and the Bank's Departments.

The circulation of information may be carried out periodically at pre-established deadlines or as one-time occurrences, if limited to simple events where regulatory provisions call for reporting, and represents a fundamental condition for the effective achievement of management efficiency and control effectiveness objectives.

The designed framework aims to guarantee a system of information flows between the plenum of the Board, the body responsible for continuing operations, the Management Control Committee and the other Committees which may be suitable, in terms of frequency and content, to ensure a close and timely connection between the functions performed by the aforesaid Bodies, despite the clear separation of their respective tasks.

Bodies of the two-tier governance model (until 27 April 2016)

Introduction and reference to the 2016 Report

As mentioned in Part I of this Report, the one-tier governance model was adopted by Intesa Sanpaolo with the Extraordinary Shareholders' Meeting of 26 February 2016 and entered fully into force with the appointment of the members of the new Corporate Bodies by the Ordinary Shareholders' Meeting held on 27 April 2016.

Until that date, Intesa Sanpaolo adopted the two-tier management and control model, consisting of a Supervisory Board, whose members were appointed by the Shareholders' Meeting, and a Management Board, whose members were appointed by the Supervisory Board, pursuant to Articles 2409-octies et seq. of the Italian Civil Code and Articles 147-ter et seq. of the Consolidated Law on Finance.

Under Intesa Sanpaolo's governance model, the Supervisory Board, in addition to performing control duties typical of the board of statutory auditors, was also charged, according to the Articles of Association, with certain duties traditionally attributed to the meeting and, on the basis of a provision of the Articles of Association adopted in accordance with Article 2409-terdecies, f-bis) of the Italian Civil Code, with strategic supervisory functions.

The Management Board, on the other hand, had full and exclusive power over company management and, to the extent of its separate duties, contributed to strategic supervisory functions; in compliance with the general guidelines and programs approved by the Supervisory Board, the Management Board had exclusive power over ordinary and extraordinary company management.

Below is some detailed information on the composition and operation of the Corporate Bodies of the former two-tier model; for further details reference is made to the Report on Governance published in 2016, available on the Company's website (Governance/Company documents section).

The Supervisory Board

Composition and operation

The Supervisory Board, in office until 27 April 2016, was the highest body in the former two-tier corporate governance system adopted by Intesa Sanpaolo and performed steering, strategic supervision and control duties, being governed by legal and regulatory provisions and the Articles of Association, as well as its own Regulations. The Supervisory Board had approved its own Regulations as well as those of each internal Committee supporting it, taking into account the principles and criteria laid down in the Corporate Governance Code.

The Supervisory Board in office until 27 April 2016 was composed of 19 members, elected by way of list voting by the Shareholders' Meeting on 22 April 2013: Giovanni Bazoli (Chairman), Mario Bertolissi and Gianfranco Carbonato (Deputy Chairpersons), Franco Dalla Sega (Secretary), Gianlugi Baccolini, Rosalba Casiraghi, Carlo Corradini, Francesco Bianchi, Jean-Paul Fitoussi, Pietro Garibaldi, Giulio Stefano Lubatti, Marco Mangiagalli, Piergiuseppe Dolcini, Edoardo Gaffeo, Rossella Locatelli, Iacopo Mazzei, Beatrice Ramasco, Marcella Sarale, Monica Schiraldi. Marcella Sarale had taken up office to replace Giuseppe Berta, who had resigned effective as from 16 May 2014. Board Member Monica Schiraldi had suspended herself from office effective as from 10 February 2016. All Supervisory Board Members, including those who had taken over during the course of the term, ended their tenure simultaneously on 27 April 2016, the date of the Shareholders' Meeting called to approve the proposal for the net income allocation for 2015.

The Supervisory Board – which, among other things, was given powers which, in the traditional system, are exercised by the Shareholders' Meeting, such as, the approval of the financial statements and consolidated financial statements, the appointment, removal and determination of remuneration of Members of the Management Board – was also tasked with the Bank's control function and, therefore, performed the duties envisaged in Article 149, paragraph 1, of the Consolidated Law on Finance; these duties mainly involved the supervision of, amongst other things, compliance with legal and regulatory provisions and the Articles of Association, correct governance, and the adequacy of the organisational structures and administration and accounting system. It was also responsible for control duties as envisaged in supervisory regulations. Among these was the task of assessing the efficiency and adequacy of the internal control system, with particular reference to risk control, internal audit operations and the information accounting system.

10.P.1.

1.P.1.
8.P.2.

Art. 123-
bis (2),
(d) CLF

Art. 123-
bis (1),
(l) CLF

7.P.3.
a) and d)

As part of control activities, the Supervisory Board monitored the independence of the independent auditors, in liaison with the Internal Control Committee, pursuant to Article 19 of Italian Legislative Decree 39/2010.

3.C.3.
1.C.1. i) The Supervisory Board, in accordance with the Articles of Association previously in force, had to be composed of a minimum of 15 and a maximum of 21 members, including non-shareholders; at least 10 members had to be independent pursuant to the Code and 4 were required to be included in the statutory auditors' register and to have engaged in the statutory audit practice for a period of not less than three years.

Until 27 April 2016, the Supervisory Board, including with the aid – during the preliminary phase – of the relevant internal committees and in particular of the Internal Control Committee and Risks Committee, approved among other things: the financial statements and the consolidated financial statements as at 31 December 2015, the 2016 budget and the maximum acceptable risk level for the Group and the related system of limits; the quantitative results of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) for 2016; the annual business continuity plan and residual risks for 2016. In this context, the report on the outcome of the checks on the adequacy of the plan and the business continuity measures was examined along with the annual report on the evaluation of IT security and the 2015 Sustainability Report of the Group.

The Supervisory Board also approved the Corporate Governance Plan which enabled the Shareholders' Meeting to appoint the new Corporate Bodies based on the new one-tier governance system.

2.C.2. Also in the period under review, the attendance of the members at Board and Committee meetings was high and constant, ensuring a systematic contribution by all members to the activities and growing knowledge of Bank and Group business and trends.

1.C.1.i) Until 27 April 2016, the Supervisory Board met 6 times in total, with 100% attendance (except for Board Member Gianfranco Carbonato, who attended 83% of the meetings, and Board Member Monica Schiraldi, who attended 50% of the meetings until 10 February, date on which she suspended herself from office). The meetings lasted an average of 3 hours, considered adequate in satisfying the need for thorough development and discussion of matters on the agenda, also in view of the number of meetings held.

Internal Committees

4.P.1.
4.C.1.
a) b) and c)
4.C.2. The internal Board Committees played an important role in the research, analysis and in-depth study of matters put forth before the Supervisory Board. Such activities also expressed in the formulation of proposals, recommendations, assessments and opinions.

7.P.4.
5.P.1.
6.P.3. The following Committees were established within the Supervisory Board: Internal Control Committee, Risks Committee, Nomination Committee, Remuneration Committee, Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group.

In establishing the Committees, the Supervisory Board took into consideration the independence requirements and the professional characteristics and experience of its Members, so that each Committee was composed of members whose competence and professional skills were appropriate in terms of the duties attributed and was able to ensure the performance of tasks in a timely manner.

4.C.1. g)
Art. 123-bis (2),
(d) CLF Below is information about each of the Committees that operated until 27 April 2016 with reference to the composition, duties attributed and activities performed.

Internal Control Committee

7.C.2. b) The Committee supported the Supervisory Board with proposal, advisory and enquiry functions, also formulating opinions where required by the relevant regulations, under the terms provided for by the Regulations of the Supervisory Board itself.

7.C.2. e)
8.C.5. The Committee also performed duties in the capacity of Internal Control and Audit Committee pursuant to Italian Legislative Decree No. 39/2010, supporting the Board. Moreover, the Committee could at any time, through the appropriate corporate functions (Internal Auditing, Compliance and Anti-Money Laundering) carry out inspections and controls, and exchange information with the control bodies of Group companies with respect to their management and control systems and the general performance of their business.

Until 27 April 2016 the Internal Control Committee held 17 meetings, including some joint meetings held with the Risks Committee, providing detailed information at every Supervisory Board meeting, also by means of specific reports, on the activities and main findings of the Committee.

7.C.2.f)

Finally, the Committee performed the additional duties and tasks attributed to it by the Supervisory Board and, in particular, it also performed the functions of the Surveillance Body, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank. Until 27 April 2016 the Body held nine meetings.

Nomination Committee

Pursuant to its own Regulations, the Committee supported the Supervisory Board: in carrying out the appointment process regarding the Supervisory Board Members by the Shareholders' Meeting, in carrying out the appointment process regarding the Management Board; in issuing an opinion, in compliance with the provisions laid down in the Articles of Association previously in force, on the appointment and removal of the General Managers.

5.P.1.

5.C.1.
a) and b)

Until 27 April 2016, the Nomination Committee met only once to support the Supervisory Board with reference to the periodic verification of compliance with legal requirements on the part of its members as well as the self-assessment in terms of powers, size, composition and operation of the Board.

Remuneration Committee

Pursuant to its Regulations, the Remuneration Committee proposed, advised and enquired on remuneration matters, thereby supporting the Supervisory Board.

6.C.6.

Until 27 April 2016 the Remuneration Committee met 9 times and, with regard to the matters strictly related to its duties, it supported the Supervisory Board, among others, in the approval: of the amendments to the 2016 remuneration and incentive policies related to the implementation of the new Supervisory Provisions on remuneration; of the amendments to the 2015 incentive system reserved for Top Management and Risk Takers specified by the Supervisory Provisions and the associated application profiles.

Risks Committee

The Risks Committee proposed, advised and enquired on the relevant matters, also submitting opinions where required by the reference laws.

The Committee supported the Supervisory Board in the performance of strategic supervision duties on the matters of controls and risks, particularly in the definition and approval of the business model, also taking into account the proposals of the Management Board; in examining the proposals of the Management Board concerning the business and/or financial plans and annual budgets as well as the strategic operations identified in Article 25.1.2 of the Articles of Association then in force.

7.C.1. b)

Again with reference to the risk governance functions, the Committee supported the Supervisory Board also: in checking the proper implementation of strategies, risk governance policies and the RAF; in ensuring the overall consistency of the strategic plan, the RAF, the ICAAP, the budgets and the internal control system, also with regard to the evolution of the internal and external conditions in which the Bank and the Group operate; in assessing the related operational, reputational and financial risks, thereby identifying the monitoring activities to mitigate them and ensuring effective control thereof, in the event that the Bank operates in jurisdictions that have limited transparency or through particularly complex structures.

7.C.2. a)

With reference to the functions regarding the information accounting system and financial statements, the Committee supported the Supervisory Board: in the approval of the financial statements and consolidated financial statements; in the approval of the accounting and reporting systems; in the examination of the information on the Bank and Group operating performance which the Management Board sent periodically as required by the Articles of Association.

Until 27 April 2016 the Risks Committee held 15 meetings, providing detailed information at every Supervisory Board meeting, also by means of specific reports, on the activities and main findings, as well as reporting summarily thereupon.

Committee for transactions with related parties and associated entities

The Committee performed the duties assigned to it by the Consob Regulation on Related Parties, Bank of Italy provisions and Group Regulations ("Regulations") with regard to transactions with related parties of Intesa Sanpaolo and associated entities of the Group carried out by the Bank or its subsidiaries.

The Committee did not oversee the Bank's transactions with related parties concerning remuneration issues.

Until 27 April 2016 the Committee met three times and examined nine transactions, thereby issuing, for each of them, a reasoned favourable, not binding opinion.

The Management Board

Composition

1.C.1. i) As at 27 April 2016, the Management Board was composed of eight members, appointed by the Supervisory Board, which had also appointed the Chairman and the two Deputy Chairpersons:

Art. 123-bis (2), (d) and (1), (l) CLF

Gian Maria Gros-Pietro – Chairman
Marcello Sala – Senior Deputy Chairperson
Giovanni Costa – Deputy Chairperson
Carlo Messina – Managing Director and CEO
Stefano Del Punta
Piera Filippi
Gaetano Miccichè
Bruno Picca

1.C.1. i) In accordance with the Supervisory Provisions on corporate governance – which require the Management Board to be a “corporate body characterised by a predominance of executives” – the majority of the members of the Management Board were executive: in addition to the Managing Director, as Chief Executive Officer and head of operational management of the Company and the Group, there were three Executive Board Members “having management experience” (Bruno Picca, Stefano Del Punta and Gaetano Miccichè) and two external Executive Deputy Chairpersons (Marcello Sala, Senior Deputy Chairperson and Giovanni Costa, Deputy Chairman).

1.C.1. i) The Chairman of the Management Board, who acted as the Company's legal representative, was included among non-executive Board Members: in fact he/she did not have assigned operating powers and the organisation of the Company kept his/her duties separate from those of the Managing Director. The Chairman was in charge of promoting and coordinating the activity of the Board and was furthermore responsible for ensuring a profitable and ongoing collaboration among Board Members – in particular, among executive and non-executive Members – and with the Supervisory Board and its Chairman, with the aim of achieving an efficient coordination of the activities of the two Corporate Bodies.

The Deputy Chairpersons acted as deputies to the Chairman; in the case of absence or impediment of the Chairman, he was to be replaced by Marcello Sala, as the longest-serving Deputy Chairperson, intended as the Deputy Chairperson with the longest uninterrupted service.

In addition, the Deputy Chairpersons performed duties of an executive nature. In particular, both participated, with voting rights, in the Group's Managerial Committees and the Board had also granted to the Senior Deputy Chairperson Marcello Sala the task of handling the development of international relations and the internationalisation projects of the Bank and the Group and to the Deputy Chairperson Giovanni Costa the task of developing territorial relations and relations between the Management Board and the governance of the Banks pertaining to the Banca dei Territori Division.

1.C.1. i) The Managing Director, Carlo Messina, had been appointed by the Management Board from among its members, on the recommendation of the Supervisory Board. The Management Board had determined the powers to be delegated, along with their limitations and how they may be exercised.

The Managing Director – who acted as Chief Executive Officer of the Company and the Group and also held the post of General Manager – was the Chief Executive Officer and supervised corporate management by means of powers delegated to him in compliance with general strategic guidelines established by the Corporate Bodies. He/she ensured implementation of the resolutions of the Board, was responsible for personnel management, determined and implemented operational directives, had the power to submit proposals to the Management Board and ensured that the Company's organisational, administrative and accounting structure was adequate considering the nature and size of its business.

He/she was in charge of the operational management of the Company and the Group, with full powers of ordinary and extraordinary administration, with the sole exception of the powers that cannot be delegated according to law and of those reserved to the Management Board under the Articles of Association then in force.

The Management Board members, also on the basis of their own specific duties and in relation to the various positions held, were in possession of the professionalism and integrity requirements established for board members and general managers by the laws and regulations in force from time to time.

In addition, in compliance with the applicable provisions, two Board Members – Gian Maria Gros-Pietro and Piera Filippi – were in possession of the independence requirements pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance.

1.C.1. i)
3.P.1.

Operation

The Management Board was called by the Chairman when deemed necessary or when a written request was made by the Managing Director or by at least two Members of the Management Board; subject to prior notification to the Chairman of the Management Board, the Board could also be called by the Supervisory Board or by its individual Members in accordance with law.

Art. 123-bis (2),
(d) CLF

In calling a Board Meeting, the Chairman decided on the agenda, also taking into consideration proposed resolutions submitted by the Managing Director or other Members.

The Chairman chaired Board meetings and coordinated discussions, ensuring adequate space was given to the discussion of each topic on the agenda, along with the time necessary for related analysis, and encouraging the Board's effective interaction and constructive debate, with particular attention placed on the appropriate sharing of information between executive and non-executive Board Members.

Board Members actively participated in Board discussions, contributed to discussions based on their respective skills and knowledge, and analysed the various topics from different viewpoints, contributing to achieving a reasoned decision-making process and to reaching jointly considered Board resolutions. On their part, non-executive Board Members monitored the decisions made by executive members and contributed to enhancing and promoting Board debate.

2.P.2.
2.P.3.

The meetings of the Management Board held during the period under review were regularly attended, upon invitation of the Chairman, by Executives of the Bank and the Group companies, as well as by the Heads of the relevant corporate functions according to the items dealt with from time to time, in order to encourage an adequate contribution and involvement of corporate Departments in the decision-making process.

1.C.6.

Pursuant to the Articles of Association then in force, Management Board meetings were held at least once a month. In effect, until 27 April 2016, the Board met 9 times. This frequency has allowed a suitable number of items to be included in the meeting agenda, along with proper discussion and constructive debate.

1.P.1.
1.C.1. i)

The attendance of Board Members in the meetings was 100% in continuity with the previous financial years and such as to ensure the systematic contribution of all members to the management of Group and Bank business, thereby allowing the Bank to make full use of the professional skills represented. The Board meetings lasted an average of 3.5 hours, considered adequate in satisfying the need for thorough development and discussion of matters on the agenda, also in view of the number of meetings held.

Operating structure

Divisions and Business Units, Governance Areas and Head Office Departments reporting directly to the Managing Director and CEO

In terms of organisational logic and to ensure that Group governance has the necessary overall coherence, the Parent Company is divided into seven Business Units, comprising business line aggregations with similar characteristics in terms of products and services provided and in terms of regulatory framework, six Governance Areas and Head Office Departments in a direct reporting line to the Managing Director and CEO, which exercise guidance, coordination, control, support and service functions at Group level.

- Divisions/Business Units
 - Banca dei Territori Division;
 - Corporate and Investment Banking Division;
 - International Subsidiary Banks Division;
 - Private Banking Division;
 - Asset Management Division;
 - Insurance Division;
 - Capital Light Bank.
- Governance Areas/Head Office Departments reporting directly to the Managing Director and CEO
 - Chief Operating Officer (COO) Governance Area;
the head of the Chief Operating Officer Governance Area, within the scope of his/her duties, works with Intesa Sanpaolo Group Services, which is responsible for providing services and support to the Group in order to achieve effectiveness, efficiency and quality standards;
 - Chief Innovation Officer (CIO) Governance Area;
 - Chief Lending Officer (CLO) Governance Area;
 - Chief Financial Officer (CFO) Governance Area;
 - Chief Risk Officer (CRO) Governance Area;
 - Chief Governance Officer (CGO) Governance Area;
 - Chief Compliance Officer (CCO);
 - International and Regulatory Affairs Head Office Department;
 - Safety and Protection Head Office Department;
 - CEO Staff;
 - CEO Project Office.

In addition to the aforesaid structures, the Internal Auditing Head Office Department holds a special position in the organisation, in order to enjoy the necessary autonomy and independence, reporting directly to the Board of Directors. The External Relations Head Office Department, which reports directly to the Managing Director and CEO and to the Board of Directors, is also present.

The Heads in charge of the organisational Structures of the Divisions and Business Units, Governance Areas, Head Office Departments reporting directly to the Managing Director and CEO and Group companies, in the general policy and guidelines framework, are responsible for the achievement of objectives in their specific business areas, also through the optimum use of assigned human and technical resources.

For additional information on Intesa Sanpaolo's organisational structure, reference should be made to the Bank's website (Group/About us Section, Organisational structure and Top management pages).

Finally, it should be noted that all Bank Departments operate on the basis of specific regulations that define the scope of their powers and responsibilities; these Regulations are available throughout the Bank, as are the operating procedures that determine how all the Bank's various processes are to be performed. All the main decision-making and implementing processes concerning Bank operations are encoded and can be monitored and traced by the entire Department.

Group's Managerial Committees

As part of the mechanisms to guarantee effective management of operational matters relevant to the entire Group, to more effectively govern the risk profile within the Group, and to guarantee an adequate level of internal communication and discussion, special Managerial Committees are established by the Bank, composed of Bank Executives and Members of the Group companies' top management.

The Articles of Association assign to the Board of Directors the duty to pass resolutions regarding the establishment and the determination of the composition, the duties and powers of each of the Managerial Committees.

The following Committees operated in 2016:

- Coordination Committee, advisory body with the role of facilitating intragroup operations and top level communication between the Bank Departments, with a view to sharing and coordinating the main corporate decisions;
- Group Risk Governance Committee, a body with decision-making, advisory and analysis powers, that ensures the monitoring and management of risks and the safeguarding of corporate value at Group level, including the internal control system, in implementation of the strategic guidelines and management policies defined by the Board of Directors;
- Group Financial Risk Committee, a body with decision-making, advisory, analysis and assessment powers, focused on the management of financial risks in the banking and trading book;
- Group Control Coordination and Operational Risk Committee, body which operates, within the scope of the guidelines set by the Board of Directors, with the aim of stepping up coordination and interdepartmental cooperation mechanisms:
 - o as part of the Group internal control system, facilitating the integration of the risk management process;
 - o by aiding the effective management of operational risks, including the IT risk (or ICT);
- Group Credit Committee, technical body with a decision-making and advisory role that has the task of guaranteeing coordinated management of issues relating to credit risk and lending decisions to the extent of its assigned powers;
- Group International Markets Coordination Committee, a body with a reporting and advisory role that has the task of promoting concerted action and appropriate sharing of information by the Management of the Business Units of the Bank and the Group operating on international markets;
- Investment Committee, a body with advisory and decision-making powers tasked with overseeing Capital Budget investments, through the prior evaluation and monitoring of the relevant initiatives at Group level.

Each Committee has adopted its own Regulations in terms of organisation and operation.

The internal control and risk management system

Main characteristics

7.P.1.
7.P.2.

In line with the provisions laid down by the Supervisory Provisions on the control system, the Bank has adopted the "Integrated Internal Control System Regulations", which defines the guidelines of Intesa Sanpaolo's internal control system, in its capacity as Bank and Parent Company of the Banking Group, through the adoption of the reference principles and the definition of the responsibilities of the Bodies and of the functions with control duties, which contribute, in various ways, to the proper operation of the internal control system, as well as the identification of coordination arrangements and information flows supporting system integration.

The document is the reference framework of the Intesa Sanpaolo Group's internal control system, which includes the principles and rules on the controls that must be reflected and incorporated in the regulatory documents issued within the Group with reference to specific areas of prudential supervision.

The Group companies adopted the Regulations and – where applicable – approved their own similar document, which defines the guidelines of their own internal control system.

The internal control system consists of a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

Art. 123-
bis (2),
(b) CLF

- verification of the implementation of company strategies and policies;
- the containment of risks within the limits indicated in the reference framework for determining the Bank's risk appetite (Risk Appetite Framework);
- safeguard of asset value and protection from losses;
- effectiveness and efficiency of the Bank processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with special regard to those relating to money-laundering, usury and financing for terrorism);
- compliance of business continuity with the law and supervisory regulations, as well as internal policies, procedures and regulations.

The internal control system plays a crucial role and involves the entire corporate organisation (Bodies, units, hierarchical levels, all personnel).

In line with legal and Supervisory regulations, and consistent with the guidelines laid down in the Corporate Governance Code, the Bank has adopted an internal control system aimed at identifying, measuring and monitoring, on an ongoing basis, the typical risks of its business activity and that of the Group companies, involving the Corporate Bodies, special internal control functions, the Surveillance Body and the Manager responsible for preparing the Company's financial reports. The independent auditors also contribute to the internal control system.

7.C.1. a)
7.P.1.

In compliance with the guidelines set forth by the Corporate Bodies, the internal control system of the Bank and the Group is designed to constantly monitor, identify and manage business-related risks. Under this system, the primary reference are, inter alia, supervisory provisions on the prudential control of banks and banking groups, organisation and corporate governance of banks, financial conglomerates, service and investment, taking into account developments in international best practices.

The internal control system is based on three levels, in line with the legal and regulatory provisions in force. Such a model provides for the following types of control:

7.P.3. c)

- the first consists of line controls, which are aimed at ensuring the proper conduct of the operations and, where possible, are incorporated into IT procedures. They are conducted by the same operational and business structures (so-called "Level I Functions"), including through units dedicated solely to control duties reporting to the heads of the same structures or performed as part of the back office;
- the second consists of the controls on risks and compliance, which are intended to ensure, among other things:
 - o the correct implementation of the risk management process;
 - o compliance with the operating limits assigned to the various functions;
 - o compliance of company operations with the rules, including self-governance rules.

The functions assigned to such controls ("Level II control functions") are separate from the ones in charge of operations and contribute to the definition of the risk governance policies and the risk management process. In the Intesa Sanpaolo Group, Level II includes the following Parent Company structures and the equivalent ones of the Group companies, where established:

- Chief Compliance Officer, to which the Anti-Money Laundering Head Office Department also reports;
- Chief Risk Officer Governance Area, to which the Internal Validation and Controls Head Office Department reports.

In accordance with the Bank of Italy's Supervisory Provisions, which require said functions to be independent from operating departments and separate from internal auditing, the Head of the Chief Risk Officer Governance Area and the Chief Compliance Officer report directly to the Managing Director and CEO and, as required by the regulations, have direct access to the Corporate Bodies, to which they report on the findings from the monitoring activities carried out without restrictions or intermediation;

- the third consists of internal audit controls, aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and information system (ICT audit) at Group level, at preset intervals depending on the nature and extent of the risks. In line with the Supervisory Provisions, the Head of the Auditing department reports directly to the Board of Directors and functionally to the Management Control Committee.

7.P.3. b)

In Intesa Sanpaolo, in addition to the Control Functions, there are other Functions with control tasks, such as the business continuity function and the IT security function.

The internal control system envisages a detailed set of information flows for the benefit of the Bodies, the different structures concerned and the Group companies so as to allow full and proper governance of the risk factors.

For the purposes of additional oversight of the internal control system and in implementation of the regulations issued by the Bank of Italy, the "Group rules on the internal reporting system of violations (Whistleblowing)" have been formalised and made available to employees for them to report, not anonymously, facts or conduct that may constitute a breach of the rules governing banking activities and any other irregular conduct of which they become aware.

The reporting system ensures the confidentiality of the whistle-blower, excluding the risk of retaliatory, unfair or discriminatory behaviours.

As mentioned above, Intesa Sanpaolo, within the scope of the so-called "Integrated Internal Control System Regulations", has specifically identified the procedures for coordination and collaboration among the Control Functions, adopted in order to pursue an efficiently integrated system of controls and ensure the adequate governance of all corporate risks.

The monitoring of these elements constituting the internal control system is carried out by the same Control Functions, within their respective powers and within the scope of the managerial Committee Group Control Coordination and Operational Risk, in the Integrated Internal Control System session, designed to strengthen coordination and interdepartmental cooperation mechanisms relating to the internal control system and to aid the integration of the risk management process.

In this regard, the Control Functions adopt appropriate coordination and collaboration mechanisms, based on specific "integration parameters", which apply to all the phases of the risk management process:

- dissemination of a common language;
- adoption of detection and assessment methods and instruments;
- definition of risk reporting models;
- identification of formalised coordination opportunities for the purposes of planning activities;
- provision of continuous information flows;
- sharing the identification of remedial actions.

7.C.1. b)
7.P.3. In this context, the adequacy of essential system elements is assessed on an ongoing basis by the Corporate Bodies, and is taken into consideration in the report on operations attached to the Parent Company's financial statements, in this Report and in the report pursuant to Article 153 of the Consolidated Law on Finance.

7.C.1. d) Given the above, a description is provided below of the main elements of the internal control system, also indicating the breakdown of financial information controls (in reference to the duties of the Manager responsible for preparing the Company's financial reports, the financial information control system and the independent auditing), Corporate Control Functions as defined in the Supervisory Provisions on the control system (risk control, compliance with regulations, internal auditing, anti-money laundering and validation) and crime prevention models.

The role of the Corporate Bodies

7.P.3. a)
7.C.1. The task of ensuring the completeness, adequacy, functionality and reliability of the internal control system at Group level falls within the remit of the Corporate Bodies of Intesa Sanpaolo as provided for by the Supervisory Provisions on the control system and by the Supervisory Provisions on corporate governance.

In particular, in order to ensure an integrated and consistent internal control system and adequate supervision of the risks to which the Group is or may be exposed, the strategic decisions relating to the internal control and risk management system at the Group level fall within the remit of the Board of Directors of Intesa Sanpaolo, as the Parent Company. Therefore, in carrying out its functions, it not only considers the actual corporate situation of the Parent Company, but also assesses the Group's overall operating activity and the overall risks to which it is exposed.

In the light of the one-tier governance model adopted by Intesa Sanpaolo, the Board of Directors, with the support of the Risks Committee and taking into account the proposals of the Managing Director and CEO, is called upon to define and approve the overall governance and organisational structure of the Bank and the Group, the guidelines of the internal control system, the risk appetite and the risk governance policies and processes. The Board of Directors is also responsible for addressing and monitoring the information system (including the supervision of the IT risk analysis) and business continuity.

The Board of Directors is also responsible for approving the establishment of the internal control functions, thereby outlining their tasks and responsibilities, and for appointing the Manager responsible for preparing the Company's financial reports and, upon the proposal of the Risks Committee, the heads of the corporate Control Functions (Head of Internal Auditing, Chief Risk Officer, Chief Compliance Officer, Head of the Validation Department, Head of the Anti-Money Laundering Department).

7.C.1. c)
7.C.5. a) The Board examines the reports prepared, at least annually, by the corporate Control Functions and approves the work plan prepared by the head of the Internal Auditing Department, after examination by the Risks Committee and the Management Control Committee.

7.C.1. e) In addition, the Board evaluates the results presented by the statutory auditor in the letter of recommendations, if any, and in the report on key matters arising from the statutory audit, after examination by the Management Control Committee and the Risks Committee.

7.P.3. a)-i)
7.P.4. The Board of Directors, in the performance of its strategic supervision and guidance on the internal control system and risk matters, is supported by the Risks Committee. All the matters indicated above within the purview of the Board are previously submitted to the Risks Committee.

7.P.3. d) The Management Control Committee, as the Body in charge of the duties assigned by current regulations to the Control Body, is tasked with supervising the completeness, adequacy, functionality and reliability of the internal control system and risk appetite framework, and the business continuity plan. Furthermore, the Committee ensures the effectiveness of all the structures and functions involved in the control system and the proper coordination thereof, promoting the corrective measures of any deficiencies and irregularities detected.

Also in the capacity of Body in charge of the statutory audit, the Management Control Committee monitors the effectiveness of the control, internal auditing and risk management systems, as well as the financial reporting process, the audit of the annual or consolidated financial statements, and the independence of the independent auditors (Article 19 of Italian Legislative Decree 39/2010).

To carry out its functions, the Committee receives adequate flows of information from the other Corporate Bodies and from the corporate functions, including control functions.

The Committee in particular receives from the control functions the activity plans, the periodic reports prepared, at least annually, as well as the flow of information relating to specific situations or company trends, with particular reference to breaches or any significant deficiencies detected.

The Committee exchanges information of mutual interest and, where appropriate, coordinates with the Risks Committee for the performance of the respective duties, including in relation to information and disclosure notices of mutual interest; it also operates in close liaison with the control bodies of the subsidiaries, thereby contributing to the timely exchange of all relevant information.

The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the internal control and risk system, without prejudice to the power of proposal reserved for individual Board Directors and Committees provided for by the Articles of Association. Furthermore, the Managing Director and CEO shall implement all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies defined by the Board of Directors.

7.P.3. a)-i)
7.C.4.

He/she shall ensure integrated management of all corporate risks, thereby evaluating the internal and external factors that may give rise to them and their mutual interrelations and shall be responsible for the adoption of the necessary measures to make the organisation and internal control system compliant with the regulatory principles and provisions, monitoring compliance therewith within the Bank and the Group on an ongoing basis. The Managing Director is responsible for adopting the provisions aimed at ensuring that the various corporate functions implement the risk management and control process for the Bank and the Group, also taking care of the structure and operations of the risk measurement internal systems and the ICAAP process, in line with the Supervisory Provisions, the strategic guidelines, the RAF and the risk governance policies defined and approved by the Board of Directors.

The Manager responsible for preparing the Company's financial reports

Fabrizio Dabbene is the Manager responsible for preparing the Company's financial reports of Intesa Sanpaolo, in accordance with the provisions laid down by Article 154-bis of the Consolidated Law on Finance.

The Manager responsible for preparing the Company's financial reports meets specific professional requirements connected to adequate skills in financial and accounting disclosures, management or control of the related administrative procedures, as laid down by the Articles of Association. The Manager responsible for preparing the Company's financial reports also meets integrity requirements for members of control bodies of listed companies envisaged under current regulations.

The Manager responsible for preparing the Company's financial reports was vested with adequate powers and means for the performance of his functions. For this purpose he relies on:

- a dedicated organisational structure capable of supporting him in the performance of his institutional duties, which is adequate in terms of number and technical and professional skills;
- the Administration and Tax Head Office Department;
- the contribution from the corporate control functions and the other functions of the Parent Company and the Group companies.

Supervision on the reliability of the company financial reports and on the financial reporting process is carried out in compliance with the provisions of Article 154-bis of the Consolidated Law on Finance and the related implementing provisions as well as the rules on the administration and accounting system to which the companies that control companies governed by the laws of non-EU countries (Article 36 of Consob Market Regulation) are bound.

For the purposes of the aforesaid legal and regulatory provisions, the Manager responsible for preparing the Company's financial reports plays a steering and coordination role in Group companies with regard to administrative matters and in the supervision of internal control system functional to accounting and financial reporting and supervises the fulfilment of the legal obligations according to a shared approach at Group level, defined by specific internal regulations.

Furthermore, the Manager responsible for preparing the Company's financial reports monitors the assignments granted to independent auditors to supervise the auditors' independence and impartiality, in compliance with legal provisions and in accordance with methods governed by the specific Company Regulations.

The Manager responsible for preparing the Company's financial reports oversees the periodic reports that enable the Board of Directors to fulfil its legal obligations, as well as the provisions of the Articles of Association and the internal regulations on the supervision of the adequacy of powers and means granted as well as actual compliance with administrative and accounting procedures. These reports are preliminarily discussed with the internal Committees, to the extent applicable.

The financial reporting process monitoring

Art. 123-bis (2), (b)
CLF

Within Intesa Sanpaolo, the monitoring of the accounting and financial reporting process is based on the review of:

- the completeness and consistency of the information disclosed to the market through a structured system of information flows coming from the functions of the Parent Company and companies on the significant events for the purposes of accounting and financial reporting, especially as regards the main risks and uncertainties to which they are exposed;
- compliance of the processes and procedures used for the preparation of the company financial reports and any other relevant financial disclosure pursuant to Article 154-bis of the Consolidated Law on Finance. Special attention is paid to monitoring the adequacy of the auditing approach and the proper conduct of the activities functional to the financial reporting process; the focus of the audits is represented by the work stages which, within business processes, entail the recording, processing, evaluation and presentation of data and information, as well as of the IT architecture and application monitoring rules, especially with reference to the management of operations and development interventions on the summary systems instrumental to the financial reporting process.

As known, the Italian legislation does not make express reference to predefined standards in order to assess the adequacy of the administrative and accounting procedures and to ensure the effectiveness of the related internal control system and technology infrastructure. The international benchmarks – typically also used by independent auditors – are represented respectively by the *COSO Framework*¹ in relation to the internal control system and the *COBIT Framework*² with regard to information systems. They are also used as benchmarks by Intesa Sanpaolo insofar as they offer the opportunity for a convergence in the analysis and evaluation methodologies compared to the more widespread consolidated practices at the international level, based on authoritative references and widely recognised, updated on an ongoing basis and accompanied by elements of interpretation that enable a smooth and straightforward dialogue with the regulators, the independent auditors, the relevant bodies and among the control functions.

The role of the Managerial Committees

The following Managerial Committees operate within the scope of the risk control and governance system.

The Group Risk Governance Committee, chaired by the Managing Director and CEO, is a Group body with decision-making, consulting and analysis powers, established with the aim of ensuring the monitoring and management of risks and the safeguarding of corporate value at Group level, including

¹ The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation.

² The COBIT Framework - Control OBJECTives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

the internal control system, in implementation of the strategic guidelines and management policies defined by the Board of Directors. It is in charge of the following duties:

- examining the Group's Risk Appetite Framework proposal;
- examining forward-looking economic scenarios and market evolution;
- examining the risks' Tableau de Bord;
- in cases of specific impact and relevance, also with implications for the Group's reputation, analysing the Group's risk profile and managing with urgent decisions the potentially significant deterioration of risk, reporting to the Board at the first convenient opportunity;
- examining the Group's ICAAP report;
- within the scope of the country risk and credit risk concentration limits defined by the Board, seeing to the allocation of operating limits within the remit of the Divisions/Departments and the further breakdown of these limits (by country, duration and type of operations);
- authorising individual new product, service and asset initiatives in the event whereby, following a negative opinion issued by an assessment function in the clearing process, the proposing function reiterates the request for an assessment on the impact on risks, processes and operational procedures, on the accounting system as well as in fiscal and compliance terms;
- authorising, following a favourable opinion from the relevant Chief Compliance Officer departments, in the cases where authorisation is expressly granted by the Corporate Bodies, the exceptions to the Guidelines/Rules and examining the other cases for which the Corporate Bodies entrust the Committee with a specific assessment role;
- examining the strategies aimed at dealing with major crisis situations relating to the business continuity operations proposed by the Crisis Manager and taking key decisions having significant and binding implications in order to overcome them;
- examining the Credit Strategies proposal and checking the correct implementation of the Credit Strategies on a regular basis, thereby evaluating the necessary corrective actions.

The Committee is also responsible for Basel 2 project governance and supervising the projects and measures necessary to guarantee compliance.

The Group Financial Risks Committee is a technical body with decision-making, advisory and analysis powers, focused both on the banking business (proprietary financial risks for banking and trading books, as well as Active Value Management) and the life insurance business (result exposure to the trend in market variables). The functions of said Committee are set out in two sessions:

- the Risk Analysis and Assessment Session, chaired by the head of the Chief Risk Officer Governance Area, is responsible for evaluating, in advance of approval by the Board of Directors, the methodological and measurement guidelines for financial risks and proposals for operational limits, in addition to defining the distribution thereof amongst the Group's major units; in addition, the session verifies the financial risk profile of the Group and its main operational units;
- the Management Guidelines and Operating Choices Session, chaired by the head of the Chief Financial Officer Governance Area, provides operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Board of Directors in respect of management of the banking book, liquidity, interest rate and exchange risk and periodically verifies the Group's overall financial risk profile, as well as appropriate measures aimed at mitigating it.

The Group Control Coordination and Operational Risk Committee, in the Operational Risk session chaired by the head of the Chief Risk Officer Governance Area, has the task of supervising the implementation of operational risk management guidelines and policies, including the IT risk (or ICT), in accordance with indications provided by the Board of Directors. It periodically verifies the Group's overall operational risk profile, defining any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and, in accordance with indications received from the Board of Directors, approving the operational risk transfer strategies. Furthermore, the Integrated Internal Control System Session, coordinated by the Head of the Internal Auditing Head Office Department, pursues the goal of reinforcing coordination and the interdepartmental cooperation mechanisms as part of the Group internal control system, thus promoting the integration of the risk management process.

The Chief Risk Officer

The Chief Risk Officer, directly reporting to the Managing Director and CEO, has the responsibility of the relevant Governance Area - in charge of the risk management functions, including the controls on the risk management and internal validation process - that represents an important element of the "second line of defence" of the internal control system, separate and independent from the business functions.

The Chief Risk Officer Governance Area is set out in the following structures:

- Credit Risk Management Head Office Department
- Financial and Market Risks Head Office Department
- Enterprise Risk Management Head Office Department
- Internal Validation and Controls Head Office Department
- Risk Management Initiatives Coordination.

The risk control functions of subsidiaries with decentralised management model and the representatives of the Parent Company's risk control function at subsidiaries with centralised management model functionally report to the Chief Risk Officer Governance Area.

The main duties entrusted to the Chief Risk Officer Governance Area are as follows:

- governing the macro-process of definition, approval, control and implementation of the Group's Risk Appetite Framework (RAF) with the support of the other corporate functions involved;
- consistent with corporate strategies and objectives, assisting the Bodies in defining guidelines and policies on risk management;
- coordinating the implementation of guidelines and policies on risk management by the relevant Group business units, also in the various corporate contexts;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- guaranteeing the credit quality monitoring and the observance of credit guidelines and strategies through the constant monitoring of risk, and submitting proposals on the structure of delegated powers of the Corporate Bodies;
- validating, through the Internal Validation and Controls Head Office Department, the internal risk measurement systems, in order to assess their adequacy in relation to regulatory requirements, the company's operational needs and those of the target market and to manage the internal validation process at Group level.

The Chief Risk Officer Governance Area structures are in charge of the actions implementing management and strategic guidelines along the Bank decision-making process, down to individual operational units.

The Chief Risk Officer Governance Area structures develop and maintain risk measurement, management and control systems, aligned with international best practices, as described in the notes to the Financial Statements and the Pillar III - Basel III Disclosure.

The Chief Compliance Officer

The Chief Compliance Officer, to which the Anti-Money Laundering Head Office Department also reports, reports directly to the Managing Director and CEO, in a position that is independent from operating departments and separate from internal auditing; this function ensures the monitoring of the risk of non-compliance with Group regulations, both in the operating and reputational risk component, including the risk of sanctions, losses or damage arising from improper conduct towards customers or such as to jeopardise the integrity and orderly functioning of the markets (so-called conduct risk).

The Chief Compliance Officer is responsible for:

- consistent with corporate strategies and objectives, defining guidelines and policies on regulatory compliance;
- coordinating the implementation of guidelines and policies on compliance with regulations by the relevant Group business units, also in the various corporate contexts;
- verifying the implementation of guidelines and policies as above;

- supervising the identification and monitoring of any misalignment of current regulations, and arranging consulting, support and awareness-raising of Corporate Functions as regards regulations;
- ensuring, through the Anti-Money Laundering Head Office Department, the monitoring of non-compliance risk in terms of anti-money laundering, combating the financing of terrorism and embargo management.

The Chief Compliance Officer is vested with the necessary autonomy and independence from the operating Departments, reports directly to Governing Bodies and has access to all activities within the Bank, as well as any information significant for the performance of his/her duties.

The regulatory scope and the procedures for monitoring regulatory areas that present significant risks of non-compliance for the Group are defined in the Group Compliance Guidelines. The Chief Compliance Officer ensures disclosure to the Corporate Bodies on the adequacy of compliance monitoring, with reference to all regulatory areas applicable to the bank showing non-compliance risks.

The Chief Compliance Officer plays a guidance, coordination and controlling role on behalf of Subsidiaries not in service and for Branches abroad, for which an internal compliance function is established and a local Compliance Officer is appointed; in functional terms, the Compliance Officers of Subsidiaries report to the relevant Chief Compliance Officer departments, whereas those of Branches report in hierarchical terms, save as for those cases where it is not permitted by the local regulations.

The Legal Affairs Head Office Department - Group General Counsel

The Legal Affairs Head Office Department, for the matters attributed to it by the organisational model, oversees the legal risk at Group level, provides legal advice and support, manages and coordinates disputes in and out of court, including through the issue of guidelines and instructions.

The Department, within the scope of its advisory activities, also looks after the evolution of the regulations and, in the management of disputes, evaluates the risk also for the purposes of allocating the provisions.

The Department, including through loss data collection activities, cooperates with the Chief Risk Officer to operational risk measurement and control, as well as the identification of the related mitigation actions.

The Department functionally reports to the Chief Governance Officer and functionally coordinates the legal departments of the Group companies.

Internal Auditing

Internal auditing activities are assigned to the Internal Auditing Head Office Department which reports directly to the Board of Directors, functionally reporting to the Management Control Committee and without any direct operating responsibilities.

The Department has a structure and a control model which is organised consistently with the organisational model of Intesa Sanpaolo and, more generally, of the Group.

The Internal Auditing Departments of the Group's Italian and international companies report to Internal Auditing Head Office Department in terms of functions.

The Head of Internal Auditing enjoys the due autonomy and independence from operating Departments. This Department has free access to the activities, data and documents of all Corporate Functions.

The Internal Auditing Head Office Department performs overall level III assessment of the internal control system, reporting possible improvements to the Corporate Bodies, with specific reference to the RAF, the risk management process, and the relevant measurement and control instruments.

In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. In this context, amongst others, it audits the risk control and regulatory compliance corporate functions, also through participation

7.P.3. b)
7.C.5. b)

7.C.1.
7.C.5. c)

7.C.5.
a) and g)

in plans so as to generate added value and improve the effectiveness of the control and corporate governance processes. The audit action directly concerns Intesa Sanpaolo and the Group companies. The Internal Auditing Head Office Department is also responsible for assessing the effectiveness of the RAF definition process, the internal consistency of the overall framework and related compliance of Bank operations.

The Department uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practices and standards for internal auditing established by the Institute of Internal Auditors (IIA). Internal auditors conduct their activity in accordance with the principles laid down in the Internal Auditor's Code of Ethics, inspired by that proposed by the Institute of Internal Auditors. The Department has earned the maximum rating ("Generally Compliant") in the external Quality Assurance Review envisaged by the international standards.

7.C.5.
d) and e)

In performing its duties, the Internal Auditing Head Office Department uses structured risk assessment methods to identify situations of greatest interest and the main new risk factors on which the supervisory action must concentrate. Based on the assessments emerging from risk assessment and the resulting priorities, as well as on any specific requests for further enquiry expressed by top executive positions and Corporate Bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Management Control Committee and the Risks Committee, and subsequent approval by the Board of Directors, on the basis of which it conducts its activities during the year, as well as a Multi-Year Plan. The Plan may be subject to changes during the year as a result of extraordinary events, also deriving from potential development of risks and from new requests from the Corporate Bodies.

It supports corporate governance and ensures that Top Management, the Corporate Bodies and the competent Authorities promptly and systematically receive information on the status of the control system and on the outcome of activities performed.

Audit is performed directly for the Parent Company and Network Banks, as well as for subsidiaries under an outsourcing contract; for other Group entities vested with their own internal audit functions, on the other hand, indirect control is maintained.

In such cases, indirect audit is conducted via the steering and functional coordination of the Auditing departments of the Italian and international banks and subsidiaries, to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Furthermore, direct audit and verification are also performed in the institutional capacity as Parent Company.

7.C.5. f)

Any weak points are systematically reported to the Corporate Functions involved for prompt improvement action, with adequate follow-up activities by the Department suitable for checking its effectiveness. Summary internal control system assessments from the checks are periodically submitted to the Management Control Committee and the Board of Directors. The main weaknesses detected and their development over time are included in the Audit Tableau de Bord so that they may be systematically monitored. The reports relating to the actions completed with a negative opinion or which highlight major shortcomings are submitted to the Board of Directors of the Parent Company as well as to the Boards of Directors and Statutory Auditors of the subsidiaries concerned. A similar approach is used with regard to administrative liability pursuant to Italian Legislative Decree No. 231/2001 for the Surveillance Body.

The Internal Auditing Head Office Department ensures constant self-assessment of its own efficacy and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of international standards for professional audit practice. In this regard, during 2016 it continued to pursue an evolutionary path started in 2015 with the aim of strengthening the audit model in line with the new European supervisory standards laid down by the EBA (SREP framework).

The Surveillance Body and the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001

At its meeting held on 5 July 2016, the Board of Directors appointed the new Surveillance Body with specific duties of oversight on the effective and proper functioning, as well as on the updating, of the Organisational, Management and Control Model ("Model") pursuant to Italian Legislative Decree No. 231/2001 on the administrative liability of entities.

In view of the new governance structure, it was deemed appropriate to establish a separate Body from the Management Control Committee.

The Body is therefore composed of three external members to Intesa Sanpaolo, who meet the specific professionalism, integrity and independence requirements and is therefore able to ensure autonomy, independence, professionalism and integrity in the performance of the duties entrusted to it. Three alternate members were also appointed.

Concurrently the Board updated the Model itself in order to incorporate the changes that occurred with the adoption of the new governance model.

Surveillance Body Legislative Decree 231/2001

Members	Independent pursuant to Article 148 paragraph 3 of the CLF	Independent pursuant to the Code	Attendance percentage at meetings
Silvano Corbella – Chairman	X	X	100%
Franco Dalla Sega	X		100%
Paolo Venero	X	X	100%
Elena Brero (alternate)	X		N/A
Oreste Cagnasso (alternate)	X	X	N/A
Francesco D'Alessandro (alternate)	X	X	N/A

For each category of offences contemplated by Italian Legislative Decree 231/2001, the Model identifies "sensitive" company areas and, for each area, the company activities where there is a risk of the illicit offences being committed (so-called "sensitive activities"). For each sensitive activity, control principles and rules of conduct have been set forth, applicable to the people involved in such activities.

In particular, the Model outlines the reference legal context, the role and responsibility of the departments involved in its adoption, the efficient implementation and updating of the Model itself, the "sensitive" areas related to the type of illegal acts prevented, and the areas of company activity in which the risk of committing such acts may emerge, the behavioural principles and control rules for their prevention, related information flows and the disciplinary system.

The Model is fully and effectively implemented in daily operations through the connection between each sensitive area and the dynamic management of processes and the reference internal regulations. Being based on the control and behavioural principles stated for each activity, these regulations govern company operations at the various levels, thereby forming an integral part of the Model itself.

The Body is responsible for supervising implementation and compliance with the Model and for providing support to the Corporate Bodies for implementation and updating purposes. Specifically, in the performance of its duties, the Body has as its interfaces and contact the heads of the Internal Auditing and Compliance Departments as well as the Manager responsible for preparing the Company's financial reports. The delegates of the Body, each to the extent applicable, provide appropriate information and inquiry support to the same Body thereby making available the resources required to perform the necessary duties.

Thus the Body ensures constant and independent supervision over the regular performance of Bank processes to prevent and/or identify the emergence of anomalous or risky conduct or events. It assesses the operational nature of the internal control system as a whole and its adequacy in guaranteeing the effectiveness and efficiency of the control processes identified, and ensures their compliance with policies established by the corporate governance bodies and with internal and external regulations.

The activities, operations and duties of the Body, which, between July and December 2016 met 6 times, in addition to being indicated in the Model, have been specified in the "Regulations for the Surveillance Body, pursuant to Legislative Decree No. 231/2001", updated by the same Body on 28 July 2016.

In order to pursue its functions with total independence, the Body has autonomous spending powers based on an annual budget, approved by the Board of Directors and subject to the favourable opinion of the same Body. In the aforesaid period, the Body, among other things, analysed the periodic reports of the internal control functions, the annual report on the organisation and control activities on the company's safety and health management system in construction sites, as well as the quarterly reports on the communications submitted by the Control Bodies pursuant to Article 52 of Legislative Decree No. 231/2007. In addition, the Body received adequate information regarding Intesa Sanpaolo's internal control system as well as the major changes occurred in the organisational structure, processes, and system of powers of Intesa Sanpaolo.

With reference to the value of the Model, Intesa Sanpaolo pushed ahead with the roll-out of the internal communication and staff training plan to facilitate the dissemination of the provisions of the Decree and of the Organisation Model adopted, so that awareness of the subject and observance of the related rules become an integral part of the professional portfolio of each employee. In particular, the Body agreed on the expedience of further reinforcement within the Model of the compulsory nature of 231 training by establishing specific training activities for international branch personnel.

Furthermore, without prejudice to the separate responsibility of each Group company for the adoption and effective implementation of their own models under Italian Legislative Decree No. 231/2001, the Bank, in its capacity as Parent Company, has formalised a series of guidelines on this topic for its subsidiaries with regard, among other things, to the appointment of a Surveillance Body, the preparation of staff training plans, the adoption of suitable controls for sensitive processes, and periodic reports to the Parent Company's Compliance Department.

The Surveillance Bodies of the subsidiaries are responsible for monitoring the functioning of the model adopted by each of the subsidiaries and the fulfilment of the obligations laid down by the regulations and submit the respective reports on the activities carried out to the Management Control Committee.

The Organisational, Management and Control Models adopted by Intesa Sanpaolo and the Group companies are available in the Governance section of the Bank's website.

Independent Auditing

For Intesa Sanpaolo, as a listed company (Public Interest Entity pursuant to the relevant regulations), auditing of the accounts may only be conducted by an independent auditing firm (Independent Auditor), responsible for verifying, during the year, the regular keeping of corporate accounts and the proper recording of management operations in the books, and for expressing, through the appropriate reports, an opinion on the Parent Company's and consolidated financial statements, as well as on the half-yearly report, after ascertaining that they correspond to the accounting entries and related audits and that such records comply with the relevant regulations.

The independent auditors are KPMG S.p.A., which the ordinary Shareholders' Meeting of 10 May 2011 appointed for financial years 2012-2020, as proposed by the Supervisory Board.

In order to monitor compliance with laws governing independent auditing firms engaged for the auditing of the accounts of Group companies, while ensuring the conditions to protect the independence of independent auditors, Intesa Sanpaolo has adopted specific Group Regulations used to introduce a supervisory system aimed at monitoring the appointment of independent auditors and other engagements awarded by the Parent Company's departments and Group companies to independent auditors, their business networks and their affiliates. Recently, said Regulations were updated in order to incorporate the changes occurred in Intesa Sanpaolo's governance model and the novations of the external legal framework.

Based on current Group provisions, the appointment of independent auditors by Parent Company departments and Group companies to provide services other than accounting audits requires prior examination by the Manager responsible for preparing the Parent Company's financial reports and subsequently by the Parent Company's Management Control Committee or Board of Statutory Auditors of the company concerned. The Manager responsible for preparing the Company's financial reports is also responsible for reporting to the Management Control Committee on a periodic basis on assignments awarded during the period to the independent auditors of the Parent Company and other Group companies by the Group and the fees paid to them over the year.

Treatment of corporate information

Inside information and Insiders List

1.C.1.j) In July 2016, Intesa Sanpaolo adopted the "Regulation for management of inside information and proprietary transactions", which governs the internal management and handling of confidential information, as well as the procedures to be followed for the disclosure of documents and information relating to Intesa Sanpaolo and its subsidiaries, in line with the new reference regulations provided by the EU Regulation on market abuse (so-called "MAR") and further implementing provisions.

The Regulation envisages the adoption of any necessary precautionary measures in the treatment of confidential information, in order to avoid jeopardising its confidential nature, and also outlines a procedure for the management and external disclosure of inside information of which Bank Departments may become aware, as a result of their specific operating responsibilities.

The recipients of the internal regulation are all persons whose role or duties grant them access to and/or management of price-sensitive information and/or information that could become price sensitive.

The Regulation identifies the Managing Director and CEO, the Chairman of the Board of Directors, along with other Group employees and departments identified by the Managing Director/CEO and the Chairman, as the persons authorised to issue disclosures to the market regarding inside information on the Bank and the Group.

Furthermore, Intesa Sanpaolo has established and regularly updates a register of persons who have actual access to inside information relating to individual price sensitive transactions carried out by the Group. A similar register has been established by each Group company that issues financial instruments listed on regulated markets.

Internal Dealing

In line with the new EU regulations on market abuse, Intesa Sanpaolo has adopted new Internal Dealing Regulations, published on the Bank's website (Governance/Internal dealing section). The Regulations govern the disclosure obligations and operating restrictions applicable to Board Directors and to the Company's top managers and the people closely associated with them, in relation to the completion of transactions involving the Company's listed financial instruments (or other associated instruments).

Any transactions carried out by relevant persons are also disclosed through the Bank's website.

Relations with shareholders and the financial community – The website

Intesa Sanpaolo has a specific interest, as well as an obligation towards the market, in the management of on-going dialogue with shareholders, institutional investors and national and international market operators in compliance with internal rules and procedures governing the disclosure of inside information. In this respect the Bank guarantees a regular and systematic disclosure of accurate, complete and prompt information on Group operations, also in the light of indications provided by Consob, the principles expressed in the Corporate Governance Code and in national and international best practices.

9.P.2.
1.C.1. j)

The Articles of Association assign to the Chairman of the Board of Directors the task of supervising relations with shareholders, and verifying that such relations are managed correctly, in agreement with the Managing Director. The Chairman of the Board of Directors also arranges for the Common Representative of Savings Shareholders to be promptly informed of bank operations that could affect the official price of savings shares, particularly proposals that the Board of Directors has decided to submit to the Shareholders' Meeting with regard to capital transactions, mergers and demergers.

Given the size of the Bank and the Group, Intesa Sanpaolo makes use of specialist Departments backed by appropriate tools and professional resources: Investor Relations and Price-Sensitive Communication, which is responsible for relations with institutional investors, and Corporate Duties and Shareholders' Relations, which is responsible for relations with shareholders – or shareholder associations – and supports shareholders by providing them with corporate documentation disclosed pursuant to law. Press and media relations in general, in Italy and abroad, fall under the responsibility of the External Relations Head Office Department – Media Relations, which in this respect is the main contact also for Group companies. As mentioned above, Rating Agencies and Investor Coverage is instead dedicated to the management of relations with analysts of rating agencies.

9.C.1.

In its relations with the market, Intesa Sanpaolo adopts a specifically transparent form of conduct, especially with regard to annual and interim financial results and to Group strategies. This also takes place via meetings with the national and international financial community, in a framework of constant dialogue with the market based on correct and timely communication.

Given this line of transparent communications and in order to make information available promptly and as accessible as possible, Intesa Sanpaolo also uses its website.

The Bank focuses special attention on this particular information channel, taking into consideration developments in international best practices in the sector. The institutional website is constantly developed and expanded, so as to highlight its role in showcasing the Intesa Sanpaolo Group, its values and its distinctive characteristics, and comply with statutory obligations and transparency requirements for the institutional information published online, while satisfying the highest market communication standards in terms of the timeliness and adequacy of messages.

On the website, available in both Italian and English, stakeholders can use an internal search engine to find additional information on the structure and composition of the Corporate Bodies, the organisational structure of the Bank and the Group, the Shareholders' Meeting, the ownership structure and dividends, as well as share performance, interim financial reports and presentations of the results, ratings and prospectuses concerning securities issued by Intesa Sanpaolo. The website also publishes the Bank's press releases, the annual financial calendar showing major corporate events as well as information on significant or extraordinary transactions.

Also available on the website is the Intesa Sanpaolo "Shareholder's Guide". The Guide is designed to provide useful information on investing in the Bank's shares, to inform shareholders of the rights attaching to their shareholdings, and to enable shareholders to build a more active relationship with the Bank.

In this way the website becomes the place in which the financial community and stakeholders in general find numerous opportunities for information and dialogue with the Bank within the framework of constant, consistent and complete communication. Telephone contacts and an email address are provided on the website and there are specific links for requesting documentation of interest.

Shareholders' Meetings: procedures and shareholders' rights

The Shareholders' Meeting of Intesa Sanpaolo

Art. 123-bis (2), (c) CLF
The Shareholders' Meeting is the Body deemed to represent all shareholders and its resolutions, passed in accordance with the law and the Articles of Association, are binding on all shareholders, irrespective of their attendance or dissent.

9.C.2.
For the Bank, Shareholders' Meetings are one of the main opportunities for contact and dialogue with shareholders, as well as important occasions for the disclosure of news, in accordance with the principle of non-selective disclosure and rules on price sensitive information. At the same time, the Shareholders' Meeting represents for shareholders an opportunity for active participation in the Bank's operations and a chance to express their opinions, through the methods and on the topics envisaged by law and by the Articles of Association.

9.P.1.
Intesa Sanpaolo has always strived to encourage the broadest possible participation in the Shareholders' Meetings and to guarantee the best quality standards for the information provided in order to realise the full potential of the meeting.

Duties of the Shareholders' Meeting

Under the one-tier governance model adopted by Intesa Sanpaolo, the Ordinary Shareholders' Meeting shall:

- 1) approve the financial statements and resolve upon the net income allocation;
- 2) appoint, subject to determination of the corresponding number, and remove Board Directors, determine their remuneration and elect the Chairman and one or more Deputy Chairpersons;
- 3) appoint and remove Board Directors who sit on the Management Control Committee and appoint the Chairman, determining their remuneration;
- 4) resolve upon the responsibility of the Board Directors;
- 5) upon the reasoned proposal of the Management Control Committee, assign the statutory audit mandate and determine the amount due for that purpose and, upon consultation with the same Committee, withdraw or amend, where necessary, the mandate assigned;
- 6) approve the Board Directors' and personnel's remuneration policies, as well as the plans based on financial instruments; in this context, it shall approve the criteria for determining the severance payments to be granted in the event of early termination of the employment agreement or early termination of office, including the limits set for such payments as provided by the regulations currently in force, and shall also determine, with the qualified majority threshold defined by the supervisory regulations in force, a ratio between the variable and fixed individual remuneration of the personnel above the ratio of 1:1, but in any case not exceeding the maximum established by the same regulations;
- 7) approve the regulation, if any, of the Shareholders' Meeting proceedings;
- 8) resolve upon the other matters assigned to it by the current legislation or by the Articles of Association;
- 9) authorise the most significant transactions with related parties in the cases and in the manner envisaged by the procedures adopted pursuant to the Articles of Association and in accordance with the relevant regulations.

The Extraordinary Shareholders' Meeting shall resolve upon the amendments of the Articles of Association (without prejudice to the powers of aligning the articles of association to the law recognised to the Board of Directors), on the appointment, removal, replacement and powers of liquidators and on any other matter within its purview pursuant to the law.

Calling and conduct of work

The Shareholders' Meeting is called by the Board of Directors whenever it is deemed appropriate or, according to the provisions of Article 2367 of the Italian Civil Code, upon request by Shareholders representing at least one twentieth of the share capital.

The Shareholders' Meeting may also be called by the Management Control Committee, where required for the fulfilment of its duties, subject to sending notice thereof to the Chairman of the Board of Directors.

The Ordinary Shareholders' Meeting must be called at least once a year, no later than a hundred and eighty days after the end of the financial year.

The Shareholders' Meeting is called at the registered office of the Bank or in another location in the municipality where Intesa Sanpaolo has its registered office, by notice published on the Bank's website at least thirty days prior to the date of the Shareholders' Meeting, as well as by abstract publication in daily

newspapers (the abstract notice is normally published in "Il Sole 24 Ore" and in the major national and international newspapers). If the Shareholders' Meeting is called to appoint Board Directors, an earlier deadline for publication of forty days prior to the date of the meeting is applied.

The Shareholders' Meeting is held on single call; the Board of Directors may establish a second call for the Ordinary Meeting and, limited to the Extraordinary Meeting, even a third call.

The notice of call provides shareholders with detailed information as regards the procedures for participation and the exercise of voting rights in the Shareholders' Meeting, the record date, the terms and methods for exercising the right to ask questions on items on the agenda, the terms and methods for acquiring the Meeting documentation – including the descriptive reports and the resolution proposals involving issues on the agenda – as well as any other information provided by the Bank.

The reports on the items on the agenda and the documents to be submitted at the Meeting are made available to the public at the Bank's registered office, in a specific section of its website accessible directly from the homepage, and in accordance with the other methods prescribed by law, by the deadline for publication of the notice of call prescribed in relation to each item on the agenda.

The Board Directors participate in the Shareholders' Meetings; also attending the Meetings are the Common Representative of Savings Shareholders, Bank executives and employees, as well as directors, auditors, executives and employees of Group companies and representatives of the independent auditors. In addition, other persons whose presence is considered useful by the Chairman of the Meeting may participate in the topics for discussion or in the work of the Meeting.

9.C.2.

Intesa Sanpaolo has not adopted a Shareholders' Meeting regulation and the Board of Directors has not deemed it necessary to propose the approval thereof at the Shareholders' Meeting.

Also on the basis of the experience acquired so far, the lack of a specific regulation has not prevented the Bank from ensuring the orderly and effective conduct of the work of the Meeting and the participation of those entitled in related discussions.

In this regard, as already pointed out, the Articles of Association govern in detail the process that the Shareholders' Meeting is required to follow in order to resolve upon the appointment of the members of the Board of Directors.

Moreover, the Chairman of the Shareholders' Meeting, through the powers of management and coordination conferred upon him/her pursuant to the law and the Articles of Association, identifies, in the opening session, the main rules of conduct to be observed and in any event informs the attendees, including during the Meeting, with regard to the voting procedures, in order to allow them to express clear and well-informed opinions on the agenda items.

As concerns the right to speak on the agenda items, and with a view to guaranteeing everyone the opportunity to speak, the Chairman, also on the basis of the number of requests put forward, sets the speaking and answer time for each speaker at a maximum, normally, of five minutes. Requests to speak are made via an automatic booking system at specific stations in the meeting hall.

9.C.3.

The Bank has decided not to change the percentage capital thresholds provided for by regulations in force with regard to the exercise of action and prerogatives to safeguard minority interests.

9.C.4.

Additions to the agenda and submission of new proposed resolutions

Pursuant to the law and to the Articles of Association, shareholders severally or jointly representing at least one-fortieth of the share capital may, within ten days of publication of the notice of call, request the addition of items to the Meeting agenda or submit proposed resolutions on items already on the agenda, thereby specifying any further topics or proposals. The deadline is reduced to five days in the cases of shorter deadlines envisaged by law.

Those entitled to vote may individually, even without representing the quota referred to above, submit proposed resolutions on the agenda items directly at the Shareholders' Meeting.

Additional items are not permitted for topics which the Shareholders' Meeting addresses, by law, upon proposal by the Board of Directors or based on a project or report prepared by said Board, other than that usually drawn up for all items on the agenda pursuant to Article 125-ter, paragraph 1, of the Consolidated Law on Finance.

Notice of additions to the agenda or the submission of additional proposed resolutions on items already on the agenda is given in the forms prescribed for the publication of the notice of call.

Right to ask questions on items on the agenda

Those entitled to vote may ask questions concerning items on the agenda even prior to the Shareholders' Meeting. Answers to questions received prior to the Meeting are provided during the Meeting at the latest, with the Bank having the right to provide a single response to questions with the same content.

Questions may also be submitted through the appropriate section of the website or by email, according to the specific instructions outlined in the notice of call.

Participation and representation – The Appointed Representative

The right to participate in the Shareholders' Meeting is recognised for parties that are entitled to vote at the end of the accounting day of the seventh market trading day prior to the date set for the meeting on first or single call (the record date).

Voting by proxy is permitted: those entitled to vote but who do not intend to participate directly in the Shareholders' Meeting may be represented through proxy.

The Articles of Association envisage the possibility for electronic notification of voting proxies to the Bank through the appropriate section of the website or through email.

The notice of call contains specific instructions regarding the voting by proxy procedure and the availability of a facsimile of a proxy form on the Bank's website, as well as the methods with which proxies can be electronically notified.

In addition, if specified in the notice of call, those who are entitled to vote may attend the Meeting through telecommunication means and exercise their right to vote electronically.

As an additional instrument to encourage more widespread participation in the decision-making processes of the Shareholders' Meeting, the Articles of Association allow the Bank to designate for each meeting, disclosing it in the notice of call, one or more "Appointed Representatives" on whom holders of voting rights can confer a proxy with instructions to vote on all or some of the items on the agenda. The appointment of more than one representative, also in different locations, meets the need of increased proximity to shareholders, as well as differentiation by shareholder category.

However, the legal provisions on the requests for proxies by advisors or collective proxies by associations of shareholders remain in force.

Regarding the latter, again to achieve large involvement of shareholders, the Intesa Sanpaolo website also indicates contacts of Shareholder Associations in respect of whom the Bank received notice as of the last Shareholders' Meeting or by previous communications.

Intesa Sanpaolo's Articles of Association do not permit postal voting.

Voting rights

There are no restrictions on voting rights, except with regard to savings shares, which only carry voting rights at Special Savings Shareholders' Meetings, and not at Ordinary and Extraordinary Shareholders' Meetings.

Quorum and voting majorities

The quorum required for shareholders' meetings indicates the proportion of share capital required to be represented in order for the Meeting to be declared valid. Voting majorities refer to the proportion of share capital required for shareholder resolutions to be approved.

At Intesa Sanpaolo, the quorum required for the validity of Ordinary and Extraordinary Shareholders' Meetings – and for the validity of related resolutions – is that determined by law.

The table below recaps the quorum and voting majorities required under law and applicable to Intesa Sanpaolo.

Art.
123-bis
(1), (f) CLF

Ordinary Shareholders' Meeting		First call	Second call	Further calls	Single call
Quorum	Any number of entitled parties representing at least half the share capital	The proportion of share capital represented by the entitled parties attending		N/A	The proportion of share capital represented by the entitled parties attending
Voting majority	Absolute majority of the share capital represented at the Meeting	Absolute majority of the share capital represented at the Meeting		N/A	Absolute majority of the share capital represented at the Meeting
Extraordinary Shareholders' Meeting					
Quorum	Any number of entitled parties representing at least half the share capital	Any number of entitled parties representing over one-third of the share capital	Any number of entitled parties representing at least one-fifth of the share capital		Any number of entitled parties representing at least one-fifth of the share capital
Voting majority	At least two-thirds majority of the share capital represented at the Meeting	At least two-thirds majority of the share capital represented at the Meeting	At least two-thirds majority of the share capital represented at the Meeting		At least two-thirds majority of the share capital represented at the Meeting

In the event whereby the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group issued a negative opinion on a transaction with an Intesa Sanpaolo Related Party within the remit of the shareholders' meeting and which qualifies as a Most significant transaction, the resolution proposal is subject to the special voting majority being reached as laid down by the Consob Regulation on Related Parties. In particular the transaction cannot be carried out if, during the Shareholders' Meeting, the majority of unrelated qualified voting shareholders expresses an unfavourable vote, provided that the unrelated shareholders present at the Meeting represent at least 10% of the share capital with voting rights.

Contestation of shareholder resolutions

Resolutions adopted at Shareholders' Meetings in accordance with law and the Articles of Association are binding on all shareholders, including those who dissent or abstain from voting. Resolutions adopted not in accordance with law and the Articles of Association may be contested by assenting, dissenting or abstaining shareholders.

The terms and procedures for contesting resolutions are determined by the provisions of law in force, contained in Articles 2377-2378 of the Italian Civil Code.

In 2016, the Extraordinary Shareholders' Meeting was held on 26 February and the Ordinary Shareholders' Meeting on 27 April.

The extraordinary session resolved on the only item on the agenda: the approval of new Articles of Association in connection with the adoption of the one-tier corporate governance model. 98.9% of the share capital represented at the Meeting, corresponding to approximately 62% of the ordinary share capital, voted in favour of the resolution.

The following items were on the agenda at the ordinary session of 27 April: the proposal for allocation of net income and dividend distribution; resolutions pertaining to the financial years 2016/2017/2018 concerning the determination of the number and the appointment of the Board of Directors and Management Control Committee members as well as the appointment of the Chairman and one or more Deputy Chairpersons of the Board of Directors; the resolutions concerning the remuneration policies of the Board Members and the determination of their remuneration as well as the 2016 remuneration policies for employees and other staff not bound by an employment agreement, the increase of the variable

remuneration-to-fixed remuneration ratio for specific and limited professional and business segments, the approval of the Incentive System based on financial instruments and authorisation for the purchase and use of own shares, the approval of the criteria for the determination of the compensation to be granted in case of early termination of the employment agreement or early termination of the office, including the limits set to said compensation.

Shareholders representing approximately 62% of the ordinary share capital attended the Meeting, confirming a constantly high participation of shareholders at meetings.

The Special Savings Shareholders' Meeting

Holders of savings shares have the right to participate and vote at Special Savings Shareholders' Meetings.

In accordance with law, Special Savings Shareholders' Meetings are called, among other things:

- a) to appoint and remove the Common Representative of Savings Shareholders and act against him/her;
- b) to approve shareholder resolutions that compromise the rights of savings shareholders.

Appointment of the Common Representative requires the favourable vote of savings shares representing at least twenty per cent and ten per cent of the shares in this category on first and second call, respectively, and the majority of those present on third call, regardless of the proportion of share capital represented.

The current Common Representative of Savings Shareholders is Dario Trevisan, appointed by the Special Meeting held on 15 December 2014 for the period 2015/2017, which set his fee for the entire three-year period at 25,000 euro.

The Common Representative of Savings Shareholders, who remains in office for three financial years, has the right to participate in ordinary and extraordinary meetings of the Bank and is to be informed without delay by the Chairman of the Board of Directors of any bank operations that could affect the official price of savings shares, and in particular of any proposals that the Board has decided to submit to the Shareholders' Meeting regarding capital transactions, mergers and demergers.

Special Savings Shareholders' Meetings may be called by the Common Representative or by members of the Board of Directors as necessary and at the request of any number of savings shareholders representing at least one per cent of all savings shares. In the latter case, if the Board of Directors fails to act or acts with unjustified delay, the Special Shareholders' Meeting may be called by the Management Control Committee.

The right of withdrawal

The right of withdrawal may be exercised only in those cases exclusively provided by Article 2437 of the Italian Civil Code. As permitted by Article 2437, paragraph 2, of the Italian Civil Code, the Articles of Association exclude the right of withdrawal for shareholders that vote against resolutions concerning the extension of the duration of the Bank and the introduction or cancellation of restrictions on the trading of shares.

The terms and methods for the exercise of the right of withdrawal and the criteria for determining the value of the shares and related liquidation procedures are governed by law.

Social and environmental responsibility

In setting long-term growth and creation of value objectives, Intesa Sanpaolo is aware of the social and environmental developments that accompany the business activities of the Bank and the Group. It therefore promotes a style of growth that concentrates on long-term sustainability of results, in support of economies and the communities in the areas in which it operates, placing special focus on environmental protection and enhancement.

In order to promote, monitor and coordinate the various issues related to social responsibility, there is a dedicated Intesa Sanpaolo business unit – Corporate Social Responsibility – and CSR delegates have been appointed in the Group's main entities and companies. Specific tools have also been adopted, including the Code of Ethics, the Sustainability Report and policies on specific sectors of the Bank activities.

The Code of Ethics is a self-regulatory instrument approved by the Board of Directors containing voluntary commitments in the management of relations with all the Group's internal and external parties (the "Stakeholders"). In this perspective, the Code lays down the pillars of the corporate culture and the reference values which underline the rules of conduct with respect to those Stakeholders. Corporate Social Responsibility reports annually to the Management Control Committee and the Surveillance Body with regard to its implementation.

All of the Personnel in the Group, both in Italy and abroad, are expected to behave in a manner that complies and is consistent with the values and principles described in the Code of Ethics and each company in the Group is expected to ensure the adherence of its actions and activities to the values and principles prescribed, albeit consistent with its own specific characteristics.

The Code of Ethics is periodically updated in order to follow the development of the Bank and the context in which it operates. In particular, the latest update – in December 2016 – implements the new corporate governance model, clarifies and sets out some principles and criteria on which relations with Stakeholders are based and specifies the Code implementation model.

By way of the Sustainability Report, prepared on the basis of international reporting standards and published on the Bank's website, also in interactive form, Intesa Sanpaolo is accountable to Stakeholders regarding activities performed during the year and its commitment to pursuing improvement objectives evaluated on the basis of the business strategies and through listening to Stakeholders' legitimate expectations. A summary of the document is published as part of the Report on Operations in the Parent Company's Financial Statements. The Report is approved by the Board of Directors.

The Risks Committee assists the Board of Directors in the evaluation and review of Corporate Social Responsibility matters, contributing to ensure the most effective risk monitoring, and in the approval of the Code of Ethics.



Part IV – Summary Tables

Table no. 1: Composition of the Board of Directors and Committees

Board of Directors								Management Control Committee	Nomination Committee	Remuneration Committee	Risks Committee	Related Party Transactions Committee				
Director	Age	In office since	Executive	Slate (1)	Independent (2)	No. of other offices held (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)	Position (4) (3)					
Chairman																
Gian Maria Gros-Pietro	75	2013/05/09		Ms		2	100%		M	100%						
Deputy Chairman																
Paolo Andrea Colombo	56	2016/04/27		Ms	X	2	100%		M	67%	P	100%				
Managing Director and CEO																
Carlo Messina	54	2013/09/29	X	Ms			100%									
Directors																
Bruno Picca	66	2013/05/09		Ms		1	100%			M	100%	M	100%			
Rossella Locatelli	56	2013/04/22		Ms	X	2	100%					P	100%	M	100%	
Giovanni Costa	74	2007/01/01		Ms		1	100%		M	100%	M	100%				
Livia Pomodoro	76	2016/04/27		Ms	X		95%		M	100%						
Giovanni Gorno Tempini	55	2016/04/27		Ms	X	2	100%				M	100%		M	100%	
Giorgina Gallo	56	2016/04/27		Ms	X	3	100%				M	100%		M	100%	
Franco Ceruti	64	2016/04/27		Ms		5	100%						M	100%		
Gianfranco Carbonato	71	2012/05/28		Ms	X	3	95%		C	100%						
Francesca Cornelli	54	2016/04/27		ms	X	4	100%						M	100%		
Daniele Zamboni	57	2016/04/27		ms	X		100%						M	100%	C	100%

Board of Directors								Management Control Committee	Nomination Committee	Remuneration Committee	Risks Committee	Related Party Transactions Committee			
Director	Age	In office since	Executive	Slate (1)	Independent (2)	No. of other offices held	(3)	Position (4)	(3)	Position (4)	(3)	Position (4)	(3)	Position (4)	(3)
Maria Mazzearella	66	2016/04/27		ms	X		100%							M	100%
Maria Cristina Zoppo	45	2016/04/27		Ms	X	3	100%	M	100%						
Edoardo Gaffeo	49	2013/04/22		Ms	X		100%	M	96%						
Milena Teresa Motta	57	2016/04/27		Ms	X	3	100%	M	93%						
Marco Mangiagalli	67	2010/05/01		ms	X		100%	C	100%						
Alberto Maria Pisani	62	2016/04/27		ms	X		100%	M	100%						

(1) Ms = "majority" slate / ms = "minority" slate

(2) Independent pursuant to art. 13.4 of the Articles of Association, the Corporate Governance Code and art. 148, paragraph 3, of the Consolidated Law on Finance

(3) Attendance percentage at, respectively, Board of Directors and Committees meetings

(4) Position in the Committee: "C": Chairman; "M": Member

Table no. 2: List of other management and control offices of Board Directors in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies

Director	Position	Company
Gian Maria Gros-Pietro	Chairman Director	ASTM S.p.A. Edison S.p.A.
Paolo Andrea Colombo	Chairman Chairman	Colombo & Associati S.r.l. Saipem S.p.A.
Carlo Messina	-	
Bruno Picca	Director	Intesa Sanpaolo Group Services S.c.p.a.
Rossella Locatelli	Chairman Member, Supervisory Board	Bonifiche Ferraresi S.p.A. Darma SGR in liquidazione coatta amministrativa
Giovanni Costa	Director	Edizione S.r.l.
Livia Pomodoro	-	
Giovanni Gorno Tempini	Chairman Director	Fondazione Fiera Milano Willis S.p.A.
Giorgina Gallo	Director Director Director	Telecom Italia S.p.A. Autogrill S.p.A. Zignago Vetro S.p.A.
Franco Ceruti	Director Director Director Director Director	Intesa Sanpaolo Private Banking S.p.A. Mediocredito S.p.A. Banca Prossima S.p.A. Intesa Sanpaolo Assicura S.p.A. Intesa Sanpaolo Expo Institutional Contact S.r.l.
Gianfranco Carbonato	Chairman Chairman Director	Prima Industrie S.p.A. Prima Power North America Inc. Prima Power Suzhou Co. Ltd.
Francesca Cornelli	Director Director Director Director	- Swiss Re Europe Swiss Re Group - Swiss Re International - Swiss Re Holding Telecom Italia S.p.A.
Daniele Zamboni	-	
Maria Mazzarella	-	
Maria Cristina Zoppo	Chairman, Board of Auditors Standing Auditor Standing Auditor	Houghton Italia S.p.A. Coopers & Standards Automotive Italy S.p.A. U.S. Alessandria Calcio S.r.l.

Director	Position	Company
Edoardo Gaffeo	-	
Milena Teresa Motta	Director Chairman, Board of Auditors Standing Auditor	Strategie & Innovazione S.r.l. Trevi Finanziaria Industriale S.p.A. Brembo S.p.A.
Marco Mangiagalli	-	
Alberto Maria Pisani	-	

Table no. 3: Composition of the Supervisory Board and Committees

Board Member	Position	Independent pursuant to the Corporate Governance Code	Nomination Committee	Remuneration Committee	Related Party Transactions Committee	Internal Control Committee	Risks Committee	Governance Commission
Giovanni Bazoli	Chairman		X					X
Gianfranco Carbonato	Deputy Chairperson		X					X
Mario Bertolissi	Deputy Chairperson	X	X					X
Gianluigi Baccolini	Board Member	X	X	X				X
Francesco Bianchi	Board Member	X			X			X
Rosalba Casiraghi	Board Member	X				X		X
Carlo Corradini	Board Member	X			X	X		
Franco Dalla Sega	Member and Secretary to the Board	X			X			
Piergiuseppe Dolcini	Board Member	X		X				
Jean-Paul Fitoussi	Board Member	X					X	
Edoardo Gaffeo	Board Member	X		X		X		
Pietro Garibaldi	Board Member	X			X		X	
Rossella Locatelli	Board Member	X					X	X
Giulio Stefano Lubatti	Board Member	X				X	X	
Marco Mangiagalli	Board Member	X					X	
Iacopo Mazzei	Board Member	X	X					
Beatrice Ramasco	Board Member	X				X		
Marcella Sarale	Board Member	X			X			X
Monica Schiraldi	Board Member	X			X			

Table no. 4: Composition of the Management Board

Board Member	Position	Executive	Manager	Non-executive	Independent pursuant to art. 148, Consolidated Law on Finance	Continuity of office
Gian Maria Gros-Pietro	Chairman			X	X	2013
Marcello Sala	Senior Deputy Chairman	X				2007
Giovanni Costa	Deputy Chairman	X				2010(*)
Carlo Messina	Managing Director and CEO	X	X			2013
Stefano Del Punta	Board Member	X	X			2014
Piera Filippi	Board Member			X	X	2013
Gaetano Micciché	Board Member	X	X			2013
Bruno Picca	Board Member	X	X			2013

(*) Board Member who, by virtue of the 2007/2010 mandate, held the office of Supervisory Board Member

Report on Remuneration
14 March 2017



Introduction

In the last few years, international bodies and regulators have been paying growing attention to remuneration matters of listed companies and, in particular, of the financial sector; the aim is to direct issuers and intermediaries in the adoption of remuneration systems that are consistent with the principles – reinforced after the economic and financial crisis – defined with regard to design and approval of remuneration policies, compensation structures and their transparency.

In particular, according to these principles, remuneration systems are asked both to take into account current and future risks and capital strength of each intermediary, and to guarantee that remunerations are based on effectively achieved results.

In accordance with European Community regulations and with effect from 2011, Italian Authorities defined a set of key rules on these matters.

Bank of Italy regulation, dated March, 30th 2011, defines balanced rules for banks' remuneration policies, systems and practices with reference to their design and control, to compensation structures and disclosure obligations. The Supervisory Authority further intensified the monitoring of this last issue, including remuneration systems and practices among the information to be disclosed under Pillar 3 pursuant to Circular 285 of December, 13th 2013.

Moreover, with regulation no. 39 of June, 9th 2011, ISVAP (now IVASS), defined remuneration policies principles for insurance companies in terms of decision-making processes, structure and disclosure obligations.

With resolution no. 18049 of December, 23rd 2011, Consob regulated the implementation of the Article 123-ter provisions of the Consolidated Law on Finance, which requires the drawn up and the disclosure of a report on remuneration.

Important updates have been introduced on self-governance level as well. After being initially modified (March 2010) in the remuneration part, the Corporate Governance Code has been subject to a complete review that resulted in a new edition published on December 2011.

Thereafter, with communications dated March, 2nd 2012 and March, 13th 2013, Bank of Italy returned to remuneration policies topics, generally highlighting the opportunity for banks to define a strategy consistent with the objective of preserving, also in a perspective view, the balance of the company's position, as well as maintaining the capital adequacy conditions and the prudent liquidity risk management.

In 2014, the European Commission published the Commission Delegated Regulation (EU) No 604/2014 containing new Regulatory Technical Standards (RTS), defining qualitative and quantitative criteria for the identification of the categories of personnel whose professional activities have a material impact on the institution's risk profile (the "Risk Takers"), intended to supplement the directive 2013/36/EU of the European Parliament and of the Council of June, 26th 2013 (CRD IV), effective from June 2014.

Then, the Bank of Italy, in application of CRD IV, published in the EU Official Journal on June, 27th 2013, updated and published Supervisory Provisions on Remuneration as contained in Circular 285 of December, 17th 2013.

Lastly, in December 2015, EBA, on the basis of CRD IV provisions, published the CEBS "Guidelines on sound remuneration policies" update, defining in details the rules related to remuneration structure, to remuneration policies and the governance and implementation processes.

Bank of Italy has expressed its will to comply with the aforementioned Guidelines and consequently to publish new Provisions regarding remuneration policies and practices by June 2017.

Art. 123-ter (1), CLF

This Report has been drawn up in accordance with the aforementioned Article 123-ter of the Consolidated Law on Finance, also taking into account the obligations of disclosure to the shareholders' meeting, in compliance with Bank of Italy supervisory provisions.

Moreover, Intesa Sanpaolo has always extensively focused its attention on remuneration matters, on relative regulation compliance and on maximum transparency to the market. The Report gathers into a single, well-organised and structured document all the qualitative and quantitative information, until 2011 separately disclosed by topic in the Report on Corporate Governance and Ownership Structures, in the Supervisory Board report submitted to the Meeting - pursuant to Article 153 of the Consolidated Law on Finance - and in the financial statements.

Art. 123-ter (2), CLF

This Report, available in the "Governance" section of the website www.group.intesasanpaolo.com, is divided into two Sections. The first regards the remuneration policies adopted by the Bank with respect to its corporate bodies, the corporate bodies of its subsidiaries and the employees and other staff of the Group - with a particular focus on the General Managers and Key Managers - and the procedures for adoption and implementation of these policies. The second section, subdivided into four parts, provides quantitative, analytical and aggregate information.

6.C.8.

With a view to disclosing information in accordance with the regulatory obligations, the document illustrates the levels of compliance with the remuneration provisions envisaged by Article 6 of the Corporate Governance Code. In this respect, for more immediate interpretation, specific margin notes citing the relevant Principles and Criteria have been provided alongside the text, together with the indications provided in Articles 123-bis and 123-ter of the Consolidated Law on Finance.

The Appendix to this document contains specific check lists that indicate, on one side, the Principles and Criteria of the Code applied and the provisions of Articles 123-bis and 123-ter and, on the other side, the relative implementation (with any amendments), with reference also to the page of this Report in which the matter is discussed.

These check lists should be read together with the clarifying notes and details provided in the Report as regards application of the individual provisions.

Information contained in this Report, unless otherwise stated, refers to the position as at March, 14th 2017, the date of its approval by the Board of Directors.

Art. 123-ter (6), CLF

This Report is subject to binding resolution by the Shareholders' Meeting called pursuant to Article 2364-bis, paragraph 2, of the Italian Civil Code, as expressly requested by Bank of Italy in Circular n.285/2013, First Part, Title IV - "Remuneration and incentive policies and practices".

Section I – 2017 Remuneration policies adoption proposal

1. Procedures for adoption and implementation of the remuneration policies

Art. 123-ter, (3), (a) and (b) CLF

1.1. The role of corporate bodies

1.1.a The Shareholders' Meeting

The Articles of Association require the Shareholders' Meeting to approve the Board members' and personnel's remuneration policies, as well as the plans based on financial instruments.

In this context, it shall approve the criteria for determining the severance payments to be granted in the event of early termination of the employment agreement or early termination of office, including the limits set for such payments as provided by the regulations currently in force and shall also determine, with the qualified majority threshold defined by the supervisory regulations in force, a ratio between the variable and fixed individual remuneration of the personnel above the ratio of 1:1, but in any case not exceeding the maximum established by the same regulations.

1.1.b The Board of Directors

The Board of Directors may determine, in addition to the fixed remuneration determined by the Shareholders' Meeting, the remuneration of the Board members to whom the Board itself assigns further special duties in compliance with the Articles of Association, including the office of Managing Director.

Furthermore, in accordance with the Articles of Association, the Board of Directors is solely responsible for determining the remuneration of the General Manager and of the Manager responsible for preparing the Company's financial reports, pursuant to Article 154-bis of Legislative Decree 58 of 24 February 1998, as well as of all other Top Risk Takers and the higher-level personnel from the Group control functions, in accordance with the provisions of the legislation currently in force.

Finally, the Board of Directors is responsible for the drafting of the remuneration and incentive policy to be submitted to the Shareholders' Meeting and the definition of the remuneration and incentive systems of persons for whom supervisory regulations require this task be performed by the body charged with strategic supervision, including the identification of parameters used to evaluate performance objectives and the definition of the variable remuneration deriving from the application of said systems.

1.2. The Human Resources Head Office Department and the Company Control Functions

As mentioned above, the Shareholders' Meeting is responsible for approving remuneration policies for employees upon proposal of the Board of Directors and with the involvement of the Remuneration Committee.

The Human Resources Head Office Department is responsible for drawing up the aforementioned remuneration policies, that undergo the relative approval procedure, involving the following, to the extent of their responsibilities, as envisaged by the Regulations:

- The Chief Risk Officer Governance Area, in order to ensure consistency of the remuneration policies and resultant incentive systems with the Group's risk appetite framework (RAF);
- The Planning and Active Value Management Head Office Department and the Budget and Control Head Office Department in order to ensure consistency of the remuneration policies and resultant incentive systems with:
 - o the strategic short-and medium-long term objectives of the Companies and of the Group;
 - o the capital strength and liquidity of the Companies and of the Group;
- The Chief Compliance Officer, in order to verify compliance of the remuneration policies and resultant incentive systems with rules, regulations, codes of ethics and standards of conduct applicable to the Group.

6.P.2.

On an annual basis, the Internal Auditing Head Office Department, in accordance with the guidelines of the Supervisory Authority, verifies the compliance of the remuneration implementation procedures to the relevant policies, informing the Board of Directors and the Shareholders' Meeting on the results of the verifications conducted (see the subsequent section IV "Internal auditing department assessment of the remuneration system").

1.3. Criteria used to assess the performance targets at the basis of assignment of variable components

Identification of parameters used to evaluate performance objectives, on which incentives granting to management, Risk Takers and, more in general, all personnel of the Group is based, is carried out by the competent functions, considering most significant economic and financial indicators for achievement of the budget objectives, periodically monitored through internal reporting tools and available at the consolidated level as well as at division and/or business unit.

The process used to identify these parameters involves company control functions (risk management, compliance), in order to ensure full compliance with the Group's RAF and with regulatory provisions in force from time to time.

This allows the selection of a complex mix of qualitative and quantitative parameters – anyway transparent, objective and measurable (see 4.3) – allowing a 360-degree evaluation of company's performances in terms of profitability, risks taken, capital strength and liquidity.

2. Remuneration of the members of the Board of Directors

2.1. Remuneration of Board Members

The Shareholders' Meeting also determines the additional remuneration for the office of Chairman and Deputy Chairperson.

The Shareholders' Meeting held on 27 April 2016 set for the entire three-year period:

- i) at 100,000 euro the fixed gross annual remuneration of each member of the Board of Directors who is not also a member of the Management Control Committee;
- ii) at 800,000 euro the additional fixed gross annual remuneration of the Chairman of the Board of Directors;
- iii) at 150,000 euro the additional annual remuneration of the Deputy Chairperson.

6.C.4.

It is noted, however, that, as laid down in the Supervisory Provisions on remuneration, the amount of the remuneration paid to the Chairman is not higher, but rather lower than the fixed remuneration paid to the Managing Director and CEO.

2.2. Remuneration of the Management Control Committee members

Pursuant to the Articles of Association, the Shareholders' Meeting has the duty to determine, at the time of the appointment of the Management Control Committee and for the entire term of office, specific remuneration for the Board Members of said Committee, consisting of an equal amount for each Member, but with a special addition for the Chairman.

Without prejudice to the reimbursement of any expenses incurred due to their office, therefore, the Shareholders' Meeting held on 27 April 2016 set at 200,000 euro the specific remuneration of each member of the Management Control Committee, without any attendance fees for the actual participation in the meetings of the Committee, and at 50,000 euro the additional remuneration for the Chairman of the Committee.

2.3. Remuneration of the members of the Board Committees

In terms of the activities that the Board Members are called upon to carry out as members of the additional Committees established within the Board, the Articles of Association assign to the Board of Directors the task of determining the remuneration for these Members in a fixed amount, in line with the remuneration policies approved by the Shareholders' Meeting.

The Board of Directors supplemented the remuneration for the position of Board Member with an attendance fee amounting to 2,000 euro in relation to the actual participation of the members in the activities of the Committees, with a further annual gross fixed remuneration of 50,000 euro for the Chairmen of such Committees.

2.4. Remuneration of the Managing Director and CEO

Pursuant to the Articles of Association, the Managing Director and General Manager is entitled to receive a fixed and variable remuneration determined by the Board of Directors in line with the remuneration policies approved by the Shareholders' Meeting.

The Board of Directors, upon the proposal of the Remuneration Committee, set the remuneration of the Managing Director at 500,000 euro. This amount is in addition to the amount of 100,000 euro due as a Board Member.

The Managing Director, in his capacity as General Manager, is also entitled, as from 1 March 2016, to receive the gross annual remuneration, set at 2,000,000 euro by the Supervisory Board, as well as to participate in the incentive system and the supplementary pension scheme, and to receive the additional fringe benefits for the position determined by the Board of Directors in accordance with the Remuneration and Incentive Scheme Policies for employees.

As provided for by the 2016 Remuneration policies, the conditions for access to the 2016 Incentive System, also applicable to the Managing Director and CEO, were confirmed as follows:

- Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
- Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;

- No loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

Non-achievement of even only one of the above conditions shall result in non-activation of the incentive systems for the Group personnel. Top Risk Takers, a cluster to which the Managing Director and CEO also belongs, are subject to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

In line with this approach, the same indicators are part of the Malus Conditions, to be verified in the years following payment of the deferred portion of the premiums:

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. Liquidity Coverage Ratio (LCR) at least equal to the limit envisaged in the RAF;
4. No loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

6.C.1 c). In particular, if either condition 1 or 2 or 3 does not occur individually, the deferred portion is reduced by 1/2; if condition 4 is not met, the deferred portion is brought down to zero.

Consequently, and in compliance with the principle that activation of the incentive system must be consistent and compatible with the distribution of dividends, the Supervisory Board established that the variable component of remuneration for the Managing Director and CEO, Carlo Messina, also in relation to the office of Chief Executive Officer has, as a maximum limit, the fixed remuneration multiplied by approximately 0.86 (limit determined by taking into account the annual pro rata impact of the LECOIP Plan on the cap of the overall variable remuneration set at 100% of the fixed one) and is indexed to the score of the performance scorecard. The performance scorecard shows the assigned targets defined by the 2014-2017 Business Plan subdivided into Group targets, which are the KPIs identified for the implementation of the strategic drivers Profitability, Productivity and Cost of Risk/Sustainability, accounting for 70% of the total, and those relating to the evaluation of strategic actions, accounting for 30% of the total.

The Group KPIs were assigned in continuity with 2015 and the target of each objective, represented by the budget anticipated level, is more challenging than the previous year. In particular, the KPIs, each of which has the same weighting and entails the identification of threshold values and targets, are:

- the distributable dividends as stated in the Business Plan; this KPI is based on the profitability driver: the target is defined according to the Plan - and communicated to the market - at 3 billion euro, and the minimum threshold is defined as 80% of this value;
- the increase in operating income; this KPI is aimed at strengthening the focus on the profitability growth of many of the Group's business activities: the target is defined by the 2016 budget expected value, while the threshold is determined as 50% of the budget expected value, taking into account the elasticity of this KPI;
- revenues in relation to RWAs, a profitability KPI adjusted for risks: the target to be reached is the budget expected result, more challenging compared to 2015, while the minimum threshold is defined as 80% of target value;
- the Cost/Income ratio, based on the productivity driver, confirms the ability to control costs and, in line with the Group's performance, the target is defined by a more ambitious budget compared to last year, while the threshold, given the low elasticity of this KPI, to minimize for better results, is calculated as 110% of the target value;
- the ratio of adjustments to loans to year-end loans; within the scope of the cost of risk-sustainability driver, this KPI envisages a better 2016 budget target compared to the 2015 budget and the threshold, also taking into account the impact of macroeconomic effects, is set at 120% of the budget value.

The qualitative assessment of the Managing Director is instead related to the "Strategic Succession Plan" Project, a strategic action related to the 2014-2017 plan, which is aimed at defining the succession plans for Group top/senior managerial positions (in Italy and abroad), responding to the strategic need to ensure management continuity, reduce operational risks, meet the requirements of the various Group stakeholders, as well as maximise the chances of success of a new appointment through a process of integration and leadership development.

It is also necessary to verify the Q-Factor, calculated with reference to the entire Intesa Sanpaolo Group: in particular, in the case that said Q-Factor has a "high" rating, the previously identified variable remuneration shall be reduced by 10%; if the rating is "very high", the reduction in the variable remuneration shall be equal to 20%.

Bonuses so determined will be paid 50% in cash and 50% in shares (based on the assumption that the materiality threshold has been exceeded) and shall be subject to deferral of 60% over 5 years. The payment of such deferred portion will be subject to verification, each year, of the above-mentioned Malus Conditions.

No stock option plan is currently in place for the Managing Director.

2.5. Insurance policy for Board Members and General Managers

In line with the best practice on international financial markets and taking into account the nature, size and operational complexity of the Bank and the Group, following the resolution passed by the Shareholders' Meeting on 3 May 2007, it was decided to take out - and subsequently to renew within the limits set by the above resolution and in line with the best market standards - an insurance policy to cover the administrative liability of the Bank's Board Members as well as all board members and general managers in the subsidiaries and associates (D&O – Directors' and Officers' Liability Insurance).

The terms of the D&O policy for 2016 were as follows:

- Effective date: from 31 December 2015 until 31 December 2016
- Limit: 200,000,000.00 euro, for each loss at annual aggregate level
- Annual premium: approximately 2,000,000.00 euro
- Exclusion from insurance coverage in case of wilful misconduct or gross negligence.

The Shareholders' Meeting of 27 April 2016 confirmed the continuation of such insurance cover, which serves the Bank and the Group's best interests, representing a necessary component of the remuneration policies.

2.6. Termination of office; employee termination indemnities

The Members of the Board of Directors, with the exception of the Managing Director who is also General Manager, are not Bank employees.

No agreements exist obliging the Bank to pay Board Members an indemnity in the event of their resignation or termination of their office following a public takeover bid.

The criteria and maximum limits for determining the indemnities payable under the provisions of the personnel remuneration policies (see 4.9) shall apply to the Managing Director and General Manager, in the event of early termination of the employment agreement or early termination of office.

Art. 123-
bis (1), (i)
CLF

3. Remuneration policy for the corporate bodies of subsidiaries

Remuneration for members of the corporate bodies of Group companies is defined by Intesa Sanpaolo in its capacity as majority shareholder and entity responsible for management and coordination activities, pursuant to the relative statutory and banking regulations.

The remuneration policy for corporate bodies, therefore, complies with the following principles, applied uniformly at Group level, in accordance with the regulatory context of the various countries in which Intesa Sanpaolo operates through its subsidiaries.

Members of the management and supervisory boards of companies of the Intesa Sanpaolo Group receive remuneration according to their assigned duties and responsibilities.

To ensure uniformity in accordance with Group standards, specific determination of the remuneration of directors is carried out by considering parameters such as the capital and economic size and organisational complexity of the company in question, as well as other objective and qualitative elements, such as the nature of the business carried out by the subsidiary and its operating risk profile.

Similar criteria apply to the determination of remuneration of directors appointed to special offices, pursuant to Article 2389 of the Italian Civil Code and similar provisions in force in foreign countries.

Variable remuneration amounts, bonuses linked to results, profit-sharing clauses or options to buy shares at predetermined prices are not normally envisaged. Exemptions from this principle are envisaged only on an exceptional and justified basis, in accordance with the Group remuneration Policies and the relative supervisory regulations in force.

In general, there are no differences in the remuneration of directors who are Group employees, professionals, independent, etc. The remuneration of Group employees who are appointed as directors in subsidiaries is paid through the company with which an employment agreement is in place.

Remuneration of members of the board of statutory auditors of Italian subsidiaries is determined upon appointment for the entire term of office, pursuant to Article 2402 of the Italian Civil Code, with a fixed yearly amount.

The amount paid to statutory auditors is determined through a uniform calculation method at Group level that takes into account objective parameters, namely capital and revenues of the company, in order to identify a specific remuneration amount.

Members of the corporate bodies normally have the right to reimbursement of the expenses incurred as a result of their office.

Finally, an insurance policy is signed for board members and general managers of subsidiaries (so-called "D&O policy").

4. Remuneration policy for employees and staff not bound by an employment agreement

This chapter deals with the 2017 remuneration policy for all personnel for the purposes of approval with binding vote by the Shareholders' Meeting, as provided for by the Bank of Italy for the one-tier corporate governance system.

Art. 123-ter, (3), (a), CLF

6.P.4.

4.1. Objectives of the remuneration policies

The remuneration policies of the Intesa Sanpaolo Group are based on the following principles:

6.P.2.

- a) alignment of the conduct of management and employees with the interests of shareholders, the medium and long-term strategies and the company objectives, as part of the set of rules aimed at accurate monitoring of the current and future corporate risks and maintenance of an adequate level of liquidity and capital strength;
- b) merit, to guarantee better matching with actual performance and the managerial quality identified, through:
 - remuneration flexibility via the variable component linked to the results achieved;
 - focus on key staff members demonstrating high management quality, to whom competitive salary brackets, compared with the reference market, are reserved;
 - differentiation of the best performances to which variable bonus levels significantly in excess of the average are to be assigned;
- c) equity, in order to promote proper conduct and standardise treatment in terms of remuneration, through:
 - correlation of a person's fixed salary to the weight of the role held;
 - differentiation of salary brackets and the ratio of the variable component to the total remuneration according to professional categories;
- d) external competitiveness of total annual remuneration with respect to the levels in the large European banking groups, obtained through periodic specialist surveys, in order to attract and retain the best management and professional resources on the market;
- e) sustainability, to limit expense deriving from application of the policy to values compatible with medium- and long-term strategies and annual targets, by means of:
 - mechanisms to adjust allocations to the overall incentive provisions according to the company's profitability and the results achieved;
 - selective reviews of fixed remuneration;
 - use of objective parameters when reviewing pay;
 - determination of appropriate caps regarding both total incentives and the amount of individual bonuses;
- f) compliance with the international, European and national legal and regulatory provisions and the consequent focus on Key Managers, Risk Takers and Corporate Control Functions.

6.P.1.

6.P.1.

4.2. Segmentation of personnel

The remuneration policy guidelines of the Intesa Sanpaolo Group have always been based on the principle of segmentation, according to the role and contribution provided.

The segmentation rationale was subsequently used by the Regulator with reference to the type and content of operational risk assumed by personnel.

In 2014, the European Commission arranged the issue of the Regulatory Technical Standards (RTS) relating to qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the institution's risk profile (so-called "Risk Takers"), intended to supplement the CRD IV, effective as from June 2014. These RTS are supplemented by the 2015 EBA Guidelines, providing for the application of further criteria reflecting other organisation-specific risk levels (so-called additional criteria).

The Intesa Sanpaolo Group applied the aforesaid provisions at Group-level, through the self-assessment process instructed, addressed and coordinated by the Parent Company, and submitted to the Board of Directors of Intesa Sanpaolo the list of personnel who has a material impact on the Group's risk profile.

The RTS application led to the identification of around 320¹ Risk Takers, on the basis of the following criteria:

- qualitative criteria, which relate to the role, the decision-making power and managerial responsibilities of members of the personnel and are aimed at identifying top management members, risk takers and the personnel engaged in control functions;
- quantitative criteria, which relate to the thresholds associated with the level of total gross remuneration attributed to a member of the personnel, in absolute or relative terms, and to the parameters that enable to place the personnel in the same remuneration range as the one applicable to top management and risk takers. However, institutions are entitled to determine that, based on objective conditions and in accordance with specific restrictions laid down in the Regulation, certain personnel members, identified only on the basis of quantitative criteria, have no actual significant impact in terms of risks.

As part of the identification of key personnel, additional Group-specific criteria have been defined by identifying as business units having a substantial impact on the Group's risk profile those that deal with investment banking, asset management, private banking and the Regional Governance Centres of the Banca dei Territori Division not already identified in the application of the qualitative criterion relating to capital absorption.

Following the application of the abovementioned criteria, three clusters were identified:

- "Risk Takers";
- Other managers;
- Remaining Personnel.

Within the scope of the first cluster ("Risk Takers"), the Supervisory Provisions on remuneration identify a further cluster represented by the so-called "Top Risk Takers" comprising, in the current organisational context:

- Managing Director and CEO;
- Heads of the Divisions and of Capital Light Bank;
- Chief Operating Officer, Chief Financial Officer, Chief Lending Officer, Chief Governance Officer, Chief Innovation Officer, Chief Risk Officer and Chief Compliance Officer;
- Head of the Internal Auditing Head Office Department and Heads of the Head Office Departments reporting directly to the Managing Director;
- Head of the Administration and Tax Head Office Department as the Manager responsible for preparing the Company's financial reports.

The Risk Takers identified through qualitative criteria are:

1. the members of the Board of Directors of Intesa Sanpaolo;
2. the Heads of Intesa Sanpaolo Corporate Control Functions and their direct reports;
3. the Heads and the Risk Managers of the Relevant Business Units, i.e. those to which internal capital was distributed under Article 73 of Directive 2013/36/EU, representing at least 2% of the institution's internal capital distribution - and their direct reports;
4. the Heads, identified by role, of the Legal Affairs Head Office Department - Group General Counsel, of the Administration and Tax Head Office Department and Tax Sub-Department, of the Planning and Active Value Management Head Office Department, of the Management Control Head Office Department, of the Treasury Head Office Department, of the Research Head Office Department, of the Human Resources Head Office Department, of the Performance Systems, Remuneration and Labour Cost Sub-Department, of the Integrated Operating Strategies Area, of the ICT Head Office Department, of the Corporate Affairs and Advisory Head Office Department;
5. the roles that manage risk categories other than credit and market risk or have the power to approve or prohibit the introduction of new products which, at the time of defining the scope, are identified within the Group as members, with voting right, of the Risk Governance Committee, of the Financial Risk Governance Committee, of the International Markets Coordination Committee

¹ Data as at 1/01/2017. According to the information contained in the EBA Guidelines of December 2015, the 2017 Risk Taker classification will include the persons identified as such in the year for a period longer than three months.

- and of the Operational Risk session of the Control Coordination and Operational Risk Committee and the Heads of the structures involved in the prior risk assessment (so-called "clearing") of new products, services and activities, as identified in the reference internal regulations;
6. the roles that have the power to grant credit above the amount of 30 million euro - calculated with reference to the limit defined by the Regulations (0.5% of Common Equity Tier 1 capital) and applying it to the Group methodology expressed in Risk Weighted Assets (RWA) - and the members, with voting right, of the Group Credit Committee;
 7. the roles, within the Parent Company and Banca IMI, which were tasked with managing a trading portfolio with a VaR equal to or greater than the limits referred to in Regulation (EU) 604/2014.

As a result of the application of the abovementioned qualitative criteria, approximately 220 Risk Takers have been identified.

The application of the quantitative criterion resulted in the identification as Risk Takers of the roles falling within the scope in terms of remuneration attributed to them with the exception of those which, despite carrying out their activities in a relevant business unit, are not considered to have a significant impact on the institution's risk profile on the basis of objective criteria and those that have no material impact on the institution's risk profile insofar as they carry out their activities in an operational unit classified as not material (following the application of this criterion, about 40 Risk Takers were identified).

Furthermore, 60 roles deemed significant within Asset Management, Private Banking, and in some Regional Governance Centres of the Banca dei Territori Division have been identified.

The second segment (Other Managers) includes the remaining department heads not included amongst Risk Takers.

The third segment (Remaining Personnel) includes all the other employees of the Group whose remuneration is predominantly defined by the contractual provisions in effect from time to time in the countries in which the Group operates.

4.3. The correlation between remuneration, risk and performance

The correlation between remuneration, risk and performance is ensured for all employees through:

- the use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below; 6.C.1.a)
- the application of the principle of selectivity, which differentiates the best performances and, in return, assigns significantly higher-than-average bonuses;
- the introduction, on the basis of the "financial sustainability principle", of a structured mechanism for funding the variable component (bonus pool), which correlates the amount to be allocated to incentives for all company segments to the performance of a Group parameter, currently identified as Gross Income; 6.P.2.
6.C.1.d)
- the use of a solidarity mechanism between Group and Division/Business Unit results, according to which the amount of total bonuses paid to the employees of each Business Unit depends in part on the Group's overall performance (reflected in the size of the bonus pool) and in part on the performance of the specific Organisational Unit, measured in terms of the degree of expected contribution to the Group's Gross Income;
- the application of the "guided discretion principle", which translates into the assignment to the CEO of a limited part of the Group's bonus pool (10%), eligible for allocation once the threshold has been reached, to departments that have exceeded their access thresholds, as further recognition for the quality and level of performance achieved;
- the observance of the access conditions provided for in international and national regulations, namely:
 - o at Group level, the achievement of capital adequacy and liquidity levels and, in more general terms, compliance with the limits envisaged in its own Risk Appetite Framework (RAF);
 - o at individual level, the propriety of conduct (absence of disciplinary measures resulting in one or more days of suspension);
- the measurement of performance from multiple perspectives, both quantitative (profitability, revenue development, productivity, cost of risk/sustainability) and qualitative (strategic actions or 6.P.2.
6.C.1.d)

projects and managerial qualities), as well as extending to different scopes (Group/Department/Individual). The following are some examples of indicators for performance drivers:

- profitability: Operating income/Risk Weighted Assets, Portfolio Mix (assets under management vs. assets under administration), Revenues/Assets;
 - revenue development: increase in Operating income, Asset management, Net inflows (private banking);
 - productivity: Cost/Income, Optimisation of response times in relation to credit granting, Operating costs, Costs/Asset under Management;
 - cost of risk/sustainability: NPL Ratio, Concentration Risk, Maintaining Liquidity Coverage Ratio target levels;
- the use of an additional mechanism that measures the residual risk level of each Business Unit (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target.

6.C.3. For the Manager responsible for preparing the Company's financial reports, the Heads and higher-level personnel of the Corporate Control Functions, assuming application of conditions set out above and the "malus condition" described below, determination of the incentive accrued is strictly defined with reference to the specific qualitative and quantitative indicators of the respective functions, in accordance with the Supervisory Provisions. In particular, with regard to the Manager responsible for preparing the Company's financial reports, such indicators are related, for example, to the extension of Group accounting Data Quality Management to subsidiaries, to the development of the new structure of the accounting and supervisory system and to a number of projects aimed at the alignment with the Common Reporting Standard and the new reporting on bad loans.

6.C.3. With regard to the Chief Risk Officer, the Chief Compliance Officer, the Head of the Anti-Money Laundering Head Office Department, the Head of the Internal Auditing Head Office Department and the higher-level personnel of these departments, these indicators measure the activity regarding the various types of risk (market, credit, interest rate, liquidity, operational, country, conduct and compliance, as well as money laundering and terrorism financing). The performance is measured both in quantitative terms (e.g. number of single name checks, number of validated models) and qualitative terms (e.g. development of the control culture, Integrated assurance between the Control Functions, effective management of the adaptation to the Risk Data Aggregation and Risk Reporting standards, strengthening of the compliance model to monitor the conduct risk).

4.4. Remuneration components

Employee remuneration is broken down into the following:

- a) fixed component;
- b) variable component.

4.4.1 Fixed remuneration

The fixed component is defined based on the contractual agreement, the role held, the responsibilities assigned, and the specific experience and expertise acquired by the employee.

The following are considered fixed components of remuneration:

- allowances tied to the role held, envisaged for the Risk Takers belonging to the Corporate Control Functions and for the heads of commercial roles within the scope of the Banca dei Territori local network;
- allowances paid to expatriate personnel in order to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market;
- allowances and/or fees deriving from offices held in corporate bodies, provided that these are not reversed to the companies to which they belong;
- any benefits designed to increase employee motivation and loyalty of the resources and assigned on a non-discretionary basis.

The benefits paid to Group employees may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

With regards to the allowances provided for Risk Takers belonging to the Corporate Control Functions, the ratio of their introduction lies in the need to ensure internal equity in terms of total target remuneration

among these employees, whose ratio between variable remuneration and fixed remuneration was reduced and limited to 33% as of 1 January 2014 and the rest of the employees, whose cap remained unchanged at 100% (as described in paragraph 4.5.1 and except as provided in paragraph 4.5.2). This allowance takes the form of fixed remuneration as it is given on a non-discretionary basis and regulated as follows:

- it is assigned to all employees identified as Risk Takers belonging to the Corporate Control Functions in Italy;
- it is defined univocally in % of the annual gross remuneration;
- it is communicated to stakeholders by means of an individual letter;
- it is paid as long as the person continues to hold the role identified as Risk Taker belonging to the Corporate Control Functions;
- it is not tied to any kind of performance indicator.

As regards the heads of Network commercial roles, their allowance is defined in order to allow, at the same time, the provision of adequate remuneration commensurate with the role envisaged under the current service model of the Banca dei Territori Division, as well as the remuneration flexibility which has become necessary in view of the novelty of the role and the high number of employees called upon to hold it for the first time. This allowance takes the form of fixed remuneration as it is given on a non-discretionary basis and regulated as follows:

- it is assigned to the heads of commercial roles;
- it is defined univocally in a predetermined amount having regard to the fixed target remuneration level for the role;
- it is communicated to stakeholders by means of an individual letter;
- it is paid as long as the person continues to hold the role in question;
- it is not tied to any kind of performance indicator.

The allowances paid to expatriate personnel are aimed at ensuring the equity of the net remuneration treatment between the amount received in the country of origin and in the target country, so as to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market.

This allowance takes the form of fixed remuneration as it is given on a non-discretionary basis and regulated as follows:

- it is assigned to all expatriate personnel, in the event of a negative differential between the target country and the country of origin;
- It is defined on the basis of predefined and country-specific parameters, provided by a specialist consulting firm;
- it is communicated to stakeholders by means of an individual letter;
- it is paid as long as the person continues to be resident in the country in question;
- it is not tied to any kind of performance indicator.

4.4.2 Variable remuneration

The variable component is linked to employee's performance and aligned to the results actually achieved and the risks prudentially assumed, and consists of:

- short-term variable component, paid through:
 - the incentive system (see paragraph 4.6);
 - the variable result bonus (see paragraph 4.7);
- long-term variable component, based on certificates associated with Intesa Sanpaolo shares, introduced in 2014 at the time of launch of the 2014-2017 Business Plan through the Leveraged Employee Co-Investment Plans ("LECOIP Plans") (see paragraph 4.8);
- any stability, non-competition, one-off retention and similar agreements (see paragraph 4.9).

The distinction of the variable remuneration in a short-term and a long-term component allows both to enhance the performance targets on the basis of an annual accrual period and to consider the long-term strategic targets defined in the Business Plan.

Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

4.5. The remuneration pay mix

4.5.1 General criteria

For the purposes of this Report, the term "pay mix" refers to the weight of the fixed and variable components expressed as a percentage of total remuneration, as described above.

6.C.1.a)

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately balanced between the aforementioned components, in order to:

- 6.C.1.c)
- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question;
 - discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risk.

6.C.1.b)

In order to achieve the above objectives, it is standard Group practice to establish ex ante limitations in terms of balanced maximums for variable remuneration, through the definition of specific caps on the increase of bonuses in relation to any over-performance.

The aforesaid cap to the variable remuneration was determined:

- at 100% of fixed remuneration for roles not included amongst Corporate Control Functions, save as otherwise specified in paragraph 4.5.2;
- at 33% of fixed remuneration for roles included amongst Corporate Control Functions.

The calculation of the variable remuneration takes into account both the short-term component relating to the Incentive System and the long-term component assigned through the LECOIP Plans. The latter have an impact on the pro-rata variable remuneration for the entire accrual period.

However, in terms of cap compliance between fixed and variable remuneration (1:1), appropriate pay mix differentiations were identified with reference to the various professional or business segments, in line with the results obtained by means of specific benchmark analyses related to the leading European global banks that also ensure compliance with the internal equity principle, given the use of common benchmarks for each cluster.

6.P.1.)

The adequacy of the amounts is further verified in comparison to market practices, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate reference market.

In relation to market data, the Intesa Sanpaolo Group aims to align the overall remuneration with median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

6.C.1.a)

In terms of guidelines, the ratio of the variable component to the overall remuneration is periodically revised for the various categories of personnel according to the performance of the business, human resources management and development strategies and the law in force at the time.

In general, remuneration of personnel is subject to periodic review, in order to verify constant alignment with developments in the internal situation and in the market, also taking into account the results of the performance evaluation process. In these cases, under the annual budget allocations (based on the overall economic compatibility), measures aimed at adjusting the total pay of personnel, through tools defined by the Group management policies and in accordance with the powers in terms of personnel effective from time to time, may be envisaged.

The appropriateness of total pay is also evaluated in cases of assignment of tasks or changes in organisational position, in order to verify consistency with the required skills and assigned responsibilities in the new position.

All decisions regarding remuneration are to be taken in accordance with the Group's Remuneration Policies, in collaboration with the Human Resources Head Office Department and in compliance with international and national regulations.

4.5.2 Increase in the variable remuneration-to-fixed remuneration cap for specific and limited professional categories and business segments

The maximum limit laid down in the general criteria (1:1) is increased to 2:1, as permitted by CRD IV and the Bank of Italy, with prior binding approval by qualified majority of the Shareholders' Meeting for Risk Takers not included amongst Corporate Control Functions for specific and limited professional categories and business segments:

- Asset Management managers in the Asset Management, Insurance and Private Banking Divisions;

- the so-called "Investment Banking" (Structures: Global Markets and Corporate & Strategic Finance) and the heads of units of the Financial Institutions Department;
- resources belonging to the Money Market and Payments, Portfolio Management, Foreign and Decentralised Treasury and MLT Finance Sub-Departments in the Treasury Department, insofar as those professional profiles are similar to those of the Investment Banking;
- Private Bankers.

The current business environment of the Group, which continued to develop its action along the lines laid out in the 2014-17 Business Plan and recorded better performance than the main international competitors, within a framework of capital strength and high level of liquidity, above the regulatory requirements even under the adverse scenario of the stress test, determines the opportunity to extend the maximum limit of the variable remuneration on the fixed remuneration from the sole category of Risk Takers belonging to the professional segments mentioned above, as already requested and approved by the Shareholders' Meeting both in 2015 and in 2016, to the whole category of Risk Takers not included amongst Corporate Control Functions.

To support the results over time, it is appropriate to offer those who have a major direct involvement in the Bank's management (i.e. the Risk Takers) the opportunity to gain competitive bonuses, in line with the level of performance achieved.

Raising the cap on variable remuneration thus allows to support the Group's attractiveness and retention through competitive salary brackets, given that most of the competitors has already requested and obtained the 2:1 cap. Out of 12² companies operating in the financial sector in the EU, 9³ banks have already approved the increase in the cap on the variable remuneration to 2 times the fixed remuneration for the category of Risk Takers, while one⁴ bank has determined a variable-to-fixed remuneration cap higher than 1:1 only for the members of the Management Board.

The increase in the cap on the variable remuneration ensures, in any event, compliance with prudential regulation given that:

- it does not lead to a proportional increase in the resources allocated to the variable remuneration, since the ex-ante funding mechanism of the Incentive System correlates the resources allocated to the overall bonus pool to a specific Group indicator, currently identified in Gross Income;
- having checked the Regulator's activation conditions and individual access conditions:
 - o the bonus allocation is precluded to at least 10% of the entire category of Risk Takers in the event whereby the funding condition envisaged at Group level exceeds the Access threshold but is below the set target (see 4.6);
 - o the incentive system is not activated for Top Risk Takers if the funding condition envisaged at Group level is below the Access threshold;
 - o the incentive system is not activated for Top Risk Takers or for the remaining Risk Takers or for the Managers of the Division in the event whereby the funding condition envisaged at the structure level is below the Access threshold.
- the strong correlation between bonus pay out and prudential requirements in terms of capital and liquidity is guaranteed at multiple levels through the links between the Incentive System and the Risk Appetite Framework (RAF), that are:
 - o compliance with the CET1 and NSFR limits set by the RAF as preliminary conditions to access the System (and with Malus Condition in the settlement of bonus deferred portions);
 - o compliance with the LCR limits set by the RAF as preliminary conditions to access the System for Top Risk Takers (and with Malus Condition in the settlement of bonus deferred portions);
 - o KPIs are drilled down from the budget targets and the budgeting process sets general and specific limits envisaged in the RAF as constraints.

The Group's personnel affected by the cap increase are 2,200, of which about 280 Risk Takers.

Overall, these resources are approximately 2.4% of the Group's personnel and 90% of the scope of Risk Takers.

² Commerzbank, Deutsche Bank, UniCredit, SoGen, Credit Agricole, BNP, BBVA, Santander, Lloyds, Barclays, ING and Nordea.

³ Deutsche Bank, UniCredit, SoGen, Credit Agricole, BNP, BBVA, Santander, Lloyds and Barclays.

⁴ Commerzbank.

4.6. Incentive systems for Group personnel

4.6.a Conditions to activate incentive systems

All of the Group's personnel incentive systems are subject to three conditions:

1. minimum activation conditions required by the Regulator at Group level (4.6.b);
2. funding conditions envisaged by the bonus funding mechanism at Group and structure level (4.6.c);
3. individual access condition (4.6.d).

4.6.b Minimum activation conditions required by the Regulator

6.C.1. a) The minimum conditions required by the Regulator are based on the principles of financial sustainability of the remuneration variable component and therefore represent an assessment of the "quality" of income results achieved and the consistency with the limits envisaged in the Risk Assessment Framework (RAF).

6.C.1. d)

In the Intesa Sanpaolo Group these conditions are as follows:

1. Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

6.C.1. c) Non-achievement of even only one of the above conditions shall result in non-activation of the incentive systems for the Group personnel. Top Risk Takers are subject to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

4.6.c Group's bonus funding mechanism and configuration by department

All the incentive systems for Group personnel are funded by a structured bonus pool mechanism (see 4.3) that requires the implementation of funding conditions at both the Group and structure level.

6.C.1. a) The Group's bonus pool is activated if, and only if, having verified the conditions under the above point, Gross Income exceeds the minimum Access threshold, and it gradually increases as the thresholds are exceeded, up to a predefined maximum (cap).

6.C.1. b)

6.C.1. d)

In the specific case where Gross Income does not exceed the Access threshold but the conditions 1 and 2 under the above point exist, a limited portion of the Group's bonus pool is available, both in relative and absolute terms - the so-called "buffer" - with the aim of ensuring transparent, regulated and ex-ante governance, in line with the requirements of the prudential regulations, by way of priority, of any positive performance of units that opposes the performance of the rest of the Group, which is a likely scenario given the many types of business and the various countries in which Intesa Sanpaolo operates. More specifically, having positively verified the conditions relating to the CET1 and NSFR referred to in the previous paragraph:

1. "Buffer 1" (limited by amount and, in any event, significantly lower than the Bonus Pool) is made available if Gross Income does not exceed the access threshold but remains positive, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

This Buffer is allocated to the Divisions with positive Gross Income, in order to reward:

- i. primarily, in the units in line with the budget: the best performers at every organisational level with the exception of the Top Risk Takers;
 - ii. secondarily, for the Divisions not in line with the budget: solely the employees identified neither as Risk Takers nor as management;
2. "Buffer 2" (with a significantly lower impact than Buffer 1) is made available in the event of loss or negative Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

This Buffer is allocated to the Divisions whose Gross Income is positive and exceeds the Access threshold and only rewards the employees identified as neither Risk Takers nor management.

The portion of Gross Income to be allocated to funding the Group's bonus pool is determined in advance, on an annual basis, according to an historical analysis and budget forecasts.

The allocation of the Group's bonus pool by department is correlated to size (relative weight of the department's target bonus on the Group's total bonus) and adjusted according to the degree of contribution during the year concerned (the department's Gross Income compared to the access threshold).

The financial sustainability principle is also adopted at the Division level. Accordingly, only the Divisions that exceed their Access threshold receive the predefined pool (once the Group's minimum threshold has been reached). The bonus pool of a Division that has not exceeded its Access threshold (the "additional" bonus pool) may be allocated to the Divisions that have exceeded their Access thresholds, except for any amounts allocated to fund the Division buffers, defined in accordance with the provisions laid down at Group level, where the regulations required for Divisions on the matter of eligible recipients apply to the individual units as identified in the organisational charts and recipients of a multi-prospect performance evaluation⁵.

4.6.d Individual access condition

In each department, after verifying the conditions pursuant to the two paragraphs above, payment of the individual bonus is proportional to the level of achievement of the individual performance objectives and, in any case, subject to the verification of the so-called individual compliance breaches:

- disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions;
- in case of breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of the Consolidated Law on Banking and following on the matter of transactions with related parties and of the obligations regarding remuneration and incentives referred to in CRD IV, if involving a penalty of an amount equal to or greater than 30,000 euro.

6.C.1. a)
6.C.1. c)
6.C.1. d)

4.6.e Risk Takers

The variable component of the remuneration for Risk Takers is regulated by specific guidelines laid down in the Supervisory Provisions on remuneration:

- at least 60% must be subject to deferred payment systems for not less than 5 years, if it represents a particularly significant amount and, in any event, for executive board members, the general manager, co-general managers, deputy general managers and other similar roles, heads of the main business lines (and those with a higher risk profile, e.g. investment banking), corporate functions or geographical areas, as well as those who report directly to bodies with strategic supervisory, management and control duties;
- said component must be reduced to 40% and the deferral period to 3 years for the remaining Risk Takers;
- a significant portion of at least 50% must be adequately balanced among shares, instruments linked to shares or, for unlisted banks, equivalent instruments and, where appropriate, innovative and non-innovative capital instruments up to 50% of Tier 1 capital and that adequately reflect the bank's credit quality on an on-going basis; this percentage is applied, in the same proportion, to the deferred variable component as well as to the non-deferred (upfront) component;
- a specific retention mechanism (of at least 2 years for the upfront component, shorter for the deferred component) must be envisaged for the financial instruments pursuant to the previous point;
- it must be subject to the appropriate ex-post (malus or claw-back) adjustment mechanisms to reflect, among other things, the levels of performance net of the risks actually taken or ensuing, up to significant reduction or elimination in the event of results that are substantially lower than forecasts or negative.

The Intesa Sanpaolo Group has defined the following in application of the foregoing:

Deferred payment of variable remuneration:

The deferred portions are differentiated by cluster of Risk Taker and amount of the variable remuneration:

6.C.1. e)

⁵ As described in paragraph 4.3

- 60% for Top Risk Takers not belonging to the Corporate Control Functions and for those who, among the Risk Takers, accrue a bonus in excess of 100% of the fixed remuneration;
- 40% for Top Risk Takers belonging to the Corporate Control Functions and for all the remaining Risk Takers.

Payment of variable remuneration through financial instruments:

6.C.2. The assignment of financial instruments of the Intesa Sanpaolo Group is envisaged for all Risk Taker categories, except for Top Risk Takers not included amongst Corporate Control Functions that accrue a bonus above 100% of the fixed remuneration, with respect to:

- 50% of the upfront remuneration;
- 50% of the deferred remuneration.

Top Risk Takers not belonging to the Corporate Control Functions that accrue a bonus:

- above 100% of the fixed remuneration and up to 150% are assigned financial instruments with regard to:
 - 55% of the upfront remuneration;
 - 55% of the deferred remuneration;
- above 150% of the fixed remuneration are assigned financial instruments with regard to:
 - 60% of the upfront remuneration;
 - 60% of the deferred remuneration.

Deferral period:

6.C.1.e) For Top Risk Takers not belonging to the Corporate Control Functions, the deferral period is equal to 5 years, with payment of 60% of the bonus by instalments as follows:

- in the event of a bonus up to 100% of the fixed remuneration:
 - 20% in the year following that of accrual of the upfront component;
 - 40% in the 4 years following the year of allocation of the first deferred instalment, in equal amounts of 10%;
- in the event of bonus in excess of 100% of the fixed remuneration and up to 150% thereof:
 - 17% in the year following that of accrual of the upfront component;
 - 33% in the 3 years following the year of allocation of the first deferred instalment, in equal amounts of 11%;
 - 10% in the fourth year following the year of allocation of the first deferred instalment;
- in the event of a bonus in excess of 150% of the fixed remuneration:
 - 14% in the year following that of accrual of the upfront component;
 - 36% in the 3 years following the year of allocation of the first deferred instalment, in equal amounts of 12%;
 - 10% in the fourth year following the year of allocation of the first deferred instalment.

For Risk Takers who accrue a bonus in excess of 100% of the fixed remuneration, the deferral period is equal to 5 years, with payment of 60% of the bonus by instalments as follows:

- 20% in the year following that of accrual of the upfront component;
- 40% in the 4 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

For Top Risk Takers belonging to the Corporate Control Functions and for Risk Takers who accrue a bonus not in excess of 100% of the fixed remuneration, the deferral period is equal to 3 years, with payment of 40% of the bonus by instalments as follows:

- 20% in the year following that of accrual of the upfront component;
- 20% in the 2 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

Breakdown of deferred portions:

6.C.2. The breakdown of the deferred portion for Top Risk Takers not belonging to the Corporate Control Functions and for those who, among the Risk Takers, accrue a bonus in excess of 100% of the fixed remuneration is as follows:

- 1st deferred portion: 100% cash;
- 2nd deferred portion: 100% financial instruments;

- 3rd deferred portion: 100% financial instruments;
- 4th deferred portion: 100% financial instruments;
- 5th deferred portion: 100% cash.

The breakdown of the deferred portion for Top Risk Takers belonging to the Corporate Control Functions and for all the remaining Risk Takers is as follows:

- 1st deferred portion: 50% cash and 50% financial instruments;
- 2nd deferred portion: 100% financial instruments;
- 3rd deferred portion: 100% cash.

An appreciation on the deferred component in cash is recognised in line with market interest rates, as laid down by the Supervisory Provisions on remuneration.

Retention period:

The following holding period is envisaged for the assigned financial instruments:

6.C.2.

- 2 years for the upfront component;
- 1 year for those assigned as the deferred portion to Top Risk Takers;
- 6 months for those assigned as the deferred portion to those who, among the Risk Takers (not included among Top Risk Takers), accrue a bonus in excess of 100% of the fixed remuneration;
- 1 year for those assigned as the deferred portion to all remaining Risk Takers not included in the previous categories.

Relevant bonus:

The threshold for identification of a "Relevant Bonus" is set at 80,000 euro.

Bonuses equal to or below that threshold are paid entirely in cash and upfront, inasmuch as the amounts that would result from the application of the deferral mechanisms, payment in shares and holding period would be quite insignificant in both absolute and relative terms with respect to total remuneration collected, to such an extent as to result in effective invalidation of the principle that inspires the mechanism (correlation between the amount of a bonus and assumption of risks).

In the specific case where the bonus below 80,000 euro is greater than 100% of the fixed remuneration, the pay-out will be 60% as upfront cash and 40% in a single tranche, once again in cash, with 2 years of vesting, subject to malus condition and claw-back mechanisms (see below).

Variable remuneration payment conditions:

The deferred portion is subject to the individual remaining with the Group at the end of the deferral period or at the deadlines envisaged for actual delivery of the financial instruments, save as provided in paragraph 4.9, as well as to the "malus condition" mechanism described below and to the non-existence of negative events directly attributable to the individual's behaviour, in carrying out their activities, that jeopardises the sustainability of results over time.

Calculating the total incentive payable:

The total amount due (sum of the upfront and deferred components) to Top Risk Takers is granted on the basis of the individual performance scorecards built around the criteria illustrated above (see paragraph 4.3), assigned to each manager. In particular, the Top Risk Takers may receive the maximum bonus that can be allocated upon the achievement of the maximum score of the individual performance scorecard, equal to 130%.

The evaluation of the Top Risk Takers' performance falls within the remit of the Board of Directors which, upon the proposal of the Remuneration Committee, defines any bonus resulting from this evaluation, to be paid in the manner envisaged for this cluster in terms of deferral, assignment of financial instruments, breakdown of deferred portions, retention period, malus condition and claw-back mechanisms.

For Risk Takers not included in the Top Risk Takers category, the amount of any bonus granted is defined annually according to the position achieved in the "internal ranking" of their business unit/department.

Such ranking is obtained by ordering the scores of the results of the individual performance scorecards, constructed according to the criteria illustrated above (see paragraph 4.3), assigned to each manager.

6.C.1. a)
6.C.1. b) Those who place in the top range of the ranking (equivalent to 20% of managers) receive the maximum bonus that can be granted through the Incentive System (as described in paragraph 4.5).

In the event whereby the budget is reached and/or exceeded, the remaining Risk Takers (equivalent to 80% of managers), divided into three ranges of bonus, receive a bonus that is a function of the share of the bonus pool assigned to their business unit/department according to the funding mechanism described above, after deducting the total bonus attributable to the best performers (i.e., managers who place in the top range).

In the event whereby the budget is not reached but the threshold is exceeded, those placed in the lower range do not receive any bonus (equivalent to at least 10% of the Risk Takers).

The individual incentive calculation mechanism described above allows the application of the principles of selectivity, merit and differentiation of performance.

Malus conditions on the deferred portion of variable remuneration:
Payment of the deferred portion of variable remuneration is subject to:

- assessment of the individual access condition;
- application of the ex post correction mechanism.

6.C.1.c) Assessment of the individual access condition, namely the absence of disciplinary measures that call for at least a 1-day suspension (so-called individual compliance breach), is a necessary condition but not sufficient for payment of the deferred portion.

6.P.2.
6.C.1. d)
6.C.2 Each deferred portion is, indeed, subject to an ex-post adjustment mechanism - the so-called malus condition - according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year in which the deferred portion is paid, in relation to the level of achievement of the minimum conditions set by the Regulator (see 4.6.b), namely:

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

6.C.1. c) In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

For Top Risk Takers, in parallel with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged, relating to verification of the LCR compared to the RAF limits. As regards this cluster, if either condition 1 or 2 or that relating to the LCR does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

4.6.f Other managers

The remaining managerial cluster is subject to an incentive system that is consistent with the provisions envisaged for Risk Takers. In fact, bonuses are determined according to the results achieved with respect to the targets set out in the individual performance scorecards, the structure of which is entirely analogous to that applied to Risk Takers.

Accordingly, the individual incentive calculation mechanism also implements the principles of selectivity, merit and differentiation of performance of this cluster as well.

Any "Relevant Bonuses" recognised to this cluster insofar as they are above the threshold of 80,000 euro (see paragraph 4.6.e), if of an amount above 100% of the fixed remuneration, will be paid in the manner envisaged for non-Top Risk Takers, namely:

Deferred payment of variable remuneration:

The deferred portion is equal to 40%.

6.C.1. e)

Payment of variable remuneration through financial instruments:

Assignment of financial instruments of the Intesa Sanpaolo Group regarding:

6.C.2.

- 50% of the upfront remuneration;
- 50% of the deferred remuneration.

Deferral period:

The deferral period is equal to 3 years, with payment of 40% of the bonus by instalments as follows:

6.C.1. e)

- 20% in the year following that of accrual of the upfront component;
- 20% in the 2 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

Breakdown of deferred portions:

The breakdown is as follows:

6.C.2.

- 1st deferred portion: 50% cash and 50% financial instruments;
- 2nd deferred portion: 100% financial instruments;
- 3rd deferred portion: 100% cash.

An appreciation on the deferred component in cash is recognised in line with market interest rates, as laid down by the Supervisory Provisions on remuneration.

Retention period:

The following holding period is envisaged for the assigned financial instruments:

6.C.2.

- 2 years for the upfront component;
- 1 year for the deferred portion.

In specific cases where the bonus accrued:

- represents a "relevant bonus" and is below 100% of the fixed remuneration;
- does not qualify as a "relevant bonus" but is above 100% of the fixed remuneration;

60% thereof will be paid as upfront in cash and 40% in a single tranche, once again in cash, with 2 years of vesting, subject to malus condition e claw-back mechanisms (see below).

4.6.g Specific professional business categories

The Group personnel classification identifies the professional business categories that are recipients of specific incentive systems drawn up in accordance with the abovementioned principles, guidelines and rules envisaged for management.

In an effort to build fair and motivating bonuses, studies were conducted on internal practices and their alignment with specific market benchmarks.

The incentive systems adopted call for bonus-award mechanisms that are differentiated by business area with the aim of implementing measures consistent with the specific corporate professional qualities, recognising individual merit and rewarding teamwork. In any event, payment of the individual bonus is subject to assessment of the individual compliance breach (absence of disciplinary measures resulting in one or more days of suspension).

The amount of bonuses paid is correlated to the performance of both the Division/Business Unit and the Group as a whole (financial sustainability and solidarity mechanisms).

The rationale underlying the incentive systems introduced and applied by the company can be summarised as follows:

- private banking: the assignment of individual bonuses is related to the measurement of quantitative and qualitative performance, both at individual and team level. The parameters used for determining incentives refer to the typical revenues of the business under examination (e.g. improvement in net interest income), to the increase in assets, including in terms of customer loyalty and quality/risk monitoring indicators (taking account of the compliance guidelines), duly combined with customer satisfaction and service quality indicators;
- investment banking e asset management: for Banca IMI's Global Markets and Corporate & Strategic Finance Business Unit and the professional treasury categories of Asset Management managers

-
- (Eurizon Capital, some subsidiaries of Banca Fideuram) bonuses are awarded primarily to reward individual merit, also considering qualitative and behavioural elements, within the limits of team spirit, rewarding outstanding performance with incentives comparable to the target levels of reference markets;
- Credit and Team Plan Structures of the NPL Plan: in line with the Three-year structural reduction Plan of the NPL stock required from the Group by the Authority (and in addition to what was agreed each year with the trade unions in terms of VRB - see paragraph below), the allocation of individual bonuses was envisaged, differentiated by type of contribution to the Plan (indirect, direct, co-ordination), according to the reference Division/Team KPIs;
 - international subsidiary banks: without prejudice to the use of adequate qualitative-quantitative indicators and compliance with the general Group policy, incentives are awarded on the basis of the procedures and local regulations in force from time to time in each country.

The retail business segment of the Banca dei Territori Division is the recipient of a specific form of short-term variable remuneration (VRB, referred to in paragraph 4.7).

Any "Relevant Bonuses" recognised to this cluster insofar as they are above the threshold of 80,000 euro (see paragraph 4.6.e), if of an amount above 100% of the fixed remuneration, will be paid in the manner envisaged for non-Top Risk Takers, namely:

Deferred payment of variable remuneration:

- 6.C.1. e) The deferred portion is equal to 40%.

Payment of variable remuneration through financial instruments:

- 6.C.2. Assignment of financial instruments of the Intesa Sanpaolo Group regarding:
- 50% of the upfront remuneration;
 - 50% of the deferred remuneration.

Deferral period:

- 6.C.1. e) The deferral period is equal to 3 years, with payment of 40% of the bonus by instalments as follows:
- 20% in the year following that of accrual of the upfront component;
 - 20% in the 2 years following the year of allocation of the first deferred instalment, in equal amounts of 10%.

Breakdown of deferred portions:

- 6.C.2. The breakdown is as follows:
- 1st deferred portion: 50% cash and 50% financial instruments;
 - 2nd deferred portion: 100% financial instruments;
 - 3rd deferred portion: 100% cash.

An appreciation on the deferred component in cash is recognised in line with market interest rates, as laid down by the Supervisory Provisions on remuneration.

Retention period:

- 6.C.2. The following holding period is envisaged for the assigned financial instruments:
- 2 years for the upfront component;
 - 1 year for the deferred portion.

In specific cases where the bonus accrued:

- represents a "relevant bonus" and is below 100% of the fixed remuneration;
 - does not qualify as a "relevant bonus" but is above 100% of the fixed remuneration;
- 60% of this bonus will be paid as upfront in cash and 40% in a single tranche, once again in cash, with 2 years of vesting, subject to malus condition e claw-back mechanisms (see below).

4.6.h Guaranteed bonuses

The assignment of guaranteed bonuses is not envisaged, with the sole exception of limited cases of recently hired employees, without prejudice to thorough assessment and analysis of market practice, solely for the first year.

4.6.i Claw-back mechanisms

The company reserves the right to activate claw-back mechanisms, namely the return of bonuses already paid as required by regulations, as part of the disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel, also taking into account the relative legal, contribution and fiscal profiles.

4.6.I Prohibition of hedging strategies

It is expressly prohibited for individual employees to undertake personal hedging or insurance strategies on the remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the remuneration mechanisms described. Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

4.7. Variable Result Bonus

Within the framework of the Intesa Sanpaolo Group II level National Collective Bargaining Agreement, a Variable Result Bonus (hereinafter, VRB) was introduced to replace the Company Bonus and Incentive System, since 2015.

4.7.1 Purposes

The purposes of the VRB are as follows:

- recognise the contribution of each single individual to the implementation of the 2014-2017 Business Plan;
- link more directly the productivity and profitability at Group and structure level to the variable remuneration of each resource, also according to role played and seniority attained;
- contribute to support internal equity, with mechanisms for payment of higher bonuses for lower remuneration;
- reward individual merit in a distinctive manner.

4.7.2 Structure

Given the purposes referred to above and in the manner described below, the VRB is a bonus that consists of one or more cumulative portions:

- Base Bonus;
- Additional Bonus;
- Excellence Bonus.

The VRB, in the Base Bonus component, is intended for all personnel belonging to Professional Areas and Middle Managers, employed with an open-ended contract (including skilled labour apprenticeship contracts) at companies that apply the national collective bargaining agreement - CCNL - for Credit Sector of the Intesa Sanpaolo Group, with the exclusion of ISP Casa, whose personnel is the recipient of a dedicated system.

The VRT, in the Additional Bonus and Excellence Bonus components, is intended for all personnel belonging to Professional Areas and Middle Managers, employed with an open-ended contract, with the exception of those managers or employees included in specific professional categories (private banking, asset management, treasury, investment banking, CLB) for which there are specific incentive systems comprising - where applicable - even the Base Bonus component.

4.7.2.a Base Bonus

The Base Bonus is aimed, firstly, at rewarding all Group employees for their collective contribution to achieving the Results envisaged in the Business Plan as well as at supporting, also for internal equity purposes, the lower remuneration. Given its "participatory" nature, the Base Bonus is independent of the contractual agreement and the professional role held/seniority accrued.

4.7.2.b Additional Bonus

The Additional Bonus is designed to recognise the contribution provided "by role" to the results of the relevant department and to contribute to greater internal equity in terms of total remuneration. In particular, the Additional Bonus is differentiated by professional role or seniority and professional category cluster in order to enhance the specific contribution to department results, taking into account the external reference remuneration market.

The table value of the Additional Bonus is reduced, proportionally, for specific parameters related to the annual gross remuneration and/or performance.

4.7.2.c Excellence Bonus

The Excellence Bonus is intended to reward individual merit and distinctive contribution made to the team's results, with different modalities for general employees and the professional roles of the Banca dei Territori Network.

For general employees, the individual allocation of the Excellence Bonus is at the Direct Head's discretion, with priority given to the highest levels of professional evaluation, within the limits of the bonus pool allocated and in line with the guidelines defined by the Human Resources Head Office Department, according to the available financial resources, the relevant remuneration markets, also having regard to the principle of internal equity.

For the professional roles of the Areas and Branches of the Banca dei Territori network, the Excellence Bonus is intended to reward the work of the best teams and enhance distinctive behaviour, with a focus on achieving sustainable performance over the medium to long term in terms of profitability, extensibility, credit quality, sustainable growth, quality of service, customer satisfaction, joint responsibility and multichannel drive.

The Compliance indicator aims to measure synthetically compliance with the relevant rules on the exercise of banking and intermediation activities, management of conflicts of interest, transparency towards customers and regulations for consumer protection. In addition, it provides a summary on the quality of the service provided in terms of efficiency and optimisation of the time taken to meet customer credit requirements and their proper management.

The Excellence Bonus is subject to the achievement of a minimum score both of the Compound Performance Indicator and the Compliance Indicator and is proportional to the performance achieved and measured through the Synthetic Performance Indicator by result range.

4.7.3 Minimum activation conditions

The VRB, as provided for the Incentive Systems for Group personnel, is subject to three conditions:

- Minimum activation conditions at Group level;
- funding condition;
- individual access condition.

4.7.3.a Minimum activation conditions at Group level

The minimum activation conditions of the VRB, in line with the Regulator's requirements and as envisaged for the Incentive Systems for Group personnel, are based on the principles of financial sustainability of the remuneration variable component and therefore represent an assessment of the "quality" of income results achieved and the consistency with the limits envisaged in the Risk Assessment Framework (RAF).

These conditions are as follows:

- Group Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
- Group Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
- Group positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

Non-achievement of even only one of the above conditions results in non-activation of the VRB.

4.7.3.b Conditions of funding

The VRB bonus pool has a three-fold structure, insofar as it is intended to specifically fund the three bonus components that make up the VRB. The VRB, as the Group Incentive Systems, is financed by a structured bonus pool mechanism, aimed at ensuring its economic and financial sustainability, determined each year *ex ante*.

Said mechanism requires the implementation of the funding conditions at both Group and structure level:

Funding condition at Group level

The VRB bonus pool is activated and finances the portion intended for the base bonus if, once the Group minimum activation conditions have been met, the Group Gross Income exceeds the Access threshold, and it gradually increases as the thresholds are exceeded, up to a predefined maximum (cap).

In the specific case where Gross Income does not exceed the Access threshold but the conditions under point 4.1 have been met, a part of the VRB bonus pool portion intended to finance the base bonus is made available.

Once the Group minimum activation conditions and funding mechanism described above have been met, the Base Bonus is assigned to all Group employees.

Funding condition at structure level

The VRB bonus pool is activated and finances the portions intended for the additional bonus and the excellence bonus if the Group minimum activation and funding conditions (Group's Gross Income exceeding the threshold) have been met, and the structure's Gross Income is equal to or higher than the threshold.

Conversely, in the special case where all the aforesaid conditions at Group level have been met but the structure's Gross Income is lower than the threshold, only a part of the portion intended to finance solely the additional bonus is made available.

In the Group Divisions, the structure's Gross Income is understood to be the Division's Result; in the remaining structures, it is understood as the Group's Gross Income.

4.7.3.c Individual access condition

Within the scope of each structure, once the Group minimum activation conditions, Group funding condition and structure funding condition have been met, the payment of one or more VRB portions (base bonus, additional bonus and excellence bonus) is, in any event, subject to verification of the so-called individual compliance breach: the absence of disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions.

Furthermore, once the aforesaid conditions have been met, in line with the Regulator's requirements and as laid down in the Group's remuneration policies, the excellence bonus will not be payable in the event of:

- evaluation below "in line with the role's expectations", for general employees;
- failure to reach the minimum result required for the compound performance indicator or Compliance KPI, for the professional roles of the Areas and Branches of the Banca dei Territori network.

4.8. Employee share ownership

The Intesa Sanpaolo Group is always seeking innovative ways to motivate and retain its resources, the involvement and development of which constitute key and enabling factors in the achievement of results at all levels of the organisation.

The Group believes that employee share ownership encourages identification and alignment with the medium/long-term objectives and constitutes a desirable form of sharing the value created over time.

This took on particular importance during 2014, concurrently with the launch of the 2014-2017 Business Plan, whose implementation requires the commitment and activation of the energy of all individuals working in the Intesa Sanpaolo Group.

4.8.1 Employee investment plan – LECOIP (Leveraged Employee Co-Investment Plan)

In this regard, the Bank's desire to offer all of its employees an investment instrument meeting such characteristics (LECOIP Plans) falls under this scope.

4.8.1.a Principles

- Strengthening of the sense of belonging (ownership);
- Alignment with a medium/long-term time frame which coincides with that of the Business Plan;
- Express sharing of the "challenge" offered by the Business Plan: participation in the LECOIP Plans assumes an individual investment choice that is both voluntary and informed;
- Protection and promotion of employees' savings by offering an efficient investment instrument;
- Inclusion and cohesion: the Investment Plan targets all employees;
- Equity: the Investment Plan is offered through a uniform structure to all employees.

4.8.1.b Characteristics

The share ownership proposal, launched in 2014, is subdivided into two phases:

1. launch by the Bank of an *Employee Share Ownership Plan* that offered each employee the opportunity to share a part of the value of Intesa Sanpaolo (ownership) and, therefore, to increase their sense of belonging;
2. the possibility for each employee to use the shares received and:
 - a. maintain them in their securities account, in order to sell them subsequently or transfer them immediately;
 - b. invest them in a long-term financial instrument, the LECOIP Certificate, with duration aligned with the Business Plan, which upon maturity:
 - i. guarantees a "protected capital" (higher than the value corresponding to the amount of shares invested);
 - ii. participates in the share value increase on a larger number of shares.

With regard to the *Employee Share Ownership Plan*, the amounts assigned in free shares to all employees were differentiated by clusters and, in any case, represented a slightly significant value compared to the fixed remuneration. The methods for implementation of the *Employee Share Ownership Plan* were discussed by company members, in accordance with the provisions of the collective labour and company agreement in force, who shared the spirit thereof and contributed to the success of the initiative.

With regard to the LECOIP Certificate, the protected capital that the employee receives upon maturity - if he/she has chosen to invest in the Plans - may reach the maximum amount envisaged for the relevant cluster.

Participation in the growth of the share value was defined at 75% on a basis equal to 5 times the protected capital.

The LECOIP Plans were subscribed by around 80% of the recipients of the offer, as shown below:

Category	Number of applicants	Percentage compared to the total number
Risk Takers	218	88%
Executives	654	91%
Employees overall	49,426	79%
Total	50,298	79%

4.8.1.c Diversification by cluster

Essentially in line with the segmentation of personnel referred to in paragraph 4.2 and with its guiding principles, the LECOIP Plans are differentiated by cluster (Risk Takers, Other Managers - Executives, Remaining Personnel - Middle Managers and Professional Areas).

Risk Takers and Executives, by virtue of the specific influence that they may have on business performance and in compliance with the Provisions on remuneration, were the recipients of specific categories of LECOIP Certificates which envisage "trigger events" that replicate the typical operating mechanisms of the malus conditions provided for the Incentive System.

Said trigger events, therefore, as laid down in the Risk Taker LECOIP Certificate, may decrease both the protected capital amount and the share ownership amount.

More specifically, such trigger events include, within a time frame of one year or more of duration of the Plan:

1. maintenance or non-maintenance of the capital adequacy levels laid down in the RAF, measured both in terms of Common Equity Tier 1 Ratio (CET1) and AFR Core/Economic Capital, subject to subsequent changes in the regulations on capital adequacy, application by the supervisory authority of target ratios above the regulatory levels and/or updates to the Group RAF;
2. maintenance or non-maintenance of adequate liquidity levels laid down in Intesa Sanpaolo's Risk Appetite Framework, measured in terms of Net Stable Funding Ratio (NSFR);
3. no loss - both at Group level and at the level of the competent Division - and positive Income before tax from continuing operations (net of any contribution of profits from the buyback of the Bank's own liabilities, from the fair value measurement of Bank liabilities and from income components arising from accounting policies following changes to the internal model on core deposits);

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4. value distribution or non-distribution to shareholders (this meaning the distribution of dividends and/or reserves and/or the buyback of own shares).

Moreover:

- deterioration of the capital adequacy and liquidity levels provided for by the RAF involves a deduction of the protection ensured by the Risk Taker LECOIP Certificate, which can also lead to the elimination thereof; any deduction is based on annual observations with application over the entire period of the plan of the most penalising finding;
- loss - both at Group level and at the level of the competent Division - or negative Income before tax from continuing operations, in one or more years of the Investment Plan's duration, entails the gradual reduction in the protection ensured by the Risk Taker LECOIP Certificate, until the elimination thereof;
- lack of value distribution to shareholders, in one year or more of the Investment Plan's duration, entails the gradual reduction in the shareholding amount to the appreciation of the ISP stock value.

The trigger events envisaged in the Executive LECOIP Certificate are built according to proportional application compared to those provided for Risk Takers and include, in one or more years of duration of the Plan:

1. maintenance or non-maintenance of the capital adequacy levels laid down in the RAF, measured in terms of Common Equity Tier 1 Ratio (CET1), subject to subsequent changes in the regulations on capital adequacy, application by the supervisory authority of target ratios above the regulatory levels and/or updates to the Group RAF;
2. maintenance or non-maintenance of adequate liquidity levels laid down in Intesa Sanpaolo's Risk Appetite Framework, measured in terms of Net Stable Funding Ratio (NSFR).

As provided for the Risk Takers, the deterioration of the capital adequacy and liquidity levels provided for by the RAF involves a deduction of the protection ensured by the Executive LECOIP Certificate, which can also lead to the elimination thereof; any deduction is based on annual observations with application over the entire period of the plan of the most penalising finding.

Each trigger event generates effects independently of the other; in other words, the occurrence of a single trigger event is sufficient to reduce either the level of protection provided by the Risk Taker/Executive LECOIP Certificate or the percentage of participation in the appreciation of the Intesa Sanpaolo stock value of the Risk Taker LECOIP Certificate.

In any event, upon the occurrence of the trigger events, the right that would have been granted to the Executives and Risk Takers under the Executive LECOIP Certificate and the Risk Taker LECOIP Certificate, respectively, shall be transferred to Intesa Sanpaolo.

4.8.1.d Compliance with the Provisions on remuneration

Although these are Co-Investment Plans, freely subscribed by each employee on an individual level, in compliance with the Provisions on remuneration, they:

- are classified as an instrument of variable remuneration linked to the continuation of employment;
- supplement and do not replace the components paid as short-term variable remuneration;
- are calculated as the annualised portion of the "protected capital", the contribution to participation in the increase in the stock value and the "sell to cover"⁶, within the maximum limits envisaged for the variable remuneration against the fixed remuneration as described in paragraph 4.1;
- are diversified compared to provisions regarding employees overall, for Executives and Risk Takers, due, respectively, to the role played by the former and the specific influence that the latter may have on the risk profile and company results.

In particular:

- the Free Shares paid to the Risk Takers are subject - in any case, and regardless of the amount assigned - to a deferral period of 2 years and to the same malus conditions provided for in the Annual Incentive Plans, if they decide not to join the Investment Plan;

⁶ Allowance paid in order to cover tax and contributions obligations linked to the time horizon of LECOIP Long-term Co-Investment Plan shares granting.

- the combination of all forms of variable remuneration (annual incentive systems and LECOIP) assigned to the Risk Taker requires that at least 65% thereof be granted in shares each year (thereby exceeding the minimum limit required by the applicable Provisions and equal to 50% of the variable remuneration);
- the availability of the benefit is subject to a vesting (cliff) period of over 3 years, i.e. both the "protected capital" and the amount of participation in the increase in the stock value are paid entirely and exclusively at the end of the vesting period;
- the Risk Taker LECOIP Certificate is fully paid in shares;
- for Executives and Risk Takers, trigger events are adopted which reduce (until elimination thereof) the amount of protected capital, as exactly occurs with the existing annual incentive systems (see paragraph 4.6);
- the shares paid to the Risk Takers at the end of the Plan - net of any tax impacts - shall be subject to holding requirement.

4.8.1.e Individual conditions governing participation in the LECOIP Plans

The Investment in LECOIP Plans is subject to verification of the existence of an employment agreement with Intesa Sanpaolo, or with one of the Group companies at the moment of actual participation in the Plans.

In particular, any rights arising from the Certificate, including the right to protection with regard to the shares assigned free of charge, shall lapse in the event of resignation, termination for just cause or justified reason of the Employees involved, mutual termination of the employment agreement and similar situations. However, at the end of the LECOIP Plans and based on the actual period of office, amounts/shares accrued may be in any case recognised in the case of termination of the employment agreement due to achievement of the direct pension requirements or through access to the Solidarity Fund or participation in the Emergency Fund. In all of the above cases, the rights that would have been recognised to Employees under the Certificates shall be transferred to Intesa Sanpaolo.

Conversely, in the event of disciplinary measures involving suspension from service and pay for a period equal to or greater than one day, including as a result of serious findings received from the Bank's control functions (as is the practice in Intesa Sanpaolo), any rights arising from the Certificate, including the right to protection with regard to the shares assigned free of charge, shall equally lapse.

Finally, in case of breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of the Consolidated Law on Banking and following on the matter of related-party transactions and of the obligations regarding remuneration and incentives referred to in CRD IV, if involving a penalty of an amount equal to or greater than 30,000 euro, any rights arising from the Certificate, including the right to protection with regard to the shares assigned free of charge, shall equally lapse.

The same claw-back mechanisms already provided for in the remuneration policies of the Group (see paragraph 4.6) are extended and applied to the LECOIP Investment Plans.

4.8.1.f Early Settlement Event

In the event of an Early Settlement Event (namely, a Change of Control⁷ or an unlawful event⁸), the employee receives, on a pro rata basis, the value of the protected capital (in any case equal to at least the

⁷ It refers to: (i) the circumstance according to which an entity, or several entities bound by a shareholders' agreement governing the voting powers at Intesa Sanpaolo Shareholders' Meeting, is, or becomes, directly or indirectly, the beneficial owner of more than 50% of the voting rights that may be exercised at Intesa Sanpaolo Shareholders' Meeting; or (ii) the sale, lease, assignment, transfer or other types of sale (other than merger, consolidation or other business combination), in a transaction or a series of related transactions of all (or almost all) of Intesa Sanpaolo assets to one or more entities that are not Intesa Sanpaolo shareholders at the date of the LECOIP Prospectus, or (iii) a change in Intesa Sanpaolo ownership structure, or other similar circumstance, such that an entity, or several entities bound by a shareholders' agreement governing the voting powers at Intesa Sanpaolo Shareholders' Meeting, becomes able to express the majority of Intesa Sanpaolo management and control bodies, or to change Intesa Sanpaolo corporate purpose, or even to transform Intesa Sanpaolo into a non-commercial bank, including, without limitation, through a merger or acquisition of a stake in the share capital of Intesa Sanpaolo; each of the above cases, to the extent that it does not constitute Nationalisation, as defined in Section VI, Chapter 4, Paragraph 4.3.2 of the abovementioned Prospectus.

value of the shares invested by the employee from the *Employee Share Ownership Plan*), plus what has been accrued up to that moment in terms of participation in any stock value increase.

4.8.1.g Expected benefits

- Support of motivation;
- Increase in personnel retention and attraction levels;
- Efficient use of the economic resources available to the Bank (the cost of the Investment Plan is largely lower than traditional forms of remuneration, with equal net benefit for the employee);
- Distribution of the Plans' costs over a multi-year time frame;
- Tax advantage, in favour of employees, compared to traditional forms of remuneration, as participation in any appreciation of the stock value compared to its original market value is subject to taxation on financial income.

4.9. Termination of the employment agreement

The termination of the employment agreement involving personnel with state pension or seniority pension rights and/or A.G.O. pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred.

6.C.1. f)

In all other cases, the Bank has the right to award any amounts, depending on the specific situations, upon termination of the employment agreement, also through consensual retrenchment agreements providing termination payments.

In any case, in compliance with the principles contained in the Group's Code of Ethics, the Intesa Sanpaolo Group does not enter into individual agreements with its managers and employees in advance (i.e. prior to termination of the employment agreement) that govern compensation to be granted in the event of early termination of the employment agreement.

In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all levels, including executives, which also govern the treatment of sums payable to personnel upon termination of the employment agreement in the event of extraordinary transactions and/or company reorganisations.

4.9.1 Criteria and maximum limits for the determination of severance payments in the event of termination of the employment agreement

According to the Supervisory Provisions on remuneration, the severance payment agreed in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the provisions of the National Collective Bargaining Agreement concerning payments related to the indemnity for failed notice constitutes the so-called golden parachutes, including any compensation paid according to the non-competition agreement.

In the Intesa Sanpaolo Group, the principles for the definition of these payments - inspired to both the correlation between severance pay and ongoing performance criteria and the control of potential litigations – are:

- regulatory capital adequacy requirements maintenance;
- no reward for failure;
- unobjectability of individual behaviour (consistency with compliance breaches' criteria);
- alignment with international and domestic best practices.

⁸ This is understood as the circumstance whereby (i) by virtue of the entry into force of a law or regulation (including, without limitation, the tax legislation) (each an "Applicable Regulation"), or (ii) as a result of a ruling, order or order by a judicial authority, or a decision or notice by a regulatory authority (expressly including CONSOB, the Bank of Italy and Borsa Italiana), including of a mere interpretative nature (expressly including any decision by a tax authority), one or more terms, conditions or characteristics of the Certificates, or the fulfilment of one or more of the obligations arising from the Certificates, is, or becomes, in whole or in part, unlawful, illegal, or howsoever contrary to or partially contrary to an Applicable Regulation.

Pursuant to these criteria and the Supervisory Provisions on remuneration, when negotiating this kind of remunerations, the Group defined that those payments:

- are equal, as a maximum amount, to 24 months of fixed remuneration; the adoption of this limit can lead to a maximum disbursement of 5.2 million euro⁹;
- are paid according to the methods set for short-term variable remuneration, for each cluster, except for the payment related to the indemnity for failed notice.

As provided for by the EBA Guidelines of December 2015, the payments set for early termination of the employment relationship or for early termination of the office are subject to the aforesaid Regulations only in cases where this would not be contrary to the provisions of law relating to the early termination of the employment relationship in a single country, or to the provisions laid down by the authority or as otherwise specifically represented and agreed upon with the Bank of Italy.

It should be noted that the definition of said maximum limit adopted by the Group falls well below the provisions of the sector's National Collective Bargaining Agreement (which allows to issue up to a maximum of 39 monthly payments, including the indemnity for failed notice) and national practices (36 monthly payments, of which up to 24 in excess of the indemnity for failed notice), discounting, de facto and ex ante, the assumption that the early termination of the employment relationship should not represent a rewarding element, which translates into the containment of the sums payable on that account, in line with the application of the "no reward for failure" principle.

The specific determination of the remuneration for Top Risk Takers is subject to assessment and approval, for the amount exceeding the indemnity for failed notice, by the Board of Directors, which establishes, within the maximum limit approved by the Shareholders' Meeting, the amount deemed adequate taking into account the overall assessment of the work of the person in different roles held over time and paying particular attention to the capital, liquidity and profitability levels of the Group¹⁰ and to any individual sanctions imposed by the Supervisory Authority¹¹. In terms of process, the Board of Directors bases its assessments on the proposal made by the Remuneration Committee, based on an inquiry conducted by the Human Resources Head Office Department, with the opinion of the Compliance Head Office on the compliance of the proposal to the regulatory provisions in force from time to time and on its consistency with the remuneration and incentive policies.

Similarly to what is provided for the Top Risk Takers, as far as relates the remaining cluster, including the Risk Takers, the Human Resources Head Office Department provides for a symmetrical process by determining the adequate amount payable as severance pay, for the portion in excess of the payment related to the duration of the notice period, within the scope of the maximum limit approved by the Shareholders' Meeting, taking into consideration the overall evaluation of the individual's work in the different roles held over time and having particular regard to the levels of capital strength, liquidity and profitability of the Group, and the presence or absence of individual sanctions imposed by the Supervisory Authority (as described above).

⁹ Pursuant to the Provisions, such limits do not include the indemnity for failed notice in accordance with the National Collective Bargaining Agreement (CCNL); the fixed remuneration includes the gross annual remuneration and any role allowance and/or remuneration received for the office and not paid.

¹⁰ Reference is made, specifically, to the conditions to activate incentive systems (see paragraph 4.6.b):

1. Common Equity Tier Ratio at least equal to the limit envisaged in the Risk Appetite Framework (RAF);
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. no loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

For the Top Risk Takers reference is made to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

¹¹ As stated in paragraph 4.6.d "Breaches specifically sanctioned by the Supervisory Authorities of the obligations as per Article 26 of the Consolidated Law on Banking regarding the requirements of professionalism, integrity and independence or Article 53, paragraph 4, of Consolidated Law on Banking and following on the matter of transactions with related parties and of the obligations regarding remuneration and incentives referred to in CRD4, if involving a penalty of an amount equal to or greater than 30,000 euro".

In addition, with regard to the remaining cluster, the Human Resources Head Office Department, with the support of the Planning and Active Value Management Head Office Department, ensures, through a process of verification every six months, that the total compensation paid by way of severance in accordance with the terms defined in this paragraph, and net of the amount due as indemnity for failed notice, may not cause prejudice to the capital strength of the Group, i.e. they do not have an impact on the level of the Common Equity Tier Ratio (CET1) such as to imply - due to their payment - a reduction of this level below the threshold provided for by RAF for this indicator.

As regards the payment methods, finally, these are differentiated by personnel category.

In particular, the severance payment agreed in view of or upon early termination of the employment relationship, for the amount exceeding the provisions of the National Collective Bargaining Agreement as payment related to the indemnity for failed notice, is granted as follows:

1. Top Risk Takers not belonging to the Corporate Control Functions:
 - 40% upfront at the time of terminating the employment agreement, of which:
 - 20% in cash;
 - 20% in shares, subject to a two-year holding period;
 - 60% deferred, of which:
 - 20% in cash in the year following the one of termination of the employment agreement;
 - 30% in shares, in equal amounts, in the second, third and fourth years following the one of termination of the employment agreement, subject to a 1-year holding period;
 - 10% in cash, five years following the one of termination of the employment agreement.
2. For Top Risk Takers belonging to the Corporate Control Functions and for all the remaining Risk Takers (as identified at the time of terminating the employment agreement):
 - 60% upfront at the time of terminating the employment agreement, of which:
 - 30% in cash;
 - 30% in shares, subject to a two-year holding period;
 - 40% deferred, of which:
 - 10% in cash and 10% in financial instruments in the year following the one of termination of the employment agreement;
 - 10% in shares in the second year following the one of termination of the employment agreement, subject to a 1-year holding period;
 - 10% in cash in the third year following the one of termination of the employment agreement.

For all remaining clusters, 60% of the severance payment exceeding the provisions of the national collective bargaining agreement as payment related to the duration of the notice period - if higher than 80,000 euro - is paid out upfront in cash and the remaining 40% is paid out always in cash after a two-year deferral.

Each deferred portion of said severance payment agreed in view of or upon early termination of the employment relationship reflects the provisions laid down in the Incentive System, indeed, subject to an ex-post adjustment mechanism – the so-called malus conditions – according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the activation conditions at Group level (see paragraph 5.6.2), namely:

1. Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. no loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

For Top Risk Takers, in parallel with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged, relating to verification of the LCR compared to the RAF limits. As regards this cluster, if either condition 1 or 2 or that relating to the LCR does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

Severance payments awarded, net of the payment related to the indemnity for failed notice, for values below 80,000 euro are granted entirely in cash and paid up front, regardless of the cluster concerned.

4.10. Discretionary pension benefits

6.C.1.f)

Discretionary pension benefits, when recognised, are assigned to beneficiaries in accordance with the regulations in force and, therefore:

- in the case of resources who are not entitled to receive a pension, shall be invested in Intesa Sanpaolo shares or other related instruments, held by the bank for a period of at least five years and subject to ex-post adjustment mechanisms related to the Group's performance net of risk;
- in the case of resources entitled to a pension, shall be invested in Intesa Sanpaolo shares or other related instruments and held by the bank for a period of at least five years.

5. Remuneration policy for certain categories governed by the agency contract

The remuneration policy relating to the advisors, the category governed by the agency contract and currently identified in Banca Fideuram and its subsidiary Sanpaolo Invest SIM, both belonging to the Group's Private Banking Division, is defined within the framework of paragraph 4, which describes the Remuneration Policies of the Intesa Sanpaolo Group, and fully represented in the remuneration and incentive policies of the financial advisors' networks of the Fideuram Group for 2017, to which reference is made for further details.

The remuneration of financial advisors (hereinafter also referred to as "Private Advisors"¹²), due to the very nature of their employment as freelancers operating under agency contracts, is entirely variable and is composed primarily of commissions. Pursuant to the provisions laid down by the Supervisory Provisions on the remuneration of special categories, including financial advisors, commissions are broken down into:

- a "non-recurring" component, the portion of the remuneration that has an incentive value, specifying that the commission does not in itself have any incentive value;
- a recurring component, the portion of remuneration other than the non-recurring portion, representing the most stable and ordinary portion of remuneration.

With regard to the "non-recurring" remuneration, pursuant to the Provisions this component:

- must be aligned to operational risk indicators that promote proper conduct and a connection with the legal and reputational risks that may involve the Bank, and that also foster compliance with regulations and protect and retain customers;
- must be linked, in determining the bonus pool, to thresholds relating to the capital and liquidity conditions of the Group and the Bank;
- must be adjusted ex post by adequate malus conditions;
- must be paid according to the most stringent rules laid down for key personnel (deferral, allocation by way of cash / financial instruments, malus, claw-back).

In accordance with the foregoing and in line with the provisions of the Intesa Sanpaolo Group Remuneration Policies:

- the following were identified as staff whose professional activities have a material impact on the risk profile of the Group¹³:
 - 7 Area Managers of the Fideuram Group, considering the guidelines issued by the Bank of Italy in Circular no. 285/2013;
 - 12 Private Advisors and Network Managers who, during 2016, received a total remuneration greater than or equal to 750,000 euro, in accordance with Article 4 of Commission Delegated Regulation (EU) No. 604/2014 (RTS);
- the paragraph 4.6.e. applies to Private Advisors identified as staff whose professional activities have a material impact on the risk profile of the Group.

Within the framework of the provisions of the Group's incentive systems, the system targeted at financial advisors provides for activation conditions and considers adequate qualitative indicators, linked to the achievement of business objectives defined in support of business growth, sustainability and profitability targets, as well as to principles of fairness in customer relations.

In particular, the Incentive System of the Fideuram Group is subject to the minimum activation conditions for the Group:

1. Common Equity Tier Ratio (CET1) of the Intesa Sanpaolo Group at least equal to the limit envisaged in the RAF;

¹² Each Private Advisor is a freelancer, not subject to an employment agreement, in possession of an agency mandate conferred by Fideuram or Sanpaolo Invest SIM to carry out out-of-branch services with customers, with reference to banking, financial and insurance products and services. The Private Advisor mandate is formalised with the signing of an Agency Contract which refers to the Collective Bargaining Agreement governing the agency and commercial representation contract of the commerce sector.

¹³ As at 1/01/2017. On the basis of the new EBA Guidelines of December 2015, the list of Risk Takers includes people who have been identified as such during the year for a period of over three months.

2. Net Stable Funding Ratio (NSFR) of the Intesa Sanpaolo Group at least equal to the limit envisaged in the RAF.

Once the aforementioned conditions are verified, the funding conditions¹⁴ envisaged for the incentive system mechanisms of the financial advisors' networks of the Fideuram Group, and the individual access conditions are activated, conditional to the following overall conditions, in compliance with Intesa Sanpaolo Group rules:

- If Fideuram Group's Gross Income exceeds the minimum access threshold, correlated to the overall budget, the incentive system is activated for all financial advisors of Fideuram Group's networks;
- If Fideuram Group's Gross Income does not exceed the minimum access threshold, correlated to the overall budget, the incentive system is activated only for the financial advisors not identified as staff whose professional activities have a material impact on the risk profile of the Group.

In the event that either the minimum access conditions at the Group level are not verified or Fideuram Group's Gross Income is negative, the incentive system is not activated.

¹⁴ The Incentive Plan is funded through a bottom-up mechanism based on the overall gross revenue of Fideuram Group pursuant to assistance/management of own customers (so-called 'pay-in').

Section II – 2016 Remuneration policies disclosure

Introduction

Section II of the Report aims to describe the implementation of the Remuneration Policies for 2016, approved by the Shareholders' Meeting on 27 April 2016, as required by both the European regulations on public disclosure obligations (Article 450 of (EU) Regulation No. 575/2013 of 26 June 2013 (Capital Requirements Regulation, CRR), then reflected in Bank of Italy Circular 285 of 17 December 2013), and by Consob resolution 18049 of 23 December 2011.

Section II is divided into topics.

The first part ("2016 Remuneration Policies") is descriptive and aims at showing:

- the structural components of the remuneration of Board Members, the Managing Director and General Manager and of the members of the Management Control Committee;
- the 2016 incentive system targeted at staff whose professional activities have a material impact on the risk profile, the so-called Risk Takers, defined as part of the 2016 remuneration and incentive policies of Intesa Sanpaolo approved by the Supervisory Board upon the proposal of the Management Board on 15 March 2016 and submitted to the Shareholders' Meeting's binding resolution of 27 April 2016.

The first part, in addition, also sets out the remuneration relating to the members of the Supervisory Board and the Management Board, as approved by the Shareholders' Meeting on 22 April 2013.

The second and third parts concern quantitative aspects and provide disclosures on remuneration data for 2016, represented as required by Consob Resolution of 23 December 2011, concerning Board Members, the General Manager and the other Key Managers;

- data referring to 2016, represented as required by the Bank of Italy in Circular 285/2013 (Chapter 2, Section VI, Paragraph 1), concerning the fixed and variable component of personnel expenses divided by business segments and the remuneration of those falling within the "Key Personnel" category as at 31 December 2016.

The fourth part ("Internal auditing department assessment of the Incentive System") provides a report of the analysis of operational practices with respect to the Policies resolved by the Boards.

PART I – General information

Description of remuneration items and consistency with the relevant policy

Art. 123-ter, (4), (a), CLF

The remuneration of Board Members other than the Managing Director and General Manager is determined as a fixed amount, including the remuneration for the office of Chairman and Deputy Chairperson of the Board of Directors and of Chairman of the Management Control Committee and of the members of the Board Committees, in line with the resolutions adopted by the Shareholders' Meeting on 27 April 2016, and to the extent applicable, by the Board of Directors.

The remuneration related to the attendance fees for participation in Committees other than the Management Control Committee is indicated separately.

The remuneration of the Managing Director and General Manager and the other Key Managers, in accordance with the policies approved by the Shareholders' Meeting on 27 April 2016, consists of:

- a) a **fixed component**, including the gross remuneration amount defined individually based on the contractual agreement, the role held, the responsibilities assigned, and the specific experience and expertise acquired by the manager, including any indemnity;
- b) a **short-term variable component**, linked to performance and aligned to the short and long-term results actually achieved by the Bank and by the Group overall, as resulting from application of the incentive systems approved by the relative corporate bodies in accordance with the remuneration policies in force; the short-term variable component is assigned through the annual financial instrument-based incentive plan also targeted to the¹⁵ staff whose professional activities have a material impact on the risk profile, as laid down in the Supervisory Provisions on remuneration;
- c) a **long-term variable component**, introduced in 2014 at the launch of 2014-2017 Business Plan through the Leveraged Employee Co-Investment Plans ("LECOIP Plans"), based on instruments associated with Intesa Sanpaolo shares, and assigned, as provided by the Plans, also to the staff whose professional activities have a material impact on the risk profile and to the remaining personnel;
- d) a component resulting from valuation of **benefits**, including the amount paid by the company into the manager's supplementary pension fund and the premiums (taxable) paid by the Bank for the relative insurance coverage; the statements do not include any other benefits granted to said personnel (for example, a company car) that are not taxable, also due to specific conditions under company policy (for example, if a monetary contribution by the manager is required).

6.C.2.

No prior agreements are envisaged to govern benefits or in terms of severance payments to be paid upon termination of the employment agreement to Board Members, the General Manager and other Key Managers, to which the provisions in the previous paragraphs 2.6 and 4.9 of Section I apply.

Art. 123-ter (3), (a) CLF

With reference to the criteria and the structure of the remuneration allocated to the members of the Supervisory Board and the Management Board, who terminated their mandate upon renewal of the Bank's corporate bodies (27 April 2016), reference is made to what was approved by the Shareholders' Meeting of 22 April 2013, as set out in the Reports on Remuneration for 2014, 2015 and 2016.

In this context, it is worth recalling that the former Deputy Chairpersons of the Management Board (Marcello Sala and Giovanni Costa), as executive members, were also entitled to a variable remuneration component which, at the time, was divided as follows:

- an amount of variable remuneration equal to 20% of the fixed component for the office;
- variable remuneration by cash payment only;

¹⁵ They are also awarded to those who, among Managers or Professional non Risk Takers, accrue "relevant bonuses" (i.e., above 100% of the fixed remuneration).

-
- verification of the achievement of the targets assigned to the CEO in relation to the Group, namely the KPIs identified for the implementation of the strategic drivers Revenue Development, Productivity, Profitability and Cost of Risk/Sustainability.

The variable remuneration due for 2016 will therefore be determined according to the described system, commensurate to the term of office until the afore-mentioned date, will be bound to verification of the Group Q-Factor and will be subject to deferral of 60% over 3 years, as the related amount is below the materiality threshold. The payment of such portion will be subject to verification, each year, of the above-mentioned Malus Conditions.

The 2016 incentive system for Risk Takers

The access conditions for the 2016 Incentive System for Risk Takers, as for all remaining incentive systems for the Group's employees, were confirmed as follows:

- Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
- Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
- No loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

Non-achievement of even only one of the above conditions shall result in non-activation of the incentive systems for the Group personnel. Top Risk Takers are subject to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

In line with this approach, the same indicators are part of the Malus Conditions, to be verified in the years following payment of the deferred portion of the premiums:

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. Liquidity Coverage Ratio (LCR) at least equal to the limit envisaged in the RAF;
4. No loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

6.C.1. c) In particular, if either condition 1 or 2 or 3 does not occur individually, the deferred portion is reduced by 1/3; if condition 4 is not met, the deferred portion is brought down to zero.

Consequently, and in compliance with the principle that activation of the incentive system must be consistent and compatible with the distribution of dividends, the variable component of remuneration for Risk Takers is equal to, at most, the fixed remuneration (reduced to a third for the Corporate Control Functions and increased to twice the fixed remuneration only for some limited and specific clusters) and, for those belonging to specific professional segments (Asset Management, Private Banking, Investment Banking, Industry Leader, Treasury), to twice the fixed remuneration, based on the achievement of the targets assigned in the individual performance scorecard, where the KPIs for the implementation of the strategic drivers Revenue Development, Profitability, Productivity and Cost of Risk/Sustainability are identified, sub-divided into the Division and Group targets and those relating to the qualitative assessment. For the Manager responsible for preparing the Company's financial reports, Heads and higher-level personnel of Corporate Control Functions, the incentive accrued is strictly determined in compliance with the Supervisory Provisions, with reference to qualitative and quantitative indicators specific to the functions concerned¹⁶.

Use is also made of an additional mechanism to adjust the bonus accrued, that measures the residual risk level of each business unit (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target: in particular, in the case that said Q-Factor has a "high" rating, the previously identified variable remuneration shall be reduced by 10%; if the rating is "very high", the reduction in the variable compensation shall be equal to 20%.

The bonus payable to each Risk Taker, with the exception of Top Risk Takers and Senior Heads of the Corporate Control Functions, whose responsibility is established by the Board of Directors, is defined based on the position reached in the "internal ranking" of their Business Unit/department.

¹⁶ In the particular case of the Manager responsible for preparing the Company's financial reports, such indicators are related, for example, to the definition of tax compliance check procedures in relation to the new regulations, to the definition of the new structure of the accounting and supervisory system and to some specific projects. With regard to the Chief Risk Officer, the Head of the Internal Validation and Controls Head Office Department, the Group Risk Manager, the Chief Compliance Officer, the Head of the Anti-Money Laundering Head Office Department, the Head of the Internal Auditing Head Office Department and the higher-level personnel of these departments, these indicators measure the activity regarding the various types of risk (market, credit, rate, liquidity, terrorism financing). Performance is measured both in quantitative terms (e.g., % growth of net non-performing loans, reduction of missing electronic due diligence questionnaires, average seniority days of the reports on suspicious activities) and qualitative terms (e.g. development of a culture of controls, Integrated assurance among the Company Control Functions, efficient management of the programme of adaptation to the Risk Data Aggregation and Risk Reporting standards).

Bonuses so determined will be paid 50% in cash and 50% in shares (based on the assumption that the materiality threshold has been exceeded) and shall be subject to deferred payment systems. The deferral amounts, as illustrated in further detail below (PART III – Aggregate quantitative information pursuant to the supervisory provisions of the Bank of Italy), are differentiated by Risk Taker clusters and by amount of the variable remuneration:

- 60% for Top Risk Takers not belonging to the Corporate Control Functions and for those who, among the Risk Takers, accrue a bonus in excess of 100% of the fixed remuneration;
- 40% for Top Risk Takers belonging to the Corporate Control Functions and for all the remaining Risk Takers.

The payment of such deferred portion will be subject to verification, each year, of the above-mentioned Malus Conditions.

PART II – QUANTITATIVE ANALYTICAL TABLES

Remuneration

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Bazoli Giovanni	Chairman of the Supervisory Board	1/01/2016	27/04/2016	258							258		
	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Nominations Committee	1/01/2016	27/04/2016			2					2		
	President Emeritus (*)	27/04/2016	31/12/2016	-							-		
Bertolissi Mario	Deputy Chairperson of the Supervisory Board	1/01/2016	27/04/2016	32							32		
	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Chairman of the Nominations Committee	1/01/2016	27/04/2016		(**)	2					2		
Casiraghi Rosalba	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Internal Control Committee	1/01/2016	27/04/2016			29					29		
	Participation in Management Board meetings	1/01/2016	27/04/2016			11					11		
	a) NUOVO TRASPORTO VIAGGIATORI S.p.A. – Chairman of the Board of Auditors	1/01/2016	31/12/2016	43							43		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Dalla Sega Franco	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Secretary of the Supervisory Board	1/01/2016	27/04/2016	32							32		
	Chairman of the Committee for transactions with related parties	1/01/2016	27/04/2016		(**)	5					5		
	Full Member of the Surveillance Body	5/07/2016	31/12/2016	12 b)							12 b)		
Fitoussi Jean-Paul	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Risk Committee	1/01/2016	27/04/2016			23					23		
Garibaldi Pietro	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Risk Committee	1/01/2016	27/04/2016			27					27		
Lubatti Giulio Stefano	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Chairman of the Internal Control Committee	1/01/2016	27/04/2016		(**)	31					31		
	Member of the Risk Committee	1/01/2016	27/04/2016			27					27		
	Participation in Management Board Meetings	1/01/2016	27/04/2016			9					9		
a)	BANCA IMI S.p.A. - Auditor	31/03/2016	31/12/2016	38		2					40		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Mangiagalli Marco	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Chairman of the Risk Committee	1/01/2016	27/04/2016		(**)	27					27		
	Member of the Board of Directors and of the Management Control Committee	27/04/2016	31/12/2016	136							136		
	Chairman of the Management Control Committee	27/04/2016	31/12/2016	34							34		
Carbonato Gianfranco	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Deputy Chairperson of the Supervisory Board	1/01/2016	27/04/2016	32							32		
	Member of the Nominations Committee	1/01/2016	27/04/2016		-	-					-		
	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Chairman of the Nominations Committee	19/05/2016	31/12/2016	31		6					37		
Baccolini Gianluigi	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Nominations Committee	1/01/2016	27/04/2016		-	2					2		
	Member of the Remuneration Committee	1/01/2016	27/04/2016		-	16					16		
a)	EPSILON SGR S.p.A. – Director	04/05/2016	31/12/2016	13							13		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Bianchi Francesco	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Committee for transactions with related parties	1/01/2016	27/04/2016			5					5		
Corradini Carlo	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Committee for transactions with related parties	1/01/2016	27/04/2016			5					5		
	Member of the Internal Control Committee	1/01/2016	27/04/2016			31					31		
	Participation in Management Board Meetings	1/01/2016	27/04/2016		-	11					11		
Dolcini Piergiuseppe	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Chairman of the Remuneration Committee	1/01/2016	27/04/2016		(**)	16					16		
Gaffeo Edoardo	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Internal Control Committee	1/01/2016	27/04/2016			31					31		
	Member of the Remuneration Committee	1/01/2016	27/04/2016			16					16		
	Participation in Management Board Meetings	1/01/2016	27/04/2016		-	11					11		
	Member of the Board of Directors and of the Management Control Committee	27/04/2016	31/12/2016	136							136		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Locatelli Rossella	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Risk Committee	1/01/2016	27/04/2016			27					27		
	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Chairman of the Risk Committee	19/05/2016	31/12/2016	31		38					69		
	Member of the Committee for transactions with related parties	19/05/2016	31/12/2016			18					18		
Mazzei Iacopo	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Nominations Committee	1/01/2016	27/04/2016		-	2					2		
Ramasco Beatrice	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Internal Control Committee	1/01/2016	27/04/2016			31					31		
	Temporary Member of the Risk Committee	1/01/2016	27/04/2016			-					-		
	Participation in Management Board Meetings	1/01/2016	27/04/2016			11					11		
	a) INTESA SANPAOLO PRIVATE BANKING S.p.A. – Chairman of the Board of Auditors	15/04/2016	31/12/2016	41							41		
Sarale Marcella	Supervisory Board Member	1/01/2016	27/04/2016	32							32		
	Member of the Committee for transactions with related parties	1/01/2016	27/04/2016		-	5					5		
Schiraldi Monica	Supervisory Board Member	1/01/2016	27/04/2016	11 c)							11 c)		
	Member of the Committee for transactions with related parties	1/01/2016	27/04/2016		-	2					2		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Gros-Pietro Gian Maria	Chairman of the Management Board	1/01/2016	27/04/2016	258							258		
	Management Board Member	1/01/2016	27/04/2016	32							32		
	Chairman of the Board of Directors	27/04/2016	31/12/2016	542							542		
	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Nominations Committee	19/05/2016	31/12/2016			6					6		
Costa Giovanni	Deputy Chairperson of the Management Board	1/01/2016	27/04/2016	49							49		
	Management Board Member / Executive Board Member	1/01/2016	27/04/2016	32			49				81		
	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Nominations Committee	19/05/2016	31/12/2016			6					6		
	Member of the Remuneration Committee	19/05/2016	31/12/2016			14					14		
Colombo Paolo Andrea	Deputy Chairperson of the Board of Directors	27/04/2016	31/12/2016	102							102		
	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Chairman of the Remuneration Committee	19/05/2016	31/12/2016	31		14					45		
	Member of the Nominations Committee	19/05/2016	31/12/2016			6					6		
Sala Marcello	Deputy Chairperson of the Management Board	1/01/2016	27/04/2016	49							49		
	Management Board Member / Executive Board Member	1/01/2016	27/04/2016	32			49				81		
	Additional Remuneration (***)	1/01/2016	27/04/2016	49							49		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Motta Milena Teresa	Member of the Board of Directors and of the Management Control Committee	27/04/2016	31/12/2016	136							136		
Pisani Alberto Maria	Member of the Board of Directors and of the Management Control Committee	27/04/2016	31/12/2016	136							136		
Zoppo Maria Cristina	Member of the Board of Directors and of the Management Control Committee	27/04/2016	31/12/2016	136							136		
Pomodoro Livia	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Nominations Committee	19/05/2016	31/12/2016			6					6		
Filippi Piera	Management Board Member	1/01/2016	27/04/2016	32							32		
	a) FIDEURAM VITA S.p.A – Director	2/05/2016	31/12/2016	10							10		
Gorno Tempini Giovanni	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Remuneration Committee	19/05/2016	31/12/2016			14					14		
	Member of the Committee for transactions with related parties	19/05/2016	31/12/2016			18					18		
Gallo Giorgina	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Remuneration Committee	19/05/2016	31/12/2016			14					14		
	Member of the Committee for transactions with related parties	19/05/2016	31/12/2016			18					18		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Cornelli Francesca	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Risk Committee	19/05/2016	31/12/2016			38					38		
Mazzarella Maria	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Committee for transactions with related parties	19/05/2016	31/12/2016			18					18		
Zamboni Daniele	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Chairman of the Committee for transactions with related parties	19/05/2016	31/12/2016	31		18					49		
	Member of the Risk Committee	19/05/2016	31/12/2016			38					38		
Ceruti Franco	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Risk Committee	19/05/2016	31/12/2016			38					38		
d)	Intesa Sanpaolo-coordinated freelance work contract	1/01/2016	31/12/2016	200							200		
	BANCA PROSSIMA S.p.A. – Director	1/01/2016	31/12/2016	d)							-		
	INTESA SANPAOLO ASSICURA S.p.A. - Director	1/01/2016	31/12/2016	d)							-		
	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Director	1/01/2016	31/12/2016	d)							-		
	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – CEO	1/01/2016	27/04/2016	d)							-		
	INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	1/01/2016	31/12/2016	d)							-		
	MEDIOCREDITO ITALIANO S.p.A. - Director	1/01/2016	31/12/2016	d)							-		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Corbella Silvano	Chairman of the Surveillance Board	5/07/2016	31/12/2016	5 b)							5 b)		
	Full Member of the Surveillance Board	5/07/2016	31/12/2016	12 b)							12 b)		
Vernero Paolo	Full Member of the Surveillance Board	5/07/2016	31/12/2016	12 b)							12 b)		
Messina Carlo	General Manager	1/01/2016	31/12/2016	1,892			873		59	338 e)	3,163 e)	985	
	Managing Director and Chief Executive Officer	1/01/2016	27/04/2016	113							113		
	Management Board Member / Executive Board Member	1/01/2016	27/04/2016	f)							-		
	Managing Director and Chief Executive Officer	28/04/2016	31/12/2016	339							339		
	Member of the Board of Directors/ Executive Board Member	27/04/2016	31/12/2016	68							68		
Micciché Gaetano	General Manager	1/01/2016	25/04/2016	385			495		20	548 g)	1,448 g)	604	2,380 h)
	Management Board Member / Executive Board Member	1/01/2016	27/04/2016	f)							-		
	a) BANCA IMI S.p.A. – Deputy Chairperson	1/01/2016	30/03/2016	i)							-		
	a) BANCA IMI S.p.A. – Chairman	31/03/2016	31/12/2016	273 i)							273 i)		

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Picca Bruno	Management Board Member / Executive Board Member	1/01/2016	27/04/2016	f)							-		
	Member of the Board of Directors	27/04/2016	31/12/2016	68							68		
	Member of the Remuneration Committee	19/05/2016	31/12/2016			14					14		
	Member of the Risk Committee	19/05/2016	31/12/2016			38					38		
	Chief Risk Officer	1/01/2016	25/04/2016	295			208		24	59 l)	585 l)	252	1,500 m)
a)	INTESA SANPAOLO GROUP SERVICES S.c.p.A. - Director	1/01/2016	31/12/2016	17 n)							-		
Del Punta Stefano	Management Board Member / Executive Board Member	1/01/2016	27/04/2016	f)							-		
	Chief Financial Officer	1/01/2016	31/12/2016	965			447		48	105 o)	1,565 o)	532	

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
							Bonuses and other incentives (x)	Profit-sharing					
Key Managers (****)	Total remuneration in the company drawing up the financial statements			9,665			3,897		446	768 p)	14,776 p)	3,834	200 q)
	Total remuneration and attendance fees in subsidiaries and associates			1,435 r)			538		158	92 s)	2,223 r)	462	

a) Remuneration/Attendance fees in subsidiaries and associates.

b) On 5 July 2016, the Board of Directors has appointed the members of the Surveillance Board under the Organisational, management and control model pursuant to Legislative Decree 231/2001.

c) Ms Schiraldi has suspended herself from her duties since 11 February 2016 until the termination of office.

d) Intesa Sanpaolo-coordinated freelance work contract, which absorbs remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 78 thousand euro, fully transferred to the Bank.

e) Amount including both the allowance paid in order to cover tax and contribution obligations linked to the time horizon of LECOIP Long-term Co-Investment Plan shares granting (119 thousand euro) and the amount paid as holiday transactions (219 thousand euro).

f) The Executive Members of the Management Board chosen from among Executives of the Intesa Sanpaolo Group waived the remuneration due for their office.

g) Amount including both the allowance paid in order to cover tax and contribution obligations linked to the time horizon of LECOIP Long-term Co-Investment Plan shares granting (110 thousand euro), and of the amount paid as unused holiday transactions (438 thousand euro).

h) Exit incentives for 1,030 thousand euro, of which 814 thousand euro disbursed in 2016 and 216 thousand euro to be paid within the 2017-2021 period partly in cash and partly in shares; non-competition agreement for 1,350 thousand euro, of which 270 thousand euro disbursed in 2016, and 1,080 thousand euro to be paid within the 2017-2021 period partly in cash and partly in shares.

i) The remuneration paid for the office of Deputy Chairperson of Banca Imi, as representative of Intesa Sanpaolo, which amounts to 25 thousand euro, is not included in this data as they are fully transferred to the Bank; the remuneration paid for the office of Chairman of Banca Imi, as representative of Intesa Sanpaolo, amounts to 300 thousand euro, of which 273 thousand euro actually received.

l) Amount including both the allowance paid in order to cover tax and contribution obligations linked to the time horizon of LECOIP Long-term Co-Investment Plan shares granting (35 thousand euro), and of the amount paid as unused holiday transactions (24 thousand euro).

m) Exit incentives for 1,500 thousand euro, of which 852.2 thousand euro disbursed in 2016 and 647.5 thousand euro to be paid within the 2017-2019 period partly in cash and partly in shares.

n) The remuneration paid for the office of Board Member of Intesa Sanpaolo Group Services, as representative of Intesa Sanpaolo, amounts to 25 thousand euro, of which 17 thousand euro actually received by Mr Picca and 8 thousand euro, related to the period in which he was Key Manager, transferred to the Bank.

o) Amount including both the allowance paid in order to cover tax and contribution obligations linked to the time horizon of LECOIP Long-term Co-Investment Plan shares granting (69 thousand euro) and of the amount paid as holiday transactions (36 thousand euro).

p) Amount including both the allowance paid in order to cover tax and contribution obligations linked to the time horizon of LECOIP Long-term Co-Investment Plan shares granting (623 thousand euro) and of the amount paid as holiday transactions for 5 Key Managers (145 thousand euro).

q) Exit incentives for 200 thousand euro entirely paid in 2016.

r) Additional remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 1,002 thousand euro, are not comprised in this data, as it is entirely transferred or waived, of which 807 thousand euro transferred to the Parent Company and 195 thousand euro waived/transferred to subsidiaries.

s) Allowance paid in order to cover tax and contribution obligations linked to the time horizon of LECOIP Long-term Co-Investment Plan shares granting

(*) Office not remunerated.

(**) The Chairmen of the Committees waived their remuneration.

(***) Mr Sala received an additional remuneration for the office assigned by the Management Board for the development of International Relations and Internationalisation Projects of the Bank and of the Group.

(****) Remuneration refers to 20 Key Managers, 19 of which still in office as at 31 December 2016.

(x) The amounts shown refer to the payment of the portions of the incentives awarded in previous years according to the 2015 results (deferred portions of 2012 and 2014 incentive systems and upfront portion of 2015 incentive system) and the upfront cash portion paid as a result of the 2016 performance (see table 3B for details).

Table No. 2: Stock options granted to members of the Management Board, General Managers and other Key Managers

A	B	Options held at the beginning of the year				Options awarded during the year					Options awarded during the year			Options expired during the year	Options held at end of the year	Options for the year	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) - (14)	(16)
Name and Surname	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair Value at the awarding date	Awarding date	Market share price of the shares underlying the award of options	Number of options	Exercise price	Market share price of the shares underlying the exercise date	Number of options	Number of options	Fair value

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers

(thousands of euro)

A Surname and Name	B Office	(1) Plan	Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted	Financial in- struments for the year	
			(2) Number and type of fi- nancial in- struments	(3) Vesting pe- riod	(4) Number and type of fi- nancial in- struments	(5) Fair value at award date	(6) Vesting period	(7) Award date	(8) Market price at award date	(9) Number and type of financial instruments	(10) Number and type of fi- nancial in- struments	(11) Value at vesting date	(12) Fair value
Messina Carlo	Managing Director and Chief Executive Officer	Incentive 2011	-								65,025	154	154
		Incentive 2012	75,815	Jun 2017						-	151,630	360	360
		Incentive 2013	-	-						-	-	-	-
	General Manager	Incentive 2014	152,730	Mar 2017/ Oct 2019						-	-	-	-
		Incentive 2015	248,183	May 2018/ Oct 2020						-	-	-	-
		Incentive 2016			(*)	846	May 2017/ May 2022	(*)	(*)				338
	LECOIP Plans 2014-2018	266,667 (x)	Dec 2014/ Apr 2018									132	
Micciché Gaetano	Management Board Member / Executive Management Board Member	Incentive 2011	-								-	-	-
		Incentive 2012	90,978	Jun 2017						-	181,956	432	432
		Incentive 2013	-							-	-	-	-
	General Manager	Incentive 2014	139,226	Ma. 2017/ Oct 2019						-	-	-	-
		Incentive 2015	155,647	May 2018/ Oct 2020						-	-	-	-
		Incentive 2016			(*)	121	May 2017/ May 2022	(*)	(*)				48
	LECOIP Plans 2014-2018	249,450 (x)	Dec 2014 / Apr 2018									123	

A Surname and Name	B Office	(1) Plan	Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year				Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted	Financial in- struments for the year		
			(2) Number and type of fi- nancial in- struments	(3) Vesting pe- riod	(4) Number and type of fi- nancial in- struments	(5) Fair value at award date	(6) Vesting period	(7) Award date	(8) Market price at award date	(9) Number and type of financial instruments	(10) Number and type of fi- nancial in- struments	(11) Value at vesting date	(12) Fair value
Picca Bruno	Management Board	Incentive 2011								-	29,261	69	69
	Member / Executive Management Board	Incentive 2012	30,326	Jun 2017						-	60,652	144	144
	Member	Incentive 2013	-							-	-	-	-
	Chief Risk Officer	Incentive 2014	34,244	Apr 2017/ Oct 2018						-	-	-	-
		Incentive 2015	39,977	Jun 2018/ Nov 2019						-	-	-	-
		Incentive 2016											-
		LECOIP Plans 2014-2018	77,687 (x)	Dec 2014/ Apr. 2018						-	-	-	38
Del Punta Stefano	Management Board	Incentive 2011	-							-	35,438	84	84
	Member / Executive Management Board	Incentive 2012	45,489	Jun 2017						-	90,978	216	216
	Member	Incentive 2013	-							-	-	-	-
	Chief Financial Officer	Incentive 2014	88,262	Mar 2017/ Oct 2019						-	-	-	-
		Incentive 2015	122,366	May 2018/ Oct 2020						-	-	-	-
		Incentive 2016			(*)	391	May 2017/ May 2022	(*)	(*)				156
		LECOIP Plans 2014-2018	153,812 (x)	Dec 2014/ Apr 2018						-	-	-	76

A Surname and Name	B Office	(1) Plan	Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted	Financial in- struments for the year	
			(2) Number and type of fi- nancial in- struments	(3) Vesting pe- riod	(4) Number and type of fi- nancial in- struments	(5) Fair value at award date	(6) Vesting period	(7) Award date	(8) Market price at award date	(9) Number and type of financial instruments	(10) Number and type of fi- nancial in- struments	(11) Value at vesting date	(12) Fair value
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2011	-							-	192,253	457	457
		Incentive 2012	272,505	Jun 2017						-	545,013	1,294	1,294
		Incentive 2013	-	-						-	-	-	-
		Incentive 2014	643,717	Mar 2017/ Oct 2019						-	-	-	-
		Incentive 2015	1,087,697	May. 2018/ Oct 2020						-	-	-	-
		Incentive 2016			(*)	3,216	May 2017/ May 2022	(*)	(*)	-	-	-	1,385
		LECOIP Plans 2014-2018	1,412,930 (x)	Dec 2014/ Apr 2018						-	-	-	698
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2011	-							-	21,457	51	51
		Incentive 2012	35,380	Jun 2017						-	70,760	168	168
		Incentive 2013								-	-	-	-
		Incentive 2014	129,901	Mar 2017/ Oct 2019						-	-	-	-
		Incentive 2015	185,275	May 2018/ Oct 2020						-	-	-	-
		Incentive 2016			(*)	369	May 2017/ May 2022	(*)	(*)	-	-	-	148
		LECOIP Plans 2014-2018	193,925 (x)	Dec 2014/ Apr 2018						-	-	-	96

(x) The number indicated represents the number of ISP shares underlying the "protected capital".

(*) The figures on granted shares with respect to the incentive based on 2015 results will be available following the resolutions of the Ordinary Shareholders' Meeting called on 27 April 2017.

(**) Remuneration refers to 20 Key Managers, 19 of which still in office as at 31 December 2016.

N.B.: The figures indicated refer to the remuneration awarded by Intesa Sanpaolo, or, where indicated, by subsidiaries; the granting of variable remuneration by associates is not envisaged.

Table No. 3B: Monetary incentive plans in favour of Managing Director and CEO, other Key Managers, and Deputy Chairpersons of Management Board in office until 27/04/2016

(thousands of euro)

A Surname and Name	B Office	(1) Plan	(2) Bonus of the year			(3) Bonus from previous years			(4) Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferral period	No longer payable	Payable / Paid	Still deferred	
Costa Giovanni	Deputy Chairperson of Management Board Management Board Member/ Executive Board Member	Incentive 2011				-	-	-	
		Incentive 2012				-	14	-	
		Incentive 2013				-	-	-	
		Incentive 2014				-	10	20	
		Incentive 2015					20	30	
		Incentive 2016	5	8	May 2017/ Jun 2020				
Sala Marcello	Deputy Chairperson of Management Board Management Board Member/ Executive Board Member	Incentive 2011				-	-	-	
		Incentive 2012				-	14	-	
		Incentive 2013				-	-	-	
		Incentive 2014				-	10	20	
		Incentive 2015					20	30	
		Incentive 2016	5	8	May 2017/ Jun 2020				

A Surname and Name	B Office	(1) Plan	(2) Bonus of the year			(3) Bonus from previous years			(4) Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferral period	No longer payable	Payable / Paid	Still deferred	
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2011				-	-	-	
		Incentive 2012				-	100	-	
		Incentive 2013				-	-	-	
		Incentive 2014				-	190	95	
		Incentive 2015				-	245	367	
Micciché Gaetano		Incentive 2016	338	508	May 2017/ May 2022				
		Incentive 2011				-	-	-	
		Incentive 2012				-	120	-	
		Incentive 2013				-	-	-	
		Incentive 2014				-	173	87	
		Incentive 2015				-	153	230	
Del Punta Stefano		Incentive 2016	48	73	May 2017/ May 2022				
		Incentive 2011				-	-	-	
		Incentive 2012				-	60	-	
		Incentive 2013				-	-	-	
		Incentive 2014				-	110	55	
		Incentive 2015				121	181		

A	B	(1)	(2)			(3)			(4)
			Bonus of the year			Bonus from previous years			
			(A)	(B)	(C)	(A)	(B)	(C)	
Surname and Name	Office	Plan	Payable / Paid	Deferred	Deferral period	No longer payable	Payable / Paid	Still deferred	Other bonuses
		Incentive 2016	156	234	May 2017/ May 2022				
Picca Bruno		Incentive 2011				-	-	-	
		Incentive 2012				-	40	-	
		Incentive 2013				-	-	-	
		Incentive 2014				-	43	-	
		Incentive 2015				-	59	39	
		Incentive 2016	66	-	May 2017/ May 2020				

A	B Office	(1) Plan	(2) Bonus for the year			(3) Bonus for previous years			(4) Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/ Paid	Deferred	Deferral period	No longer payable	Payable/ Paid	Still deferred	
Key Managers (*) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2011				-	-	-	
		Incentive 2012				-	359	-	
		Incentive 2013				-	-	-	
		Incentive 2014				-	801	278	
		Incentive 2015				-	1.234	1.446	
		Incentive 2016		1.503	1.831	May 2017/ May 2022			
Key Managers (*) (Remuneration awarded by subsidiaries)		Incentive 2011				-	-	-	
		Incentive 2012				-	47	-	
		Incentive 2013				-	-	-	
		Incentive 2014				-	162	41	
		Incentive 2015				-	183	274	
		Incentive 2016		148	221	May 2017/ May 2022			

(*) Remuneration refers to 20 Key Managers, 19 of which still in office as at 31/12/2016.

Equity

Table No. 1: Equity investments of Supervisory Board and Management Board members and of General Managers

Surname and Name	Office	Subsidiary	Number of shares held at the end of prior year (-)	Number of shares purchased	Number of shares sold	Number of shares held at the end of office (27/04/2016) (-)
Dolcini Piergiuseppe	Supervisory Board Member	Intesa Sanpaolo ord. shares	1,557 (a)	---	---	1,557 (a)
Gaffeo Edoardo	Supervisory Board Member	Intesa Sanpaolo ord. shares	819 (b)	---	---	---
Garibaldi Pietro	Supervisory Board Member	Intesa Sanpaolo ord. shares	---	23,000	---	23,000
Mangiagalli Marco	Supervisory Board Member	Intesa Sanpaolo ord. shares	3,720	---	---	3,720
Mazzei Iacopo	Supervisory Board Member	Intesa Sanpaolo ord. shares	52,856 (d)	---	---	52,856 (d)
Del Punta Stefano	Management Board Member	Intesa Sanpaolo ord. shares	270,484	---	---	270,484
Filippi Piera	Management Board Member	Intesa Sanpaolo ord. shares	2,200	---	---	2,200
Messina Carlo	Managing Director and Chief Executive Officer	Intesa Sanpaolo ord. shares	476,753	---	---	476,753
Micciché Gaetano	Management Board Member and General Manager	Intesa Sanpaolo ord. shares	670,509 (e)	---	---	670,509 (e)
Picca Bruno	Management Board Member	Intesa Sanpaolo ord. shares	50,000	---	---	50,000

(-) Or start / end date of the office, if different from the reference period specified

(a) of which 3,046 shares owned by spouse

(b) shares owned by spouse

(c) data non available being the requirements ceased

(d) shares held indirectly through a subsidiary

(e) of which 293,409 shares held directly and 377,100 shares held through a trust company

Table No. 1: Equity investments of Members of Board of Directors

Surname and Name	Office	Subsidiary	Number of shares held at the end of prior year (-)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (*)
Colombo Paolo Andrea Pio	Member of the Board of Directors	Intesa Sanpaolo ord. shares	10,000 (a)	---	---	10,000 (a)
		Intesa Sanpaolo ord. shares	294	---	---	294
		Intesa Sanpaolo ord. shares	19,047 (b)	---	---	19,047 (b)
Messina Carlo	Managing Director and Chief Executive Officer	Intesa Sanpaolo ord. shares	476,753	216,655 (*)		693,408
Ceruti Franco	Member of the Board of Directors	Intesa Sanpaolo ord. shares	100,000	---	---	100,000
Mangiagalli Marco	Member of the Board of Directors	Intesa Sanpaolo ord. shares	3,720	---	---	3,720
Motta Milena Teresa	Member of the Board of Directors	Intesa Sanpaolo ord. shares	10,000 (c)	10,000 (c)	---	20,000 (c)
Zamboni Daniele	Member of the Board of Directors	Intesa Sanpaolo ord. shares	---	20,000	---	20,000
Picca Bruno	Member of the Board of Directors	Intesa Sanpaolo ord. shares	50,000	89,913 (**)	---	139,913

(-) Or start / end date of the office, if different from the reference period specified

(a) 50% shares owned by spouse

(b) shares held indirectly

(c) shares owned by spouse

(*) of which 65,025 shares from Incentive System 2011 and 151,630 shares from Incentive System 2012, as deferred shares portions

(**) of which 29,261 shares from Incentive System 2011 and 60,642 shares from Incentive System 2012, as deferred shares portions related to the employment agreement in force at that time

Table No. 2: Equity investments of other Key Managers

Number of other key managers	Subsidiary	Number of shares held at the end of prior year (*)	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (*)
21	Intesa Sanpaolo ord. shares	1,696,220 (a)	988,899 (***)	573,548	2,111,571
(**)	Intesa Sanpaolo rnc.	5 (a)			5

(*) Or start / end date of the office, if different from the reference period specified

(**) Total number of other Key Managers who do not yet hold any equity investments, of whom 20 still in office at 31/12/2016.

(***) Of which 955,899 shares from Incentive System 2011 and from Incentive System 2012.

(a) Of which 6,712 ordinary shares owned by spouse.

N.B.: The values at the beginning and end of the period vary depending on the changes in the composition of Key Managers.

PART III – AGGREGATE QUANTITATIVE INFORMATION PURSUANT TO THE SUPERVISORY PROVISIONS OF THE BANK OF ITALY

The 2016 incentive system for Risk Takers

Introduction

Intesa Sanpaolo Shareholders' Meeting of 27 April 2016 approved the mechanisms, principles and criteria of the staff incentive scheme contained in the Group's Report on Remuneration. The Management and Supervisory Boards, each within its remit, approved the financing of the incentive system for the so-called Risk Takers (hereinafter also referred to as the "System") on 21 April 2016.

The System is fully consistent with the Supervisory Provisions on remuneration, with particular reference to:

- identification of the so-called Material Risk Takers, meaning those whose decisions have a significant impact on the Bank's risk profile, to which specific remuneration rules must be applied in terms of payment of variable remuneration;
- the ratio between the variable and fixed component of the remuneration, appropriately balanced;
- the structure of the variable component of which:
 - a) at least 40% must be subject to deferred payment systems for not less than 3 years (this can be raised to 60% for not less than 5 years for executive directors, top managers and heads of the main business lines, corporate functions or geographical areas, as well as those who report directly to bodies with strategic supervisory duties);
 - b) at least 50% must be disbursed in shares or instruments linked to shares; this percentage is applied, in the same proportion, to the deferred variable component as well as to the non-deferred (upfront) component;
- a specific retention mechanism in place (of at least two years for the upfront component, shorter for the deferred component) for the financial instruments mentioned under point b).

Recipient

The System is addressed to the so-called Risk Takers, as defined in application of the EBA Regulatory Technical Standards, identified as the members of the Board of Directors, the Chief Executive Officer, other Key Managers, the Senior Heads of the Corporate Control Functions and those whose activities have a significant impact on the entity's risk profile.

Therefore, recipients include also Executives who have regular access to inside information and have the power to make management decisions which may affect the issuer's evolution and outlook.

Plan rationale

Incentive plans are designed, in general terms, to retain employees and support their motivation to achieve the long-term corporate goals. Where they include financial instrument-based remuneration, they also strengthen the alignment of Management conduct, Shareholders' interests and medium-/long-term results, also via the executives' direct participation in corporate risk.

In this context, these plans are an integral part of the Intesa Sanpaolo Group remuneration system for Management and other employees. In a framework of long-term sustainable development involving a strong accountability of all stakeholders, the plans operate fully in line with Intesa Sanpaolo investment in human capital development, by fostering the achievement of individual targets identified by the competent corporate functions among the indicators that best reflect Group profitability over time, also taking into account the risks assumed, the cost of capital, the liquidity and the capital strength level required to handle the activities implemented.

The structure of the incentive mechanism is also functional for being compliant with the Supervisory Provisions in force, when these require that at least 50% of the variable component granted to Risk Takers has to be assigned in shares or related instruments.

Characteristics of the financial instruments to be assigned

The System provides for a bonus granted to recipients identified above composed by 50% of cash and 50% of Intesa Sanpaolo ordinary shares, which shall be purchased on the MTA market (*mercato telematico azionario*) in compliance with the delegated powers duly granted by the Shareholders' Meeting. 60% of the entire bonus of Top Risk Takers belonging to the Corporate Control Functions and Risk Takers who have accrued a bonus equal to or lower than 100% of the fixed remuneration (percentage reduced to 40% for the Chief Executive Officer, the other Top Risk Takers and those who, among the remaining Risk Takers, have accrued a bonus above 100% of the fixed remuneration) shall be paid out in the year following the year the bonus refers to (upfront portion) according to the same cash/shares ratio as above.

The remainder, equal to 60% for Top Risk Takers, excluding those belonging to the Corporate Control Functions, and the Risk Takers who have accrued a bonus above 100% of the fixed remuneration, and to 40% for the remaining Risk Takers, shall be allocated on a pro-rata basis in the following years as follows:

- for Top Risk Takers, excluding those belonging to the Corporate Control Functions, and for those who, among the remaining Risk Takers, have accrued a bonus above 100% of the fixed remuneration: the deferral period is equal to 5 years, with payment by instalments of 20% of the entire bonus in the first year (100% in cash) and 10% of the entire bonus in the following four years (the first three in financial instruments and the last in cash);
- for Top Risk Takers belonging to the Corporate Control Functions and the other Risk Takers: the deferral period is equal to 3 years, with payment by instalments of 20% of the entire bonus in the first year (50% in cash and 50% in shares) and 10% of the entire bonus in the following two years (the first in financial instruments and the second in cash).

As per the Supervisory Provisions, each portion of the bonus assigned in shares shall be subject to a retention period:

- of 2 years for the upfront portion
- of 1 year for deferred portions (reduced to 6 months for Risk Takers who have accrued a bonus above 100% of the fixed remuneration).

The retention period starts from the accrual date of the bonus. The Supervisory Provisions also state that interest can be calculated, in line with market rates, on the deferred portions paid in cash.

The shares accrued over time shall be delivered only at the end of the retention period described above and, except for the cases described below, subject to continuation of employment in any company of the Group.

In the light of the above, on the basis of the powers delegated by the Shareholders' Meeting, the shares to be purchased may be delivered to the recipients starting from 2019 (for the upfront portion referred to the results of the financial year 2016 and for the first deferred portion of the Top Risk Takers belonging to the Corporate Control Functions and the remaining Risk Takers/ managers or professionals who respectively accrue a bonus below/ above the fixed remuneration) and until 2022 (for the last tranche relating to the five-year deferral scheme).

In any event, gross incentives granted to Risk Takers lower than or equal to 80,000 euro and below 100% of the fixed remuneration are paid entirely in cash and upfront, considering that the amounts resulting from the application of the regulations in terms of deferral, pay out in shares and retention period would be quite insignificant in both absolute and relative terms with respect to total remuneration collected, to such an extent as to result in effective invalidation of the principle that inspires the mechanism (correlation between the amount of the incentive and assumption of risks).

As by this time a traditional practice in the Group and in compliance with regulators' indications (based on which the ratio between the variable and fixed component of remuneration "must be suitably balanced, exactly determined and carefully assessed in relation to the characteristics of the intermediary and of the various categories of personnel"), the potential paid out bonus is related to the level of each recipient's fixed remuneration.

More specifically, already as from 2013, in advance compared to the timing envisaged in the Provisions, recipients may at the most receive a variable remuneration inclusive of the bonus granted through the

Incentive System and the annual amount resulting from the LECOIP Co-Investment Plans¹⁷, equal to 50% of the remuneration pay mix, down from the previous 60% in relation to the ratio between the variable and the fixed component of remuneration. Considering the regulators' indications, the Heads of the Corporate Control Functions, even if they are included under Key Managers, may benefit from a variable portion of remuneration, including the portion resulting from the LECOIP Co-Investment Plans, granted by the Incentive System, with the same characteristics as that paid to the remaining Risk Takers, but more limited and equal to, at most, 33% of the fixed remuneration¹⁸.

Limited to specific professional categories and business segments, the maximum limit established (1:1) is increased to 2:1, according to CRD IV, as permitted by the Bank of Italy and submitted to the binding approval by qualified majority of the Shareholders' Meeting.

The granting of incentives to recipients is funded by a structured bonus pool mechanism. In full harmony with the criteria of symmetry between bonuses paid amount and actual performance achieved, the total amount of the incentives at Group level is linked to the trend of an economic indicator, Gross Income, appropriately adjusted (approximately +/- 10%) in relation to an evaluation of the performance of Intesa Sanpaolo relative to a panel of its international and domestic peers, identified based on comparability in terms of size, business mix, capital and talent markets.

The activation of the bonus pool at Group and structure level is based on exceeding the so-called "access threshold", expressed ex ante as the minimum value of the relative Gross Income.

The financial sustainability principle is ensured, in accordance with the requirements of the Regulator, by three preliminary conditions:

1. Common Equity Tier Ratio (CET1) at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

Non-achievement of even only one of the above conditions shall result in non-activation of the incentive systems for the Group personnel.

Top Risk Takers are subject to a further condition represented by the Liquidity Coverage Ratio (LCR), the level of which must be at least equal to the limit envisaged in the RAF.

Once the abovementioned conditions have been exceeded, the total amount due to the recipients is defined, in compliance with the Group and Division/Business Unit bonus pools, based on the position reached by each Manager in the "internal ranking" of their specific Division/Business Unit. This ranking is obtained by ordering the scores of the results of the individual scorecards, which measure performance at several levels, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (2014-2017 Business Plan projects, strategic actions and managerial qualities).

6.P.2.
6.C.1. d)
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Moreover, each deferred portion is subject to ex-post adjustment mechanisms – the "malus conditions" – according to which the relative amount to be paid out and the number of financial instruments to be assigned, if any, may be reduced, even down to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the minimum conditions set by the Regulator, namely:

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Gross Income, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

¹⁷ They were approved by the Shareholders' Meeting on 8 May 2014 and represent the long-term variable component, based on instruments associated with Intesa Sanpaolo shares, introduced at the time of launch of the 2014-2017 Business Plan through the Leveraged Employee Co-Investment Plans ("LECOIP Plans").

¹⁸ Including the role allowance representing a portion of fixed remuneration, assigned according to the period holding that role, paid monthly and not counted in the calculation for employee termination indemnities and supplementary pension (if the fund has a Base Salary calculation basis). Social security contributions are calculated on the amount paid.

In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

For Top Risk Takers, in parallel with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged, relating to verification of the LCR compared to the RAF limits. As regards this cluster, if either condition 1 or 2 or that relating to the LCR does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

Quantitative information broken down by business area

At Group level, thereby considering employees of all grades and employees of the international subsidiaries, the total variable component allocated in the financial statements to reward 2016 results, including the contractual portion (the so-called Variable Result Bonus) or the amount relating to the 2014-2017 LECOIP Plans, is equal to approximately 2.5% of the Group's operating income, about 0.9% of its shareholders' equity, about 0.06% of total assets and about 8% of the total cost of labour. These data are essentially stable compared to those of the 2014 financial year.

More specifically, 45% of the above variable component comprises sums available for the payment of the annual incentive, 37% comprises the amount pertaining to 2015 of the 2014-2017 LECOIP Plans and 18% comprises sums payable by way of company bonus (the so-called Variable Result Bonus). As in past years, distribution of the amounts allocated in the financial statements for payment of the variable component referring to 2016 results gives priority to resources belonging to the business sectors most exposed to market variables (asset management, finance and investment banking), consistently with the results of specialised surveys of a sample of Italian and European banking groups which, due to size and composition of the business, constitute the reference benchmark for Intesa Sanpaolo.

COMPARISON OF PERCENTAGE DISTRIBUTION OF STAFF, FIXED COST AND THE VARIABLE COMPONENT/VARIABLE RESULT BONUS FOR 2016

	Staff	Fixed Cost 2016	Variable Component / Variable Result Bonus 2016
Head Office Department (including Top Management)	14%	16%	22%
Banca dei Territori	50%	59%	32%
Corporate & Investment Banking	3%	6%	18%
International Subsidiary Banks	26%	10%	12%
Private Banking	3%	5%	8%
Insurance	1%	1%	3%
Asset Management	1%	1%	4%
Capital Light Bank	2%	1%	2%

Quantitative information broken down by various categories of identified staff

(thousands of euro)

Cluster (as at 31/12/2016)	No.	Percentage Ratio between Variable Remuneration and Fixed Remuneration		Total Remuneration 2016			Detail of Short-Term Variable Component for 2016				Variable deferred amount from prior years ^d :		Variable deferred amount and upfront shares from prior years paid and granted during 2016 ^e
		Theoretical	Actual ^a	Fixed Remuneration ^b	Short-term Variable Remuneration	Long-term Variable Remuneration ^c	Upfront Cash	Upfront Shares	Deferred Cash	Deferred Shares	Vested following 2016 performance	Not vested	
CEO (Messina Carlo)	1	Max 100%	79%	2,600	1,692	352	338	338	508	508	340	-	804
General Manager, other Key Managers ¹	18	Max 100%	89%	11,130	7,573	2,291	1,634	1,516	2,212	2,212	2,071	-	4,463
Heads of Corporate Control Functions ²	7	Max 33%	32%	3,576	927	228	410	221	148	148	141	-	410
Other individuals who, individually or collectively, take on significant risk ³	333 ⁴	Max 200% Max 100% Max 33% ⁵	67%	63,954	33,258	9,357	14,326	7,231	5,858	5,843	5,739	-	6,775

1) Excluding 5 Key Managers who are included under Heads of Corporate Control Functions. Remuneration refers to 18 Key Managers, 16 of which still in office as at 31 December 2015.

2) Remuneration also refers to 6 Key Managers, 4 of which still in office as at 31 December 2016.

3) Verified on the basis of the EBA Regulatory Technical Standards for the identification of Material Risk Takers.

4) Remuneration refers to 333 Risk Takers of which 12 outgoing during 2016 and 64 Risk Takers remaining in the perimeter ≥ 3 months but not in the role as at 31.12.2016.

5) Maximum theoretical amounts differentiated according to the cluster they belong to (specific business segments for which the increase of the cap on variable remuneration was approved by the Shareholders' Meeting in April 2016, other business and governance roles, Corporate Control Functions or comparable roles).

a) The actual ratio between variable remuneration to fixed remuneration takes into account all the short or long-term components of the remuneration.

b) The amount indicated under the column "Fixed Remuneration" also includes remuneration received as member of the Management Board or paid as role allowances.

c) The amount shown includes the annual component of the LECOIP Plans, of: "protected capital" at fair value, option evaluation (B&S) and the so-called Sell to cover.

d) The amounts shown include the value of the portions paid in cash and the exchange value, at the time of definition of the incentive, of the shares attributed to Management in previous years as part of the 2014 incentive plan, without prejudice to the fact that such shares may actually be granted only in the following years because of the retention period and that they are anyway always subject, except in specific cases, to continuation of employment.

e) The amounts indicated refer to the 2011, 2012 and 2014 Incentive Systems.

As shown in the table above, amounts accrued during the year but assigned in prior years (2014 Incentive System for the first deferred portion paid in cash, 2012 Incentive System for the deferred portions paid in cash and shares and 2011 Incentive System for the last deferred portion paid in shares) were paid during 2016.

In view of the overall remuneration levels for 2016, even if paid during the year only for the component relating to the fixed remuneration, there are 24 Managers - in service as at 31 December 2016 - whose remuneration is equal to at least 1 million euro. In particular:

- 1 Manager with total remuneration between 4.5 and 5 million euro;
- 6 Manager with total remuneration between 1.5 and 2 million euro;
- 17 Managers with total remuneration between 1 and 1.5 million euro.

In terms of the information required on employee termination indemnities defined during the year, it is specified that during 2016 there were 2 cases of termination of employment of Key Managers and 7 additional cases of Managers under the Risk Takers category.

The total amount of termination indemnities payable to the above 37 Managers amounted to 3,340 thousand euro, the highest of which was 1,500 thousand euro (in application of the Executives' Agreement of 19 March 2014).

9 Managers were recruited on the market in 2016, 2 of whom under the Risk Takers category.

PART IV – INTERNAL AUDITING DEPARTMENT ASSESSMENT OF THE INCENTIVE SYSTEM

The Internal Auditing Department of Intesa Sanpaolo has carried out the planned audit, aimed at analysing the operational practices followed in defining the incentive system for 2016, in accordance with the Policies and application profiles resolved by the Bodies and the relative Provisions issued by the Bank of Italy (CRD IV implementation).

The audit was broken down in order to examine the operational phases of the process: quantification and approval of the main components of the incentive system (economic requirements, certification of results achieved, determination of the bonus pool, incentives for Top Risk Takers and Heads of the Control Functions); pay out of incentives to the departments with specific reference to staff whose professional activities have a material impact on the risk profile.

As expected, the remuneration policies, the principles of the incentive system, the financing methods for the bonus pool, the activation thresholds, the rules for the identification of staff whose professional activities have a material impact on the risk profile and the objectives assigned to the Top Risk Takers were approved by the corporate bodies in 2016, each to the extent applicable.

The structure has been assessed as compliant with Regulations by the Compliance Department.

The structure of the incentive system incorporates in advance certain innovations introduced by the new EBA Guidelines (adoption of the new scheme for payment of the deferred portions of the variable component). Other amendments relate to the increase in the limit of the "variable/fixed" remuneration ratio to 2: 1 for some business segments. The variable remuneration component for the remaining personnel (Variable Result Bonus) was defined for 2015 as well (within the scope of the second level agreement with the trade unions).

The threshold set by the Group's bonus pool activation rules was achieved, in line with all targets, i.e. Net Income compatible with the distribution of dividends, Gross Income, RAF indicators (CET1R and NSFR), allowing the funding thereof according to the pre-established application methods and policies.

The results achieved by the Top Risk Takers were quantified and approved by the competent Bodies.

Based on the findings, the Internal Auditing Department expressed an opinion of adequacy of the operating practices followed, consistent with the policies and defined profiles, and formulated some recommendations for 2017 aimed at a better formalisation of the process and at the updating of the policies, with reference to the specific characteristics of Banca Fideuram's financial advisors.

The audit process will be completed with the checks on the correctness of the process of actual payment of the incentives (including the deferred portion), with specific reference to the incentives paid to the staff whose professional activities have a material impact on the risk profile and the Heads of the Corporate Control Functions, in order to determine their alignment with what was approved by the corporate Bodies.

To supplement the Report on Remuneration presented on 27 April 2016 to the Shareholders' Meeting, the disbursement of the incentives for the financial year 2015 (including the deferred portion), which took place in May 2016, was checked and was found to be substantially consistent with the policies and approved application profiles. In this regard, a few suggestions for improvement were formulated, some of which already operational for 2016.

Appendix



Table No. 1: “Check List”

Principles and Criteria of the Corporate Governance Code		Applied with adaptations as appropriate	Not applied	Page of Report
1. ROLE OF THE BOARD OF DIRECTORS				
1.P.1	The issuer is governed by a Board of Directors that meets at regular intervals, adopts an organisation and a modus operandi which enable it to perform its functions in an effective manner.	✓		Page 29, 41, 57, 61
1.P.2.	The directors act and make decisions with full knowledge of the facts and autonomously pursuing and placing priority on the objective of creating value for the shareholders over a medium-long term period.	✓		Page 42
1.C.1.	The Board of Directors shall:			
	a) examine and approve the strategic, operational and financial plans of both the issuer and the corporate group it heads, monitoring periodically the related implementation; it defines the issuer’s corporate governance system and the relevant group structure;	✓		Page 29
	b) define the risk profile, both as to nature and level of risks, in a manner consistent with the issuer’s strategic objectives, taking into account any risk that may affect the sustainability of the issuer’s business in a medium-long term perspective;	✓		Page 29, 30
	c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;	✓		Page 29, 30
	d) specify the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;	✓		Page 30
	e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;	✓		Page 30
	f) resolve upon transactions to be carried out by the issuer or its subsidiaries having a significant impact on the issuer’s strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying material transactions;	✓		Page 29, 30
	g) perform at least annually an evaluation of the performance of the Board of Directors and its committees, as well as their size and composition, taking into account the professional competence, experience (including managerial experience) and gender of its members as well as number of years as director. Where the Board of Directors avails of external consultants for such a self-assessment, the Report on Corporate Governance shall provide information on their identity and other services, if any, performed by such consultants to the issuer or to companies having a control relationship with the issuer;	✓		Page 40, 50

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
h) taking into account the outcome of the evaluation mentioned under the previous item g), report its view to shareholders on the managerial and professional profiles deemed appropriate for the composition of the Board of Directors, prior to its nomination;	✓		Page 40
i) provide information in the Report on Corporate Governance regarding: (1) its composition, indicating for each member his/her qualification (executive, non executive, independent), the role held within the Board of Directors (including by way of example, chairman or chief executive officer, as defined by article 2), the main professional characteristics as well as the duration of his/her office since the first appointment; (2) the application of article 1 of this Code and, in particular, on the number and average duration of meetings of the Board and of the executive committee, if any, held during the fiscal year, as well as the related percentage of attendance of each director; (3) the procedures for the self-assessment process under the previous item g);	✓		Page 30, 31, 33, 40, 44, 47, 52, 53, 54, 55, 58, 60, 61
j) in order to ensure the correct handling of corporate information, adopt, upon proposal of the managing director or the chairman of the Board of Directors, procedures for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to inside information.	✓		Page 76, 77
1.C.2. The directors shall accept the directorship when they deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment relating to their own work and professional activity, the number of offices held as director or statutory auditor in other companies listed on regulated markets (also abroad), in financial, banking, insurance or large companies. The Board shall record, on the basis of the information received from the directors, on a yearly basis, the offices of director or statutory auditor held by the directors in the above-mentioned companies and include them in the Report on Corporate Governance.	✓		Page 38
1.C.3. The Board shall issue guidelines regarding the maximum number of offices as director or statutory auditor for the types of companies referred to in the above paragraph that may be considered compatible with an effective performance of the duties as issuer's director, taking into account the attendance by the directors to the committees set up within the Board. To this end, the Board identifies the general criteria, differentiating them according to the commitment entailed by each role (executive or non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, plus whether or not the companies are members of the issuer's group.	✓		Page 38
1.C.4. If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule prohibiting competition, as per Article 2390 of the Italian Civil Code, then the Board of Directors shall evaluate each such issue, reporting, at the next shareholders' meeting, the critical ones if any. To this end, each director shall inform the Board, upon accepting his/her appointment, of any activities exercised in competition with the issuer and of any effective modifications that ensue.	✓		Page 38
1.C.5. The chairman of the Board of Directors shall ensure that the documentation relating to the agenda of the Board is made available to directors and statutory auditors in a timely manner prior to the Board meeting. The Board of Directors shall provide	✓		Page 42

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
<p>information in the Report on Corporate Governance on the promptness and completeness of the pre-meeting information, providing details, inter alia, on the prior notice usually deemed adequate for the supply of documents and specifying whether such prior notice has been usually observed.</p> <p>1.C.6. The chairman of the Board of Directors, also upon request of one or more directors, may request to the managing directors that executives of the issuer or the companies belonging to its group, in charge of the pertinent management areas related to the Board agenda, attend the meetings of the Board, in order to provide appropriate supplemental information on the items on the agenda. The Corporate Governance Report provides information on the effective attendance of the Board meetings.</p>	✓		Page 43, 61
2. COMPOSITION OF THE BOARD OF DIRECTORS			
2.P.1. The Board of Directors shall be made up of executive and non-executive directors, who should be adequately competent and professional.	✓		Page 30, 34, 60
2.P.2. Non-executive directors shall bring their specific expertise to Board discussions and contribute to the adoption of fully informed decisions paying particular care to the areas where conflicts of interest may exist.	✓		Page 30, 43, 61
2.P.3. The number, competence, authority and time availability of non-executive directors shall be such as to ensure that their judgement may have a significant impact on the taking of Board's decisions.	✓		Page 43,61
2.P.4. It is appropriate to avoid the concentration of corporate offices in one single individual.	✓		Page 31, 33, 60
2.P.5. Where the Board of Directors has delegated management powers to the chairman, it shall disclose adequate information in the Report on Corporate Governance regarding the reasons for such organisational choice.	✓		Page 60
<p>2.C.1. The following are qualified executive directors for the issuer:</p> <ul style="list-style-type: none"> - the managing directors of the issuer or a subsidiary having strategic importance, including the relevant chairmen when these are granted individual management powers or when they play a specific role in the definition of the business strategies; - the directors vested with management duties within the issuer or in one of its subsidiaries having strategic importance, or in the parent company when the office concerns also the issuer; - the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer. <p>The granting of deputy powers or powers in cases of urgency to directors, who are not provided with management powers is not enough, per se, to cause them to be identified as executive directors, provided however that such powers are not actually exercised with considerable frequency.</p>	✓		Page 34, 60

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
<p>2.C.2. The directors shall know the duties and responsibilities relating to their office.</p> <p>The chairman of the Board of Directors shall use his best efforts to allow the directors and the statutory auditors, after the election and during their mandate, to participate, in the ways deemed appropriate, in initiatives aimed at providing them with an adequate knowledge of the business sector where the issuer operates, of the corporate dynamics and the relevant evolutions, of the principles of proper risk-management as well as the relevant regulatory and self-regulatory framework.</p> <p>The issuer shall describe in the Corporate Governance Report the type and organizational manners of the activities that took place during the fiscal year of reference.</p>	✓		Page 36, 58
<p>2.C.3. The Board shall designate an independent director as lead independent director, in the following circumstances: (i) in the event that the chairman of the Board of Directors is the chief executive officer of the company; (ii) in the event that the office of chairman is held by the person controlling the issuer.</p> <p>The Board of Directors of issuers belonging to FTSE-Mib index shall designate a lead independent director if so requested by the majority of independent directors, except in the case of a different and grounded assessment carried out by the Board to be reported in the Report on Corporate Governance.</p>	✓		Page 37
<p>2.C.4. The lead independent director:</p> <p>a) represents a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to Article 3 below;</p> <p>b) cooperates with the chairman of the Board of Directors in order to guarantee that directors receive timely and complete information.</p>	✓		Page 37
<p>2.C.5. The chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, in the event that the chief executive officer of issuer (B) is a director of issuer (A).</p>	✓		Page 34

3. INDEPENDENT DIRECTORS

<p>3.P.1. An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, directly or indirectly, nor have recently maintained any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgement.</p>	✓		Page 37, 61
<p>3.P.2. The directors' independence shall be assessed by the Board of Directors, after the appointment and, subsequently, on a yearly basis. The results of the assessments of the Board shall be communicated to the market.</p>	✓		Page 37
<p>3.C.1. The Board of Directors shall evaluate the independence of its non-executive members having regard more to the contents than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:</p>	✓		Page 37

a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the issuer;

b) if he/she is, or has been in the preceding three fiscal years, a significant representative of the issuer, of a subsidiary having strategic importance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;

c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:

- with the issuer, one of its subsidiaries, or any of its significant representatives;

- with a subject who, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;

or is, or has been in the preceding three fiscal years, an employee of one of the above-mentioned subjects;

d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or a parent company of the issuer, a significant additional remuneration (compared to the "fixed" remuneration of non-executive director of the issuer and to remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked to the company's performance, including stock option plans;

e) if he/she was a director of the issuer for more than nine years in the last twelve years;

f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;

g) if he/she is shareholder or quotaholder or director of a company or entity belonging to the same network as the company appointed for the auditing of the issuer;

h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

3.C.2.	For the purpose of the above, the chairman of the entity, the chairman of the Board of Directors, the executive directors and key managers of the relevant company or entity, must be considered as "significant representatives".	✓	Page 37
3.C.3.	The number and competences of independent directors shall be adequate in relation to the size of the Board and the activity performed by the issuer; moreover, they must be such as to enable the constitution of committees within the Board, according to the indications set out in the Code.	✓	Page 30, 37, 58

Principles and Criteria of the Corporate Governance Code**Applied with
adaptations as
appropriate
Not applied****Page
of Report**

As for issuers belonging to FTSE-Mib index, at least one third of the Board of Directors members shall be made up of independent directors. If such a number is not an integer, it shall be rounded down.

Anyway, independent directors shall not be less than two.

- 3.C.4. After the appointment of a director who qualifies himself/herself as independent, and subsequently, upon the occurrence of circumstances affecting the independence requirement and in any case at least once a year, the Board of Directors shall evaluate, on the basis of the information provided by the same director or available to the issuer, those relations which could be or appear to be such as to jeopardize the autonomy of judgement of such director. ✓ Page 37

The Board of Directors shall notify the result of its evaluations, after the appointment, through a press release to disclosed the market and, subsequently, within the Report on Corporate Governance.

In the documents mentioned above, the Board of Directors shall:

- disclose whether they adopted criteria for assessing the independence which are different from the ones recommended by the Code, also with reference to individual directors, and if so, specifying the reasons;

- describe quantitative and/or qualitative criteria used, if any, in assessing the relevance of relationships under evaluation.

- 3.C.5. The Board of Statutory Auditors shall ascertain, in the framework of the duties attributed to it by the law, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members. The result of such controls is notified to the market in the Report on Corporate Governance Report or in the report of the Board of Statutory Auditors to the shareholders' meeting. ✓ Page 37

- 3.C.6. The independent directors shall meet at least once a year without the presence of the other directors. ✓ Page 37

4. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS

- 4.P.1. The Board of Directors shall establish among its members one or more committees with proposing and consultative functions according to what set out in the articles below. ✓ Page 51, 58

- 4.C.1. The establishment and functioning of the committees governed by the Code shall meet the following criteria:

a) committees shall be made up of at least three members. However, in those issuers whose Board of Directors is made up of no more than eight members, committees may be made up of two directors only, provided, however, that they are both independent. The committees' activities shall be coordinated by a chairman; ✓ Page 51, 58

b) the duties of individual committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the Board of Directors; ✓ Page 51, 58

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
c) the functions that the Code attributes to different committees may be distributed in a different manner or assigned to a number of committees lower than the envisaged one, provided that their composition rules comply with those indicated from time to time by the Code and the achievement of the underlying objectives is ensured;	✓		Page 51, 58
d) minutes shall be drafted of the meetings of each committee and the Chairman of the committee shall inform the Board of Directors thereof during the first available meeting;	✓		Page 51
e) in the performance of their duties, the committees have the right to access the necessary company's information and functions for performance of their duties, according to the procedures established by the Board of Directors, as well as to avail themselves of external consultants. The issuer shall make available to the committees adequate financial resources for the performance of their duties, within the limits of the budget approved by the Board;	✓		Page 48, 51
f) persons who are not members of the committee, including other Board members or persons belonging to issuer's structure, may participate in the meetings of each committee upon invitation of the same, with reference to individual items on the agenda;	✓		Page 48, 51
g) the issuer shall provide adequate information, in the Report on Corporate Governance, on the establishment and composition of committees, the contents of the mandate entrusted to them, as well as, on the basis of the indications provided for by each committee, the activity actually performed during the fiscal year, the number of meetings held, their average duration and the relevant percentage of participation of each member.	✓		Page 52, 58
<p>4.C.2. The establishment of one or more committees may be avoided and the relevant duties may be assigned to the Board of Directors, under the coordination of the chairman and provided that: (i) independent directors are at least half of the Board of Directors members; if the number of the Board members is odd, a rounding down to the lower unit shall be carried out; (ii) adequate time is dedicated during Board meetings to actions that the Code requires the Committees to carry out, and this circumstance is disclosed in the Report on Corporate Governance; (iii) as far as the control and risk committee is concerned, the issuer is neither controlled by another listed company nor it is subject to direction and coordination.</p> <p>The Board of Directors describes in detail in the Report on Corporate Governance the reasons underlying the choice not to establish one or more committees; in particular, it provides adequate grounds for the choice not to establish the risk and control committee in consideration of the complexity level of the issuer and the sector in which it operates. In addition, the Board shall periodically reassess the choice made.</p>	✓(*)		Page 51, 58 (*) All the Committees have been established, as also required by the Supervisory provisions on banks

5. APPOINTMENT OF DIRECTORS

5.P.1. The Board of Directors shall establish among its members a committee to propose candidates for appointment to the position of director (nominations committee), made up, for the majority, of independent directors.	✓		Page 51, 52, 58, 59
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Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
5.C.1. The nominations committee shall be vested with the following functions:			
a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well with regard to the topics indicated by articles 1.C.3. and 1.C.4.;	✓		Page 52, 59
b) to submit the Board of Directors candidates for directors offices in case of co-option, should the replacement of independent directors be necessary.	✓		Page 52, 59
5.C.2. The Board of Directors shall evaluate whether to adopt a plan for the succession of executive directors. In the event of adoption of such a plan, the issuer shall disclose it in the Report on Corporate Governance. The review on the preparation of the above mentioned plan shall be carried out by the nominations committee or by another committee established within the Board of Directors in charge of this task.	✓		Page 34, 52

6. REMUNERATION OF DIRECTORS

6.P.1. The remuneration of directors and key managers shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the issuer.	✓		Page 101, 106
6.P.2. The remuneration of executive directors and key managers shall be defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in the medium-long term. With regard to directors with managerial powers or performing, also de-facto, functions related to business management, as well as with regard to key managers, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including non-economic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.P.4. The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.	✓		Page 95, 101, 103, 112, 156
6.P.3. The Board of Directors shall establish among its members a remuneration committee, made up of independent directors. Alternatively, the committee can be made up of non-executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.	✓		Page 51, 53, 58
6.P.4. The Board of Directors shall, upon proposal of the Remuneration Committee, establish a policy for the remuneration of directors and key managers.	✓		Page 101
6.P.5. In case of the end of office and/or the termination of the employment relationship with an executive director or a general manager, the issuer discloses, through a press release to the market, detailed information, following the internal process leading to the assignment or recognition of indemnities and/or other benefits.	✓		

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
<p>6.C.1. The policy for the remuneration of executive directors and other directors vested with special offices shall define guidelines on the issues and consistently with the criteria detailed below:</p> <p>a) the fixed component and the variable component are properly balanced according to issuer’s strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of the business carried out;</p> <p>b) upper limits for variable components shall be established;</p> <p>c) the fixed component shall be sufficient to reward the director when the variable component was not delivered because of the failure to achieve the performance objectives specified by the Board of Directors;</p> <p>d) the performance objectives – i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based compensation plans) is linked – shall be predetermined, measurable and linked to the creation of value for the shareholders in the medium-long term;</p> <p>e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time with respect to the accrual; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer’s business and associated risk profile;</p> <p>f) contractual arrangements shall be provided in order to permit the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to hold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated;</p> <p>g) indemnities eventually set out by the issuer in case of early termination of directors or non-renewal shall not exceed a fixed amount or fixed number of years of annual remuneration. Termination payments shall not be paid if the termination is due to objectively inadequate results.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p></p> <p>Page 103, 105, 106, 108, 109, 112</p> <p>Page 106, 108, 112</p> <p>Page 98, 106, 108, 109, 112, 130, 157</p> <p>Page 103, 108, 109, 112, 156</p> <p>Page 109, 110, 113, 114</p> <p>Page 121, 124</p>
<p>6.C.2. In preparing plans for share-based remuneration, the Board of Directors shall ensure that:</p> <p>a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years;</p> <p>b) the vesting referred to in paragraph a) shall be subject to predetermined and measurable performance criteria;</p> <p>c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to in paragraph a), until the end of their mandate.</p>	<p>✓</p>		<p>Page 110, 111, 112, 113, 114, 128, 156</p>
<p>6.C.3. The criteria 6.C.1 and 6.C.2 shall apply, mutatis mutandis, also to the definition – by the bodies entrusted with that task – of the remuneration of key managers.</p> <p>Any incentive plan for the head of Internal Auditing and for the manager responsible for preparing the Company’s financial reports shall be consistent with their role.</p>	<p>✓</p>		<p>Page 104</p>

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
6.C.4. The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based compensation plans, unless it is so decided by the annual shareholders’ meeting, which shall also give the relevant reasons.	✓		Page 97
6.C.5. The remuneration committee shall: - periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key managers, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard; - submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors vested with special offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.	✓		Page 53
6.C.6. No director shall participate in meetings of the remuneration committee in which proposals are formulated to the Board of Directors relating to his/her remuneration.	✓		Page 53, 59
6.C.7. When using the services of a consultant in order to obtain information on market standards for remuneration policies, the remuneration committee shall previously verify that the consultant concerned is not in a position which might compromise its independence.	✓		Page 54
6.C.8. According to principle 6.P.5., the press release should provide: a) adequate information on the indemnity and/or other benefits, including their amount, timing of disbursement – distinguishing both between the component immediately paid out and the one subject to deferral mechanisms and between the component received as director from the other one related to an employment relationship, if any – and “claw-back” clauses, if any, in particular with reference to: - indemnities for the end of office or termination of the employment relationship, specifying the circumstances of its accrual (for example, expiry, revocation or settlement agreement); - maintenance of rights related to any incentive plans, monetary or financial instruments based; - benefits (monetary and non monetary ones) subsequent to the end of office; - non-competition commitments, describing their main contents; - any other payment assigned for any reason and in any form; b) information about the compliance or non-compliance of the indemnity and/or other benefits with the remuneration policy and, in case of even a partial non-compliance with the remuneration policy, information about internal procedures applied according to Consob related party transactions’ regulation;	✓		Page 94

Principles and Criteria of the Corporate Governance Code

Applied with adaptations as appropriate
Not applied

Page of Report

c) information about the application, or non-application, of any mechanism that provides restrictions or corrections to the indemnity in case of termination due to the achievement of objectively inadequate results, as well as whether requests have been formulated for the reclaim of remuneration already paid out;

d) information as whether the replacement of the ceased executive director or general manager is governed by any succession plan adopted by the company and, in any case, information about procedures that have been or will be applied for the replacement of the director or manager.

7. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

7.P.1.	Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks. Such a system shall be integral to the organizational and corporate governance framework adopted by the issuer and shall take into consideration the reference model and the best practices that are applied both at national and international level.	✓	Page 64
7.P.2.	An effective internal control and risk management system contributes to the management of the company in a manner consistent with the objectives defined by the Board of Directors, promoting an informed decision-making process. It contributes to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of the information provided to the corporate bodies and to the market and the compliance with laws and regulations, including the by-laws and internal procedures.	✓	Page 64
7.P.3.	The internal control and risk management system involves each of the following corporate bodies depending on their related responsibilities:	✓	Page 66
	a) the Board of Directors, that shall provide strategic guidance and evaluation on the overall adequacy of the system, identifying within the Board:	✓	Page 57, 66
	(i) one or more directors to be charged with the task of establishing and maintaining an effective internal control and risk management system (hereinafter, the "director in charge of the internal control and risk management system"), and	✓	Page 67
	(ii) a control and risk committee in line with the requirements set forth by principle 7.P.4., to be charged with the task of supporting, on the basis of an adequate control process, the evaluations and decisions to be made by the Board of Directors in relation to the internal control and risk management system, as well as to the approval of the periodical financial reports;	✓	Page 54, 66
	b) the head of Internal Auditing, entrusted with the task to verify the functioning and adequacy of the internal control and risk management system;	✓	Page 65, 71
	c) the other roles and business functions having specific tasks with regard to internal control and risk management, organised depending on the company's size, complexity and risk profile;	✓	Page 64

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
<p>d) the Board of Statutory Auditors, also as audit and internal control committee, which is responsible for monitoring the effectiveness of the internal control and risk management system.</p> <p>Each issuer shall provide for coordination methods between the above mentioned bodies in order to enhance the efficiency of the internal control and risk management system and reduce activities overlapping.</p>	✓		Page 45, 57, 66
<p>7.P.4. The control and risk committee is made up of independent directors. Alternatively, the committee can be made up of non-executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. If the issuer is controlled by another listed company or is subject to the direction and coordination activity of another company, the committee shall be made up exclusively of independent directors. At least one member of the committee is required to have an adequate experience in the area of accounting and finance or risk management, to be assessed by the Board of Directors at the time of appointment.</p>	✓		Page 51, 58, 66
<p>7.C.1. The Board of Directors, with the opinion of the control and risk committee, shall:</p>	✓		Page 66, 71
<p>a) define the guidelines of the internal control and risk management system, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives;</p>	✓		Page 64
<p>b) evaluate, at least on an annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the company and its risk profile, as well as its effectiveness;</p>	✓		Page 59, 66
<p>c) approves, at least on an annual basis, the plan drafted by the head of Internal Auditing, after hearing the Board of Statutory Auditors and the director in charge of the internal control and risk management system;</p>	✓		Page 66
<p>d) describe, in the Corporate Governance Report, the main features of the internal control and risk management system and how the different subjects involved therein are coordinated, expressing the evaluation on its adequacy;</p>	✓		Page 66
<p>e) assess, after hearing the Board of Statutory Auditors, the findings reported by the independent auditors in the suggestions letter, if any, and in the report on the main findings of the auditing stage.</p>	✓		Page 66
<p>The Board of Directors shall, upon proposal of the director in charge of the internal control and risk management system, subject to the favourable opinion of the control and risk committee, as well as after hearing the Board of Statutory Auditors:</p>			
<p>- appoint and revoke the head of Internal Auditing;</p>	✓		
<p>- ensure that such a person is provided with the adequate resources for the fulfilment of his/her responsibilities;</p>	✓		
<p>- define the relevant remuneration consistently with company's policies.</p>	✓		

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
7.C.2. The control and risk committee, when assisting the Board of Directors shall:	✓		Page 54
a) evaluate together with the manager responsible for preparing the Company's financial reports, after hearing the independent auditors and the Board of Statutory Auditors, the correct application of the accounting principles, as well as their consistency for the purpose of the preparation of the consolidated financial statements, if any;	✓		Page 45, 49, 59
b) express opinions on specific aspects relating to the identification of the main risks for the company;	✓		Page 45, 46, 58
c) review the periodic reports of the Internal Auditing concerning the assessment of the internal control and risk management system, as well as the other reports of the Internal Auditing that are particularly significant;	✓		Page 46, 48
d) monitor the independence, adequacy, efficiency and effectiveness of the Internal Auditing;	✓		Page 45, 49
e) request the Internal Auditing to carry out reviews of specific operational areas, giving simultaneous notice to the chairman of the Board of Statutory Auditors;	✓		Page 46, 49, 58
f) report to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy of the internal control and risk management system;	✓		Page 49, 59
g) support, with adequate preliminary activities, the Board of Directors assessments and resolutions on the management of risks arising from detrimental facts which the Board may have been become aware of.	✓		Page 54
7.C.3. The chairman of the Board of Statutory Auditors or another statutory auditor designated by this chairman shall participate in the works of the control and risk committee; the remaining statutory auditors are also allowed to participate.	✓		Page 49
7.C.4. The director in charge of the internal control and risk management system, shall:	✓		Page 67
a) identify the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submit them periodically to the review of the Board of Directors;			
b) implement the guidelines defined by the Board of Directors, taking care of the planning, realization and management of the internal control and risk management system, constantly monitoring its adequacy and effectiveness;			
c) adjust such system to the dynamics of the operating conditions and the legislative and regulatory framework;			
d) request to Internal Auditing to carry out reviews on specific operational areas and on the compliance of business operation with rules and internal procedures, giving simultaneous notice to the chairman of the Board of Directors, the chairman of control and risk committee and the chairman of the Board of Statutory Auditors;			

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
e) promptly report to the control and risk committee(or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.			
7.C.5. The head of Internal Auditing shall:	✓		
a) verify, both on a continuous basis and in relation to special needs, in conformity with international professional standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan, to be approved by the Board of Directors. Such a plan shall be based on a structured analysis and ranking of the main risks;			Page 66, 71
b) not be responsible for any operational area and be subordinated to the Board of Directors;			Page 71
c) have direct access to all useful information for the performance of its duties;			Page 71
d) draft periodic reports containing adequate information on its own activity, and on the company's risk management process, as well as about the compliance with the management plans defined for risk mitigation. Such periodic reports contain an evaluation on the adequacy of the internal control and risk management system;			Page 72
e) prepare timely reports on particularly significant events;			Page 72
f) submit the reports indicated under items d) and e) above to the chairman of the Board of Statutory Auditors, the control and risk committee and the Board of Directors, as well as to the director in charge of the internal control and risk management system;			Page 72
g) verifies, as part of the audit plan, the reliability of the IT systems, including the accounting recognition systems.			Page 71
7.C.6. The Internal Auditing may be entrusted, as a whole or by business segments, to a person external to the issuer, provided, however, that it is endowed with adequate professionalism, independence and organization. The adoption of such organizational choices, with a satisfactory explanation of the relevant reasons, shall be disclosed to the shareholders and the market in the Report on Corporate Governance.	✓(*)		(*) The Internal Audit of the Bank can't be entrusted to an external person
8. STATUTORY AUDITORS			
8.P.1. The statutory auditors shall act with autonomy and independence also vis-à-vis the shareholders, which elected them.	✓		Page 45
8.P.2. The issuer shall adopt suitable measures to ensure an effective performance of the duties typical of the Board of Statutory Auditors.	✓		Page 45, 57
8.C.1. The statutory auditors shall be chosen among people who may be qualified as independent also on the basis of the criteria provided by this Code with reference to the directors. The Board of statutory auditors shall check the compliance with said criteria after the appointment and subsequently on an annual basis, submitting the result of such verification to the Board of Directors that discloses it, after the appointment, through a press release to the market and,	✓		Page 47

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
subsequently, in its Corporate Governance Report, according to manners complying with the ones provided with reference to directors.			
8.C.2. The statutory auditors shall accept the appointment when they deem that they can devote the necessary time to the diligent performance of their duties.	✓		Page 47
8.C.3. The remuneration of statutory auditors shall be proportionate to the commitment required from each of them, to the importance of his/her role as well as to the size and business sector of the company.	✓		
8.C.4. A statutory auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall timely and exhaustively inform the other statutory auditors and the chairman of the Board of Directors about the nature, the terms, origin and extent of his/her interest.	✓		Page 39
8.C.5. In the framework of their activities, the statutory auditors may request to Internal Auditing to carry out reviews on specific operational areas or transactions of the company.	✓		Page 46, 58
8.C.6. The Board of Statutory Auditors and the control and risk committee shall exchange material information on a timely basis for the performance of their respective duties.	✓		Page 45, 49

9. RELATIONS WITH THE SHAREHOLDERS

9.P.1. The Board of Directors shall take initiatives aimed at promoting the broadest participation possible of the shareholders in the shareholders' meetings and making easier the exercise of the shareholders' rights.	✓		Page 78
9.P.2. The Board of Directors shall endeavour to develop a continuing dialogue with the shareholders based on the understanding of their reciprocal roles.	✓		Page 77
9.C.1. The Board of Directors shall ensure that a person is identified as responsible for handling the relationships with the shareholders and shall evaluate from time to time whether it would be advisable to establish a business structure responsible for such function.	✓		Page 77
9.C.2. All the directors usually participate in the shareholders' meetings. The shareholders' meetings are also an opportunity for disclosing to the shareholders information concerning the issuer, in compliance with the rules governing inside information. In particular, the Board of Directors shall report to the shareholders' meeting the activity performed and planned and shall use its best efforts for ensuring that the shareholders receive adequate information about the necessary elements for them to adopt in an informed manner the resolutions that are the competence of the shareholders' meeting.	✓		Page 78, 79
9.C.3. The Board of Directors shall propose to the approval of the shareholders' meeting rules laying down the procedures to be followed in order to permit an orderly and effective conduct of the shareholders' meetings of the issuer, without prejudice, at the same time, to the right of each shareholder to express his or her opinion on the matters under discussion.		✓	Page 79

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Page of Report
9.C.4. In the event of significant changes in the market capitalisation of the company's shares or in the composition of its shareholders, the Board of Directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the Articles of Association in respect to the majorities required for exercising action and prerogatives to safeguard minority interests.	✓		Page 79

10. TWO-TIER AND ONE-TIER CORPORATE GOVERNANCE SYSTEMS

10.P.1 In the event of adoption of a two-tier or one-tier corporate governance system, the above articles shall apply insofar as compatible, adapting individual provisions to the particular system adopted, consistently with the objectives of good corporate governance, transparency of information and protection of investors and the markets pursued by the Code and in the light of the criteria provided by this article.	✓		Page 17, 19, 57
10.P.2. In the event that a new corporate governance system is proposed, the directors shall inform the shareholders and the market with regard to the reasons for such proposal, as well as on how it is envisaged that the Code will be applied to the new corporate governance system.	✓		Page 19
10.P.3. In the first Report on Corporate Governance published after the modification of the corporate governance system, the issuer shall describe in detail how the Code has been applied to such system. Such information shall be published also in the subsequent reports, indicating any amendments to the procedure followed in applying the Code to the selected corporate governance system.	✓		Page 19
10.C.2. In the event of adoption of the one-tier management and control system, the Code shall be applied according to the following criteria: a) the articles of the Code that make reference to the Board of Directors and to the Board of statutory auditors, or their members shall be applied, in principle, to the Board of Directors and to the Management Control Committee, or their members respectively; b) the duties attributed to the control and risk committee by Article 7 of this Code may be reported to the Management Control Committee provided by Article 2409-eighteenth of the Italian Civil Code, where it complies with the composition criteria set forth by article 7.	✓		Page 47, 49, 54

Table No. 2: “Art. 123-bis - Report on corporate governance and ownership structures”

Art 123-bis - Report on corporate governance and ownership structures	Page of Report
1. The report on operations of issuers with securities admitted to trading on regulated markets shall contain a specific section entitled: “Report on corporate governance and ownership structures”, providing detailed information on:	
a) the capital structure, including securities not traded on a regulated market in an EU Member State, with an indication of the different classes of shares and, for each class of shares, the related rights and obligations and the percentage of total share capital represented;	Page 25, 26
b) any restriction on the transfer of securities, e.g. limitations in the possession of securities or the need to obtain consent from the company or other securities holders;	Page 26
c) significant direct and indirect equity investments, for example through pyramid structures and cross-investments, as stated in reports submitted pursuant to article 120;	Page 26
d) if known, the holders of any securities with special control rights and a description of such rights;	Page 25
e) the mechanism for the exercise of voting rights in any employee share ownership scheme where voting rights are not exercised directly by the employees;	Page 26
f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for the exercise of voting rights, or systems whereby, with the company’s cooperation, the financial rights attached to the securities are separate from the holding of securities;	Page 80
g) agreements known to the company pursuant to article 122;	Page 26
h) any significant agreements to which the company or its subsidiaries are parties and which take effect, alter or terminate upon a change of control of the company, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements;	Page 27
i) agreements between companies and directors, members of the management board or supervisory board which envisage indemnities in event of resignation or dismissal without just cause, or if their employment contract should terminate as a result of a takeover bid;	Page 99
l) rules applying to the appointment and replacement of directors and members of the management board or supervisory board, and to amendments to the articles of association, if different from those envisaged by legal and regulatory provisions applicable as supplementary measures;	Page 31, 32, 47, 57, 60
m) the existence of delegated powers regarding share capital increases pursuant to article 2443 of the Italian Civil Code or powers of the directors or members of the management board to issue equity instruments or to authorise the purchase of own shares.	Page 25, 26

2. In the same section of the report referred to in subsection 1, information shall be provided regarding:

- a) adoption of a corporate governance code of conduct issued by regulated market management companies or trade associations, giving reasons for any decision not to adopt one or more provisions, together with the corporate governance practices actually applied by the company over and above any legal or regulatory obligations. The company shall also indicate where the adopted corporate governance code of conduct may be accessed by the public; Page 17
- b) the main characteristics of existing risk management and internal control systems used in relation to the financial reporting process, including consolidated reports, where applicable; Page 64, 68
- c) the operating procedures of the shareholders' meeting, its main powers, shareholders' rights and their terms of exercise, if different from those envisaged by legal and regulatory provisions applicable as supplementary measures; Page 78
- d) the composition and operations of the management and control bodies and their committees. Page 31, 34, 47, 52, 57, 58, 60, 61

Table No. 3: “Art. 123-ter - Report on remuneration”

Art. 123-ter - Report on remuneration	Page of Report
1. At least twenty-one days prior to the date of the shareholders' meeting established by article 2364, paragraph two, or the shareholders' meeting established by article 2364-bis second paragraph of the Italian Civil Code, companies with listed shares shall make a report on remuneration available to the public at the company registered office, on its internet website or in any of the other ways established by Consob regulation.	Page 94
2. The report on remuneration shall be laid out in the two sections established by paragraphs 3 and 4 and is approved by the Board of Directors. In companies adopting the two-tier system, the report is approved by the supervisory board, upon proposal, limited to the section established by paragraph 4, letter b), of the management board.	Page 94
3. The first section of the report on remuneration explains:	
a) the company's policy on the remuneration of the members of the management bodies, general managers and key managers with reference to at least the following year;	Page 95, 101, 128
b) the procedures used to adopt and implement this policy.	Page 95
4. The second section, which is intended for the members of the management and control bodies, general managers and, in aggregate form, without prejudice to the provisions of the regulation issued in accordance with paragraph 8, for key managers:	
a) provides a suitable representation of each of the items comprising remuneration, including treatment provided for in the event of cessation of office or termination of employment, highlighting the consistency with the company's policy in terms of remuneration approved the previous year;	Page 128
b) analytically illustrates the remuneration paid during the financial year of reference, for any title and in any form by the company and by subsidiaries or associates, noting any components of said remuneration that refer to activities performed in years prior to that of reference, in addition to highlighting the remuneration to be paid in one or more subsequent years in exchange for the work performed in the year of reference, potentially specifying an estimated value for components that cannot objectively be quantified in the year of reference.	Page 132
5. Remuneration plans established by article 114-bis are attached to the report, or the report specifies the section of the company's website where these documents can be viewed.	Page 144
6. Without prejudice to the provisions of articles 2389 and 2409-terdecies, first paragraph, letter a) of the Italian Civil Code and article 114-bis, the shareholders' meeting called in accordance with article 2364, paragraph two or article 2364-bis, paragraph two, of the Italian Civil Code, resolves in favour or against the section of the report on remuneration established by paragraph 3. This resolution is non-binding. The outcome of voting is made available to the public in accordance with article 125-quater, paragraph 2.	Page 94



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