Report of the Board of Directors
Ordinary Part - Item 1 on the agenda

2017 financial statements:

a) Approval of the Parent Company's 2017 financial statements
b) Allocation of net income for the year and distribution to shareholders of dividend and part of Share Premium Reserve

Distinguished Shareholders.

Pursuant to Art. 2364 of the Italian Civil Code and Articles 7.3 and 29.3 of the Company's Articles of Association, we hereby submit for your approval the financial statements of the parent company Intesa Sanpaolo as at 31 December 2017 and the proposal for allocation of net income for the year, subject to reclassification of the net amount of the differences in merger, exchange transaction and demerger, currently stated under Other Reserves, as a decrease of Extraordinary Reserve.
Indeed, during 2017, Intesa Sanpaolo recorded into specific shareholders' equity reserves the differences in merger deriving from the merger through incorporation of the subsidiary Accedo S.p.A.
The cancellation of shares of the incorporated company resulted in positive merger differences, recognised under Other Reserves, for an amount of 17,102.89 euro. It should be noted that, pursuant to Art. 172, paragraph 5, of the Consolidated Law on Income Taxes, Reserves qualifying for deferred taxation applicable to the merger surplus will be reconstituted for the same amount.

Pursuant to Art. 6, paragraph 1, letter a) of Legislative Decree 38/2005, a portion of net income corresponding to capital gains recognised in the income statement, net of the related tax charge, arising from application of the fair value criterion, must be recorded in an unavailable reserve. As at 31 December 2017, such amount was 1,005,138.65 euro.

Income for 2017 of Intesa Sanpaolo, which amounted to 4,882,289,325.60 euro, included the 3,5 billion euro public contribution assigned by the Italian government to offset the impact on the Bank's capital ratios of the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. The contribution will ensure a phased-in Common Equity Tier 1 Ratio of 12.5% to the risk-weighted assets (RWAs) of the Aggregate Set.

Given the above, it is proposed to allocate the net income of 4,882,289,325.60 euro as follows:

	(euro)
Net income for the year	4,882,289,325.60
Assignment of a dividend of 0.091 euro (determined pursuant to Art. 29 of the Articles of Association) for each of the 932,490,561 savings shares, for a total disbursement of	84,856,641.05
Assignment of a dividend of 0.080 euro for each of the 15,859,786,585 ordinary shares outstanding, for a total disbursement of	1,268,782,926.80
for a total disbursement for dividends of	1,353,639,567.85
Assignment to the Allowance for charitable, social and cultural contributions	11,000,000.00
Assignment to the Extraordinary reserve of the residual net income	3,517,649,757.75

Taking into account that the consolidated net income relating to 2017 is equal to 7,316 million euro and considering the allocation to Extraordinary Reserve of the public contribution of 3.5 billion euro, we hereby propose to resolve on a partial distribution of the Share Premium Reserve of 0.123 euro for each of the 16,792,277,146 shares constituting the ordinary and savings share capital, pursuant to Art. 30.3 of the Company's Articles of Association, for a total amount of 2,065,450,088.96 euro.
As a consequence, the total dividend amounts to 3,419,089,656.81 euro.
This assignment of reserves shall be subject to the same tax regime as the distribution of dividends.

The proposed dividend and the anticipated distribution of part of the Share Premium Reserve makes it possible to remunerate shareholders consistently with the sustainable profitability of the Group, while ensuring the capital adequacy of the Bank and the Banking Group. This is as a result of the Basel 3 series of Rules, as well as the provisions issued by the European Central Bank. If this proposal is approved, the consolidated capital ratios would show a Common Equity Tier 1 ratio of 13.3% and a Total Capital Ratio of 17.9%, while the capital ratios of Intesa Sanpaolo S.p.A. would be even higher.
The aforesaid capital ratios exceed the requirements of EU Bodies and the Supervisory Authority.

We propose that the above distributions be made payable, in compliance with legal provisions, as of 23 May 2018, with detachment of the coupon on 21 May 2018.

Please note that dividends not distributed in respect of any treasury shares held by the Bank at the record date shall be allocated to the Extraordinary Reserve.

If the proposals formulated obtain your approval, the resulting shareholders' equity of Intesa Sanpaolo S.p.A. will be as indicated in the table below.

(millions of euro)

Shareholders' equity	**Annual Report 2017**	**Change due to theShareholders' Meeting resolutions**	**Share capital and reserves after the Shareholders' Meeting resolutions**
Share Capital			
- ordinary	*8,247*	-	*8,247*
- savings	*485*	-	*485*
Total share capital	**8,732**	**-**	**8,732**
Share premium reserve	26,164	-2,065	24,099
Reserves	3,843	3,518	7,361
Valuation reserves	774	-	774
Equity instruments	4,103	-	4,103
Treasury shares	-26	-	-26
Total reserves	**34,858**	**1,453**	**36,311**
TOTAL	**43,590**	**1,453**	**45,043**

Distinguished Shareholders, you are therefore invited to resolve on the following:

a) the proposal of approval of the Parent Company's 2017 financial statements,
b) the proposal of allocation of net income for the year and distribution to shareholders of dividend and part of Share Premium Reserve,

all in accordance with the terms set out above.

23 February 2018

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

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