
Report of the Management Control Committee to the Shareholders' Meeting on the supervisory activities performed in 2017

pursuant to Article 153, paragraph 1, of Legislative Decree 58 of 24 February 1998, and Article 23.1, letter j), of the Articles of Association

Dear Shareholders,

It is worth mentioning that the one-tier governance model adopted by Intesa Sanpaolo S.p.A. ("Bank") consists of a Board of Directors ("Board") with steering and strategic supervision duties, management duties as well as control duties performed by the Management Control Committee ("Committee") appointed by the Shareholders' Meeting as part of the Board itself. The integration of strategic supervision duties with control activities ensures preventive, concurrent and final oversight both of the merits and the legality of the corporate management. The Committee plays a proactive role, within its own areas of responsibility, towards the Corporate Control Functions ("CCF") and engages in constructive dialogue with the Bank's Management. Among other things, the 2017 financial year saw the acquisition by Intesa Sanpaolo of the aggregate set of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A. ("former Venetian Banks"); it acquired a segregated scope which in particular excludes non-performing loans and subordinated bonds issued. This operation allowed the Group's leadership in Italy to be consolidated, especially in the North East Regions, which have high growth rates and good development potential. The intervention also made it possible to avoid the serious social consequences that would have otherwise derived from compulsory administrative liquidation proceedings for the two banks, safeguarding jobs, household savings and business financing. In the framework of the Decree Law and the Ministerial Decrees issued in relation to the transaction, it was ensured that the acquisition by Intesa Sanpaolo was fully neutral in terms of the Intesa Sanpaolo Group's Common Equity Tier 1 Ratio and Dividend Policy.

With resolution of 6 February 2018, the Board, in its meeting to approve the consolidated results as at 31 December 2017, approved the new 2018 – 2021 Business Plan, preceded by an organisational review of the Bank aimed at increasing the Group's flexibility and capability to adapt to the current scenario of strong economic, technological and social change. In order to maximise the key role of employees in achieving the plan objectives, the Board resolved to submit a number of long-term incentive plans to the Shareholders' Meeting based on the Bank's financial instruments and aimed at all the Group's employees in Italy.

Moreover, to rationalise the Bank's capital structure and simplify its governance aligning the rights of all the shareholders, the Board resolved to submit a proposal to the specifically convened extraordinary Shareholders Meeting, for the mandatory conversion of savings shares into ordinary shares and the concurrent amendment of the Bank's Articles of Association.

Pursuant to Article 153, paragraph 1, of Legislative Decree 58/1998, ("Consolidated Law on Finance"), the Committee is required to report to the Shareholders' Meeting, called to approve the financial statements for the period, on its supervisory activities and on any omissions or reprehensible facts recorded. This requirement is also stated in Article 23.1, letter j), of the Articles of Association. The Report was prepared taking into account the Consob recommendations on the matter and, in particular, Communication 1025564 of 6 April 2001 and subsequent updates, expressly referred to in the text.

The Committee, in the fulfilment of its duties and in the interest of the best performance thereof, exchanges information of reciprocal interest and coordinates the performance of their respective duties with the Risks Committee, established within the Board, and with the Surveillance Body pursuant to Legislative Decree 231/2001. A Committee member usually attends meetings of the Risks Committee, subsequently reporting to the Control Body.

1. SUPERVISION OF COMPLIANCE WITH THE LAW AND THE ARTICLES OF ASSOCIATION

In compliance with the Supervisory Provisions, the Committee examined various proposals for adapting the internal regulatory framework with regard to the matters within its own remit, amongst which updating the Integrated Internal Control System Regulations ("IICS Regulations"), the ICAAP and ILAAP Guidelines, the Guidelines for Administrative Financial Governance, the Group Compliance Guidelines, the Group Rules on the internal systems for reporting violations ("whistleblowing") as well as the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo, associated entities of the Group and relevant persons pursuant to Article 136 of Legislative Decree 385/1993 ("RPT Procedures"). The Committee expressed a favourable opinion on the suitability of the RPT Procedures, as amended, to continue to guarantee the substantive and procedural correctness of the transactions regulated thereby.

As far as the implementation of the new IFRS 9 is concerned, the Committee examined the proposals to update the Group Accounting Policies, the Business Model Rules and the Impairment Policy. The updating was examined of the model for the provision of investment services, of the Guidelines on Product Governance and the associated set of Parent Company Rules in implementation of Directive 2014/65/EU (MiFID II) and of EU Regulation 2014/600 (MiFIR).

The Committee received information on the organisational and technological initiatives aimed at adapting to the new requirements on the protection of personal data before the entry into force of the European Data Protection Regulation.

Lastly, the Committee considered the proposed draft of the Principles of conduct in tax matters and the Guidelines for managing tax risk within the framework of the project aimed at adhering to the cooperative compliance system pursuant to Legislative Decree 128/2015.

With reference to relations with the European Central Bank ("ECB"), the Committee was kept up to date on the progress of the Group's Supervisory Plan, the On-site Inspections and the Thematic Reviews. In particular, the Committee:

- monitored the progress of the plans for the solution of the critical issues noted as a result of inspections in relation to "Credit Data IT Risk", "Credit & Counterparty Risk (SME Performing)" and "Liquidity and Interest Rate Risk in Banking Book";
- was involved with regard to the preparation of the three-year plan to review the management processes of the Group's Non-Performing Loans ("NPL Plan"), drawn up also taking the ECB guidelines on this subject into account;
- prepared for the acceptance, within its own areas of responsibility, of the recommendations made as a result of the Thematic Review on Risk Governance and Appetite Enhanced, which ended with an assessment of overall adequacy of the governance system in as far as it is proportional to the nature and complexity of the Group, despite some room for improvement;
- examined the Remediation Plan drawn up to improve the internal control system of the Brazilian subsidiary Banco Multiplo, as well as the follow-up by the Internal Audit function on the state of progress of the plan and the assessment by the Compliance function on the potential legal and reputational risks;
- examined the Action Plans drawn up to address the recommendations made by the Authority as a result of the inspections aimed at evaluating:
 - ✓ the management and control system of market and interest rate risks in the Banking Book of the Slovakian subsidiary VUB,
 - ✓ the business model, profitability profile, reputational and compliance risks linked to the Private Banking Division operations,
 - ✓ the strategies, management processes and internal models for measuring risk arising from the Available for Sale portfolio.

With reference to relations with the Bank of Italy, the Committee was made aware of the results of the inspection aimed at checking compliance with the laws on fighting money laundering and terrorist financing by the Banca dei Territori and Private Banking Divisions and the foreign network, as well as the corrective actions defined by the Group. The Committee carried out in-depth studies with the competent corporate departments of the findings put forward, continuously monitoring the progress of the remedial action plan. Following further requests in that regard, the Committee - having taken note of the opinion of the Internal Audit function - expressed its own assessments of the effectiveness of the measures adopted by the Group to ensure the solution of the areas of weakness discovered, both as a result of the inspections and with reference to the anti-money laundering profiles of the addition of the former Venetian Banks.

After carrying out the appropriate in-depth analyses, the Committee examined various other results to provide feedback to the Bank of Italy, including those pertaining to:

- observations made as a result of the checks carried out on the equipment for the recycling of banknotes;
- the request for updates on the progress made in strengthening the internal controls on the branches'

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- operations;
 - the request for further information about reporting the merits of Intesa Sanpaolo Private Bank Suisse;
 - the remedial actions to solve the critical issues identified in the area of the unilateral change to the contractual terms and conditions;
 - the measures taken to improve the methods of marketing insurance policies combined with consumer loans, also receiving periodic updates on the progress of corrective actions and regulatory adjustments;
 - the request for information about reporting diamond sales by third party companies in bank branches;
 - the critical issues concerning the transparency and correctness of customer relations that arose as a result of the checks carried out on some branches.

Lastly, the Committee received confirmation of the full implementation of transmissions to report bad loans, introduced by the Bank of Italy in April 2016.

As far as relations with the US Supervisory Authorities are concerned, the Committee:

- examined the action plan, as to Intesa Sanpaolo New York branch, aimed at overcoming critical issues in the anti-money laundering system and addressing the observations of the FED and the Department of Financial Services, monitoring its progress. For this purpose, a project was launched for the overall review of the branch's anti-money laundering model in order to align it with best practices and achieve full regulatory compliance;
- monitored the development, as to Banca IMI Securities, of the Securities and Exchange Commission proceedings (which ended with a settlement agreement that imposed a penalty of approximately 35.5 million dollars) and the Department of Justice - Antitrust Division proceedings for trading in pre-released American Depositary Receipts conducted from 2011 to 2015.

With reference to the Italian Anti-Trust Authority ("AGCM"), the Committee examined the following complaints of unfair business practices under the Consumer Code:

- methods of offering investment diamonds, for which the Authority imposed a penalty of 3 million euro;
- method of acquiring the authorisation to debit interest payable to a current account, consequently counted as principal (compound interest), for which the Authority imposed a penalty of 2 million euro.

The Bank appealed against both the above penalties imposed by the AGCM.

As far as relations with the Italian Insurance Market Supervisor ("IVASS") are concerned, the Committee:

- examined the results of the inspections carried out on Intesa Sanpaolo Vita regarding Solvency II, as well as a summary of the feedback sent to the Authority by the Subsidiary;
- received information on the remedial action plan put in place as a result of the inspection at Intesa Sanpaolo Vita regarding the adequacy of the anti-money laundering safeguards.

In compliance with the provisions of the Regulations for the Board of Directors' Self-Assessment Process, the Committee carried out a separate self-assessment of its own size, composition and operation, to ensure the correct and effective performance of the specific functions assigned to it in its capacity as the Bank's control Body. In line with the previous year and with the activities carried out by the Board, the Committee availed itself of the preliminary analysis performed by an independent external consultant, and even refined the improvements achieved compared to the previous self-assessment. The qualitative and quantitative results confirmed the Committee's adequacy and high level of overall compliance with the provisions of Borsa Italiana's Corporate Governance Code for listed companies ("Corporate Governance Code"), the guidelines of the European Banking Authority, the provisions of Bank of Italy Circular 285/2013 and with best practices. At the end of the process, on 14 February 2018, the Committee expressed an assessment of adequacy with regard to its own size, composition and operation.

Moreover, in accordance with the requirements of the Supervisory Provisions and the internal regulations, on 20 February 2018, the Committee assessed the continuing existence of the necessary requisites for each of its members, including the absence of significant financial relationships with Group companies for the purpose of assessing their independence in line with the provisions of the Regulation adopted on this subject by the Board.

Lastly, as envisaged by the Corporate Governance Code, the members of the Committee ascertained the correct application of the assessment criteria and procedures adopted by the Board for evaluating the independence of its members.

In compliance with the provisions of the agreement signed in 1990 with the Ministry of Education, Universities and Research - through the competent departments under the Chief Audit Officer - the Committee carried out the annual audit on the correctness of the annual report of the Special Fund for Applied Research.

Following-up on a number of complaints submitted by shareholders regarding facts they consider to be reprehensible pursuant to Article 2408 of the Italian Civil Code, the Committee examined the results of the internal checks conducted by the competent company departments, noting the following.

- With reference to any appointments to office of public prosecutors' relatives, no anomalous situations emerged with respect to the provisions of the Group's internal regulatory framework, which requires honesty, integrity, impartiality and transparency in making appointments to office as well as rigorous selection and assessment of professionals. The safeguards adopted allow any risks of incompatibility, unsuitability and conflict of interests to be adequately monitored.
- With reference to some credit exposures towards natural persons, the Bank follows scrupulous procedures regarding the disbursement and management of loans and the related guarantees including credit ratings, as required by the internal regulatory framework. The obligations arising from banking secrecy and Privacy Laws prevent banks from providing detailed data and feedback on specific debt positions.
- With reference to checking the existence of the preconditions for granting some sponsorships, there is nothing to report. Moreover, the Bank has adopted Anti-Corruption Guidelines which - among other things - govern the process of managing sponsorships.
- With reference to the transaction concerning Ilva's equity structure, Intesa Sanpaolo's financial support to the special purpose vehicle, established with the aim of acquiring the business complex, has been considered adequate both in economic-financial terms and to ensure business continuity. The intervention, not yet finalised, is consistent with the Bank's business plan and strategic objectives, as it is a temporary investment with a predefined guaranteed way out.
- With reference to the loans granted to Alitalia, Intesa Sanpaolo's support was based on the business plan developed by Etihad in 2014, together with the Advisors appointed at the time; this plan mainly envisaged investments in long-haul routes to allow the company to develop commercially and, therefore, increase revenues. However, including because of external factors, the plan was not completed and the failure to achieve the business forecasts caused a crisis for the airline, which led to it filing for extraordinary administration proceedings. With specific reference to the purchase of goods and services by Alitalia, the relative transactions were overseen by the committee for transactions with related parties which guaranteed their fairness, it being understood that the company had no aircraft leasing relations with Etihad. Therefore, the Committee notes the absence of any reprehensible conduct by the Bank.
- With reference to the AGCM's complaint about unfair trading practices with regard to the methods of offering investment diamonds, in 2017 the Bank, although over time it had set up adequate oversight of the offer process in order to guarantee correct disclosures to its customers, did suspend the business in question and informed customers who owned diamonds of its willingness to intervene directly in case of any requirements to sell, reiterating that the stones are durable assets. Convinced of its own correct conduct, the Bank appealed the action in question.
- With reference to the AGCM's complaint about unfair trading practices with regard to compound interest, the Bank acted by applying the *pro tempore* rules in force; in particular, the sending of notices to customers is consistent with the new regulations on the capitalisation of interest and there has been no conditioning of customers' free consent in order to obtain their authorisation to charge interest payable that has become due to their account.
- With reference to the penalty imposed by the Central Bank of Ireland on the subsidiary Intesa Sanpaolo Life, the settlement refers to disputes dating back to previous financial years and the relevant corrective actions were implemented as far back as 2014, as the Authority also acknowledged.

In light of all the above, the Committee decided not to take any specific action in relation to the facts referred to in the abovementioned complaints.

Finally, with reference to a further complaint pursuant to Article 2408 of the Italian Civil Code concerning an initiative promoted by the Banca dei Territori Division on its own network, the results of which were - in some cases - unlawfully published on social networks, the Committee assessed the facts that were reported as irrelevant with respect to the rationale of Article 2408 of the Italian Civil Code.

During 2017, there were 3 protests received, addressed by customers to the supervisory body and related to the Bank's core business. Through the relevant departments, each complaint was the subject of appropriate checks, which did not bring to light any significant omissions or irregularities.

During 2017 the following meetings were held:

- 28 meetings of the Board of Directors;
- 51 meetings of the Management Control Committee.

2. SUPERVISION OF COMPLIANCE WITH THE PRINCIPLES OF CORRECT MANAGEMENT

The Committee has overseen compliance with the principles of correct management, holding regular meetings with the heads of the CCF, the Governance Areas and the Business Units, the Manager responsible for preparing the Company's financial reports and the independent auditors KPMG S.p.A. ("Independent Auditors") to also check on the existence of a decision-making process mindful of the riskiness and the effects of management decisions, as well as an appropriate system of information flows to the corporate Bodies as a support tool in the decision-making and control processes. The Committee verified that the flows between the corporate departments and the Managing Director and CEO, as well as between them and the Board, are continuous. Information exchange between the Committee and the Managing Director and CEO is enhanced by regular meetings, mostly focused on the Bank's and the Group's performance, the functionality and effectiveness of the internal control system and on the recommendations made by the Committee in its own regular reports to the Board.

11)
Principles
of Correct
Management

With reference to the process of preparing the Business Plan, the Committee recommended to pay due attention to compliance profiles, in particular with respect to the Private Banking and Asset Management areas, deeming the implementation of adequate internal control systems a priority amongst the identified development targets.

The Committee supervised the observance of the obligations envisaged for transactions of greater economic, financial and capital importance, confirming that they were performed according to law and the Articles of Association, and that they were not manifestly imprudent, hazardous, in conflict of interest, in contrast with resolutions taken by the Shareholders' Meeting, or likely to compromise the integrity of the shareholders' equity. The regular reports pursuant to Article 150, paragraphs 1 and 2 of the Consolidated Law on Finance on the activities undertaken and the most significant transactions carried out by the Bank or its subsidiaries, are provided both as part of the information on the preparation of the financial statements given by the Manager responsible for preparing the Company's financial reports and at the regular meetings with the Managing Director and CEO.

1)
Most
Significant
Transactions

Particular attention was given to the integration plan for the former Venetian Banks, which the Committee with the Chief Governance Officer and the Chief Audit Officer examined regarding the structure, governance, processes and Audit approach. The Committee also met with:

- the Chief Operating Officer and the head of the Banca dei Territori Division to monitor the state of completion;
- the Chief Audit Officer and the other competent corporate functions to examine the main critical issues that emerged during the process;
- the Chief Compliance Officer to discuss the compliance assessments underlying the integration process with particular reference to anti-money laundering oversight;
- the Chief Governance Officer and the Manager responsible for preparing the Company's financial reports to examine the results of the due diligence carried out by the board of independent experts in order to produce a precise inventory of the assets and liabilities transferred to Intesa Sanpaolo.

The addition of the former Venetian Banks to the service model of the Banca dei Territori was implemented on 11 December 2017 with the migration of accounts to Intesa Sanpaolo's IT system. To this end, a non-damaging proposal to unilaterally modify the contracts relating to banking, credit and payment products had been sent to the customers involved beforehand, pursuant to Articles 118 and 126 *sexies* of the Legislative Decree 385/1993 (Consolidated Law on Banking).

The Committee received the quarterly report pursuant to the RPT Procedures, which also includes the disclosure required by the Regulations for the assessment of the significance of financial relationships for the purposes of the Directors' independence requirement. With the start of the integration process of the former Venetian Banks, a specific process was also begun relating to the regulations in question, from which no particular critical issues emerged.

No atypical and/or unusual transactions were carried out either with third parties, or related parties or intragroup that could give rise to doubts concerning the fairness/completeness of the financial statements, conflicts of interest, the safeguarding of company assets, or the protection of minority interests. Likewise, no management irregularities nor performance anomalies emerged.

2)
Atypical
and/or
Unusual
Transactions

The main transactions with related parties of major significance (including intragroup ones) and the other significant transactions carried out in compliance with the RPT Procedures, were adequately reported and illustrated in the notes to the Intesa Sanpaolo S.p.A. draft financial statements as at 31 December 2017 and the Intesa Sanpaolo Group's consolidated financial statements as at 31 December 2017 (together the "2017 Financial Statements").

Finally, the Committee monitored compliance with the Group's Code of Ethics and the principles of environmental and social responsibility.

3. SUPERVISORY ACTIVITIES OF THE PROCEDURES FOR EFFECTIVE IMPLEMENTATION OF THE CORPORATE GOVERNANCE RULES LAID DOWN IN THE CORPORATE GOVERNANCE CODE

The Committee examined the Report on Corporate Governance and Ownership Structures pursuant to Article 123-*bis* of the Consolidated Law on Finance ("Report on Corporate Governance") for 2017 which was approved by the Board of Directors on 6 March 2018, including with reference to the information about the main features of the risk management and internal controls systems in relation to the financial reporting process.

The Report on Corporate Governance, which should be consulted for further details, illustrates among other things the management and control model adopted by Intesa Sanpaolo and provides a complete disclosure of how the Bank has adopted and implemented the recommendations of the Corporate Governance Code.

4. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE ORGANISATIONAL STRUCTURE

The Committee carried out a survey of the main business and control departments of the Group, focussing on organisational structure, risk management processes and procedures to support the business carried on. In 2017, the following were examined:

- for the Chief Audit Officer, the state of progress on the development plan for the Internal Auditing function, which envisages the introduction of a "SREP Oriented" framework, a new relationship model with the Bodies, integrated assurance with the other CCF and a new method of Risk Assessment Audit;
- for the Private Banking Division, the plan for the strengthening of the internal control system which saw the centralisation of the Internal Audit function at the Parent Company and the centralisation of the anti-money laundering controls at the Fideuram-Intesa Sanpaolo Private Banking sub-holding;
- for the Mediocredito Italiano subsidiary, the consolidation of the organisational structure, the redefining of the skills and projects with a high impact on the internal control system;
- for the Insurance Division, the departments, resources, internal control system and the progress of the actions to strengthen the anti-money laundering department;
- the Co-operation Agreement with the Bank of Qingdao (China), based on operational and commercial co-operation in Wealth Management and Corporate Banking.

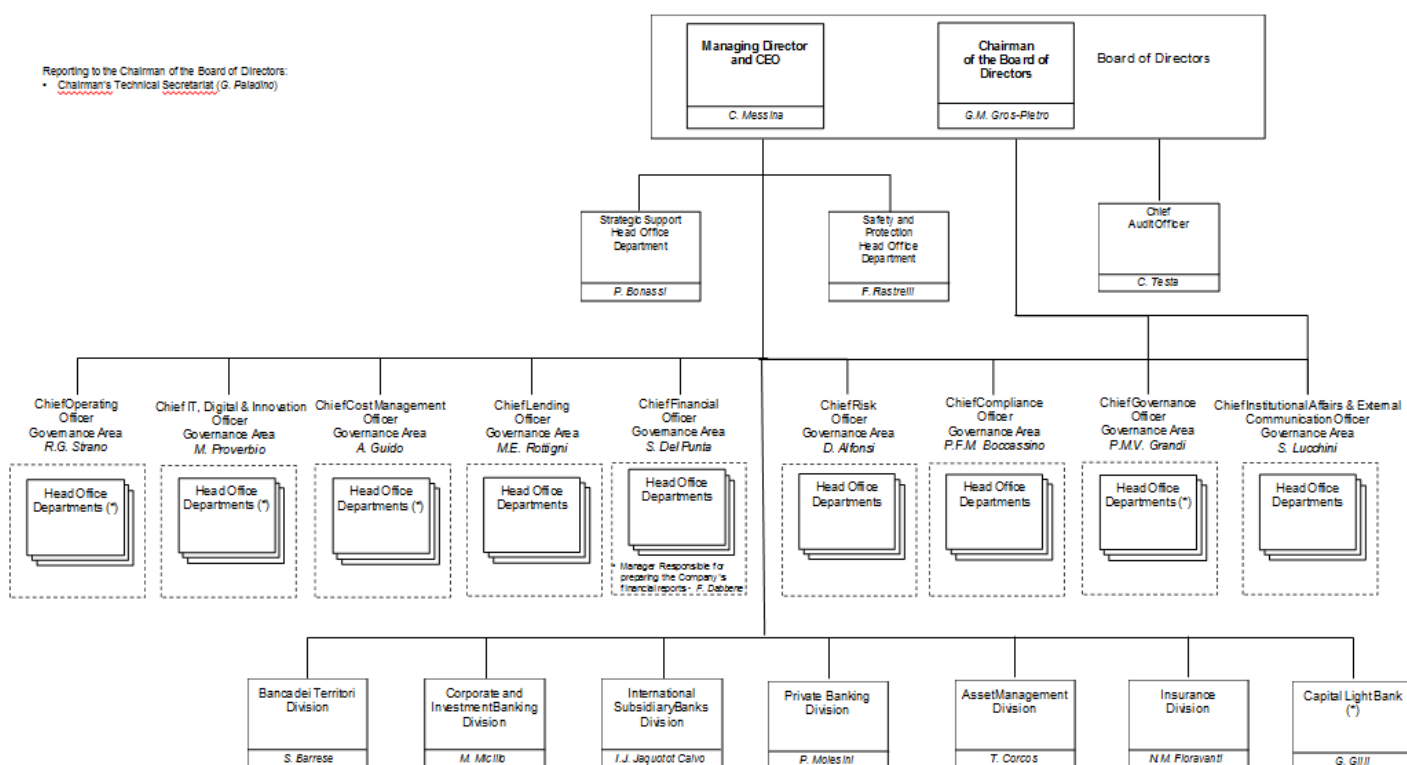
The Committee examined the annual disclosure on the costs directly attributable to the CCF, which also includes a section on their sizing for the purposes of assessing the suitability of the essential elements of the internal control system architecture. With reference to the integration of the former Venetian Banks, information was provided on the qualitative and quantitative adaptation of the workforce of the Parent Company's CCF made possible thanks to the absorption of qualified resources from the control functions of these entities. A detailed report on the staffing and the target size was explained to the Committee as part of the presentation of the annual reports of the CCF.

As part of the preparatory activities for the launch of the new Business Plan, the Committee was involved with the proposals for changes to the Group's organisational structure which involved strengthening the digital and innovation area, greater focus of functional responsibilities and skills, the positioning of the Human Resources Department to report more directly to the CEO and the further strengthening of the central monitoring dedicated to cost management, with the setting up of the Chief Cost Management Officer's department. Cost reduction will be pursued also through the further simplification of the operating model, which also envisages proactive management of the real estate portfolio and the reduction of the Group's legal entities.

Additionally, in order to pursue the full exploitation and promotion of the Group's historical, artistic, architectural and cultural assets in line with the provisions of the Plan, an Art, Culture and Historical Heritage Department has been set up within the Chief Governance Officer Governance Area.

As part of the actions aimed at strengthening the compliance risk control system, changes were made to the organisational structure of the Anti-money laundering function, with the aim of strengthening the areas of international anti-money laundering and embargoes, and that of the Compliance function, to take into account the growing commitment required by certain regulatory areas and the need to improve monitoring on specialised functions.

In making reference to the Report on Corporate Governance for further details about the Group's organisational and operational structure, the organisational chart of Intesa Sanpaolo S.p.A. as at today's date is shown below.



(*) Structures of Intesa Sanpaolo and Intesa Sanpaolo Group Services

5. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM

The Committee - including in its capacity as Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c) of Legislative Decree 39/2010 - examined the regular report on the activity carried on and the corrective actions prepared by the Manager responsible for preparing the Company's financial reports to support the statutory certifications and has analysed the causes and remedies of the shortcomings of the accounting structure. The Administrative and Financial Governance unit, which operates in support of the Manager responsible for preparing the Company's financial reports, outlined the action plan for 2017, as well as the regular reports on governance and control activities performed on the internal control system that are relevant to the financial reporting process with the relative Tableau de Bord ("TdB"). Considering the oversight and monitoring activities as well as the reduced degree of residual risk after the mitigation measures implemented, the Administrative and Financial Governance unit expressed a positive opinion on compliance with the requirements of law, allowing the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports to issue the certifications required under Article

154-bis of Legislative Decree 58/1998 for the consolidated interim report as at 30 June 2017, the consolidated results as at 31 December 2017 sent for reporting purposes to the competent authorities as well as the 2017 Financial Statements.

The Committee received the required quarterly disclosure from the Manager responsible for preparing the Company's financial reports on the outlook for non-performing loans and the results achieved in the application of the criteria and procedures for the classification, valuation and management of non-performing exposures. With reference to the situation at the end of the financial year, a supplementary disclosure was received about the economic effects deriving from updating the valuations of these exposures following the completion of the IT implementations mainly related to the management of the guarantees.

With the support of the Manager responsible for preparing the Company's financial reports and the other corporate areas involved, the Committee monitored the progress:

- of the IFRS 9 Project, examining the design choices and the main business implications in view of the First Time Adoption based on data as at 31 December 2017 (excluding the insurance sector). In this regard, it should be noted that, following the specific Thematic Review, the ECB confirmed that the implementation process of the new accounting principle in Intesa Sanpaolo is substantially in line with expectations, even though there are some areas for improvement for which a specific action plan has been launched;
- of the Accounting Factory project, for the definition of the Target architecture of the Administration and Tax Department.

16)
Meetings
with
Independent
Auditors

The Committee, together with the Manager responsible for preparing the Company's financial reports, met with the Independent Auditors 4 times in 2017, to discuss - in accordance with Article 150, paragraphs 3 and 5 of the Consolidated Law on Finance - the progress of the remedial actions contained in the letter of recommendations to the Management ("Management Letter") as at 31 December 2016, the audit plan and the activities carried out in the formulation of the opinion on the 2017 Financial Statements.

During the first few months of 2018, the Independent Auditors updated the Committee with regard to the ongoing activities aimed at carrying out specific analyses in light of the review of the organisational structure and the administrative and accounting procedures, which the Bank initiated in order to be able to adequately respond to the requirements dictated by the introduction of IFRS 9 and the launch of the new Business Plan.

In order to contribute to the assessment of the correct use of the accounting policies and the adequacy of the disclosure to the public, the Committee was invited to attend the meetings of the Risks Committee to discuss with the Manager responsible for preparing the Company's financial reports and the Independent Auditors of the instructions for the preparation of the interim consolidated statements as at 30 March and 30 September 2017, the consolidated half-yearly report as at 30 June 2017 as well as the 2017 Financial Statements. With regard to the latter, in line with the provisions of IAS 8 concerning changes to the Accounting Standards and in light of the provisions of the Business Plan, the Bank decided to carry out the revaluation for accounting purposes of its valuable art assets and properties - both owner-occupied and held for investment purposes - with the purpose of aligning their carrying amount to the current market values. As part of the aforementioned meetings, the process of preparing Pillar 3 and the consolidated Non-Financial Disclosure of Intesa Sanpaolo, was also illustrated, regarding which the Committee checked its compliance with the provisions of Legislative Decree 254/2016. These documents were approved by the Board on 6 March 2018.

The Bank's financial statements and the Group's consolidated financial statements, pursuant to Legislative Decree 38/2005, are prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board and relative interpretations of the International Financial Reporting Interpretations Committee, endorsed by the European Commission, as provided for by EC Regulation 1606 of 19 July 2002. These documents are drawn up on the basis of the instructions issued by the Bank of Italy with Circular 262/2005 as subsequently amended.

The Intesa Sanpaolo S.p.A.'s draft financial statements as at 31 December 2017 and the Intesa Sanpaolo Group's consolidated financial statements as at 31 December 2017 were approved on 23 February 2018 by the Board of Directors.

The disclosure to the public, under the provisions of the prudential supervisory regulations, is provided on the Bank's internet site within the term laid down for publication of the financial statements.

On 8 March 2018, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of EU Regulation 537/2014, the Independent Auditors issued the reports on the audit of the Intesa Sanpaolo S.p.A.'s financial statements and on the consolidated financial statements of the Intesa Sanpaolo Group for the year ended 31 December 2017. In particular, the Independent Auditors:

- issued an opinion in which they affirm that the financial statements provide a true and fair view of the financial position and operating results of Intesa Sanpaolo and the Group, and of the profit and loss and the cash flows for the year ended at that date;
- presented the key aspects of the audit which, in their own professional opinion, are most significant and are used in forming their overall opinion of the financial statements;
- attested that the reports on operations and some specific information contained in the Report on Corporate Governance are consistent with the financial statements to which they refer and are prepared in compliance with the law;
- declared they had nothing to report pursuant to Article 14, paragraph 2, heading e), of Legislative Decree 39/2010, based on the knowledge and understanding of the company and its context acquired during the audit;
- verified the approval by the directors of the Non-Financial Disclosure pursuant to Article 4 of the Consob Regulation implementing Legislative Decree 254/2016.

Moreover, on 8 March 2018, the Independent Auditors issued the Committee with the additional Report envisaged under Article 11 of EU Regulation 537/2014, according to which no significant shortcomings were found in the internal control system in relation to the financial reporting process, which should be brought to the attention of those responsible for governance activities. The annual confirmation of independence was issued, as an annex to this report, pursuant to Article 6, paragraph 2, letter a) of EU Regulation 537/2014 and paragraph 17 of the International Standards on Auditing (ISA Italia) 260.

In light of all the above, the Committee has reason to believe that the Bank's and Group's administrative and accounting system is such as to ensure a fair presentation of the operational events and that there are no significant shortcomings in the internal control system in relation to the financial reporting process. The Committee also found that the administrative and accounting procedures are effectively followed for the preparation of the financial statements and all other financial reports.

6. SUPERVISORY ACTIVITY OF THE STATUTORY AUDIT PROCESS AND THE INDEPENDENCE OF THE INDEPENDENT AUDITORS

Intesa Sanpaolo has adopted a specific Group Regulation for the assignment of appointments to independent auditors and their networks, the latest update of which includes the novations to the text of Legislative Decree 39/2010, introduced with Legislative Decree 135/2016, which transposed Directive 2014/56/EU, as well as the provisions of Regulation 537/2014/EU on the specific requirements relating to the statutory audit of public interest entities. The internal regulations postulate the principle of a Sole Auditor for the Group, identified as the Main Auditor (i.e. the independent auditors appointed to perform the statutory audit of the Parent Company, except in case of incompatibility due to Italian or foreign provisions of law or regulations), homogeneity of appointments with respect to the one conferred by the Parent Company and alignment of the duration of appointments. For the purpose of the said Regulation, the following types of appointment are defined:

- Audit, i.e. statutory audit services pursuant to Article 14 of Legislative Decree 39/2010 and Article 2409-bis of the Italian Civil Code as well as the other voluntary audit services;
- Audit Related, i.e. the tasks assigned by law or on behalf of an Authority as well as the operations which represent an extension of the audit appointment (issuance of certificates, examination of reports, agreed audit procedures). These appointments are usually conferred upon the Main Auditor as, by nature, they do not cause any detriment to the independence thereof;
- Non-Audit, involving services not included in the previous Audit or Audit Related types, including of course the services specifically prohibited pursuant to Articles 10 and 17, paragraph 3, of Legislative Decree 39/2010. These appointments cannot be given to the Main Auditor.

KPMG S.p.A. are the Independent Auditors to whom the role of "Sole Auditor" was attributed, with the responsibility of carrying out the statutory audit of the annual and consolidated accounts of Intesa Sanpaolo as at 31 December 2017, as part of a mandate given for the nine-year period 2012-2020, according to the provisions of law. They have the responsibility of checking the due keeping of the corporate accounts and correct recording of operations in the accounts; following assessment, the auditors express, through the appropriate reports, an opinion on the Parent Company's and consolidated financial statements, as well as

on the consolidated half-yearly report, after ascertaining that they correspond to the accounting entries and that such records comply with the relevant regulations.

The appointment also envisages the verification of the balance sheets and income statements of international branches with regard to their inclusion in the Bank's financial statements and half-yearly report, examination of the information provided for the preparation of the financial statements and consolidated interim report, audit of the financial statements of the vehicle companies and the statements of consolidated funds, review in relation to the signing of tax returns and declarations submitted to the National Guarantee Fund as well as limited audit of accounts of the consolidated statements as at 31 March and 30 September solely for the purpose of issuing the certification required under Article 26 (2) of EU Regulation 575/2013 and ECB Decision 2015/656 (calculation of profit for the period for the purposes of calculating common equity tier 1 capital).

7 - 8)
Additional
Audit
Assign-
ments

During 2017, additions were made to the original letters of appointment as a result of both the acquisition of the former Venetian Banks - which led to an increase in the balance sheet figures of Intesa Sanpaolo S.p.A. and an expansion of the scope of consolidation - and the aforementioned changes in the reference standards, which envisaged the carrying out of some new tasks by the Auditors.

The additions introduced in 2017 to the mandate originally given are summarised below.

- Following the increase in tasks linked to the auditing of the balance sheet and income statement figures, the addition of:
 - ✓ the tasks under the appointment for the limited review of the half-yearly condensed consolidated financial statements of the Group as at 30 June 2017;
 - ✓ the tasks under the appointment for the limited review of the consolidated financial statements and relative notes to the accounts as at 30 September 2017;
 - ✓ further tasks relating to the statutory audit of the annual financial statements, for the 2017-2020 period.

At the end of the period the recurring additions were also defined for the 2018-2020 period for the limited review of the half-yearly condensed consolidated financial statements of the Group and the limited review of the consolidated financial statements and relative notes to the accounts as at 31 March and 30 September 2017. Since these additions arise from the change in the Group's structure, with the economic criteria approved by the Shareholders' Meeting being unchanged, they were approved by the Board after a favourable opinion by the Committee.

- Additions to the letter of appointment for the 2012-2020 statutory audit, for recurring tasks related to the assessment of compliance and Key Audit Matters, following the new legal obligations. Considering the applicability of these rules already to the 2017 Financial Statements, the matter was put before the Board in view of a resolution by the Shareholders' Meeting upon the reasoned proposal of the Committee.
- Addition to the letter of appointment for the 2012-2020 statutory audit, for non-recurring tasks, valid only for the 2017 period, linked to the acquisition of the former Venetian Banks and the area of loans to customers entered in the financial statements as at 31 December 2017. These additions were resolved on by the Board upon the favourable opinion by the Committee.
- Assignment of an Audit Related task to express – with a specific report, separate to the one relating to the statutory audit of the financial statements – a declaration of compliance of the information provided in the Non-Financial Disclosure with respect to the requirements of Legislative Decree 254/2016 and to the principles, methods and procedures envisaged thereby. Considering the significance of the amount and the multi-year nature of the proposal, as well as being in line with the prevailing market trend, the proposals were the subject of a resolution by the Board following the favourable opinion of the Committee.
- Assignment of an Audit Related task envisaged in the sale agreement of the former Venetian Banks to carry out specific audit procedures aimed at certifying the existence of the conditions for the reclassification of "High Risk Loans" to support the Bank's decision to retrocede a set of positions. Considering the significance of the amount, this assignment was approved by the Board subject to the favourable opinion of the Committee.
- Entrusting of agreed audit procedures aimed at checking some procedures used in the preparation of the half-yearly accounts of the former Venetian Banks as at 30 June 2017. This appointment was approved by the Board subject to the favourable opinion of the Committee.

The Committee also exercised its role as a body of the Parent Company, examining the proposals for appointment of the Auditor regarding subsidiaries in accordance with the procedures established by the Group Regulations on the matter.

The full picture of the responsibilities assigned is described twice a year to the Committee by the Manager responsible for preparing the Company's financial reports, including for the purposes of the related reporting obligations in the financial statements and to the Shareholders' Meeting. A complete picture of the amounts

paid to the Independent Auditors in the 2017 financial year is represented in the Annex to the statements entitled "Fees for auditing and the services other than auditing pursuant to Article 149-duodecies of Consob Regulation 11971", to which reference should be made.

The details of the fees for the Audit Related responsibilities for 2017 are shown below.

Type of service	(millions of euro)			
	Intesa Sanpaolo		Group Companies ^(*)	
	KPMG	KPMG Network	KPMG	KPMG Network
Release of attestations (**)	1.38	-	1.62	-
Tax consulting services	-	-	-	-
Other services:				
agreed audit procedures	0.38	-	0.66	-
non-financial declaration	0.15	-	0.09	-
Total	1.91	-	2.37	-

(*) Group Companies and other consolidated Subsidiaries.
(**) Including audit costs, on a voluntary basis, for "Pillar 3" disclosure.
Amounts net of VAT and reimbursed expenses

As well as to the Non-Financial Disclosure, the fees for Audit Related responsibilities refer mainly to audits carried out in order to issue Comfort Letters in implementation of international issue programmes (0.8 million euro) and, for the residual amount, to assessments related to certain "Pillar 3" disclosures, to verifications required, according to local legislation, in favour of international subsidiaries of the Group. Again for 2017 there have not been any "Non-Audit" assignments conferred on the auditors KPMG S.p.A.

7. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE INTERNAL CONTROL SYSTEM

The Committee assessed compliance with the supervisory provisions with reference to the general principles of the internal control system, the role of the company Bodies, as well as the role and requirements of all the departments involved in the control system, checking their adequacy, the correct performance of tasks and the proper coordination thereof. Where considered appropriate, the adoption of functional corrective measures was promoted to address any deficiencies detected.

The guidelines of the integrated internal control system of Intesa Sanpaolo are governed by the IICS Regulations which, implementing the current supervisory regulations, outline the duties and responsibilities of the various players in the internal controls system (including the company Bodies), the procedures for coordination and interaction between control functions, the policy and coordination procedures of the Group Companies and international branches and the main information flows between the various stakeholders in the internal controls system. In accordance with these Regulations, the internal control system is structured on three levels:

- Level I: line controls aimed at ensuring the proper execution of transactions, conducted by the operational and business structures, including through units dedicated solely to control duties, and as far as possible incorporated in IT procedures;
- Level II: controls aimed at ensuring the proper implementation of the risk management process, observance of operating limits and compliance of the operations with regulations. The functions assigned to such controls are separate from the ones in charge of production and contribute to the definition of the risk governance policies and the risk management process. Level II controls are performed:
 - ✓ by the Chief Compliance Officer Governance Area, which has the duties and responsibilities of compliance with regulations and also includes the Anti-money laundering function,
 - ✓ by the Chief Risk Officer Governance Area, which has the duties and responsibilities of the risk control function and also includes the validation function,
- Level III: internal audit controls to identify breaches of procedures and regulations, as well as to assess the completeness, adequacy, functionality and reliability of the internal control system and the Group's IT system, in relation to the nature and intensity of the risks. At Intesa Sanpaolo, the Chief Audit Officer reports directly to the Board of Directors and also reports functionally to the Management Control Committee.

The Group's internal control system - described in detail in the aforementioned Report on Corporate Governance, to which reference should be made for further details - also sees other functions involved with control responsibilities (the Business Continuity function, the IT Security function, the specialised functions), the Manager responsible for the Business Continuity Plan, the Manager responsible for preparing the Company's financial reports, the Independent Auditors and the Surveillance Body pursuant to Legislative Decree 231/2001 of the Parent Company.

With reference to the latter, and in order to comply with the information flows required under the IICS Regulations, every six months the Committee examined the Report on the activities carried out noting that, according to the disclosure made, there are no facts or circumstances worthy of mention. Moreover, with a view to ensuring consistency at Group level in the manner of transposing and implementing Legislative Decree 231/2001, the Committee analysed the half-yearly report on the activities carried out by the Supervisory Authorities of the Italian companies of the Group.

Below you will find a summary of the activities conducted by the parties responsible for carrying out internal controls.

Chief Compliance Officer

The Chief Compliance Officer delivered the institutional and periodic reports within his remit to the Committee, and in particular the report on the activities carried out in the first half and the annual report for 2017 with the action plan for 2018 pursuant to the supervisory regulations of the Bank of Italy and the joint Bank of Italy-Consob Regulations; the Compliance TdB is enclosed with these reports, reporting the outlook for the activities of high relevance. The annual report includes the report on the Governance of the Asset Management Companies and a summary disclosure on the trend in complaints.

The Chief Compliance Officer likewise presented the results of the assessment on the degree of compliance of corporate processes with the US legislation's Dodd - Frank Act and kept the Committee up to date about:

- the outlook for the most relevant regulations for the Bank and the Group, with particular reference to the implementing provisions of MiFID II, MiFIR and the 2015/849/EU Directive on anti-money laundering;
- the provision of training activities, executed and planned, with reference to compliance and anti-money laundering issues;
- the compliance controls related to the operations of Intesa Sanpaolo Casa, Intesa Sanpaolo Forvalue and Banca 5.

To enable the Committee to adequately perform its supervisory role on compliance with the rules for combating money laundering, the funding of terrorism and for managing embargoes as well as verifying the completeness, functionality and adequacy of the relative controls system, the head of the Anti-money laundering function provided ongoing updates on the state and implementation of the development plans for the controls put in place by the Group.

In this regard, the half-yearly report and the 2017 annual report were illustrated, together with their respective anti-money laundering TdB, as well as the 2018 activities plan. These reports include summary information on the progress of the training plan as well as on any communications from the supervisory bodies pursuant to Article 46 of Legislative Decree 231/2007 as renewed by Legislative Decree 90/2017.

In addition to progress reports on the actions undertaken against the aforementioned inspection by Bank of Italy, aimed at checking compliance with anti-money laundering legislation in the Banca dei Territori and Private Banking Divisions, as well as in the foreign network, the Committee received specific updates on the progress of the activities aimed at centralising anti-money laundering oversight of the Private Banking Division at the Fideuram-Intesa Sanpaolo Private Banking sub-holding and in-depth analyses regarding the US regulatory framework on compliance with anti-money laundering legislation and the penalties that may arise as a result of it.

Particularly noteworthy is the launch of a multi-year programme of comprehensive review and strengthening of anti-money laundering controls, embargoes, counter-terrorism and anti-corruption oversight at Group level, based on international best practices and which takes into account all the latest regulatory developments and whose priority areas are the strengthening of dedicated IT platforms and the formalising of a Financial Crime Risk Appetite Framework.

Chief Risk Officer

The Chief Risk Officer submitted the TdB of the Group's critical issues to the Committee every six months, the annual report on the activities carried out in 2017 and the planning of the activities scheduled for 2018, including those for the Validation function. In accordance with Article 13 of the Regulations issued by the Bank of Italy and Consob pursuant to Article 6, paragraph 2-bis of the Consolidated Law on Finance, he also illustrated the risk management activities within the scope of the investment services to customers carried out during 2017.

The Chief Risk Officer prepared half-yearly reports on the Most Significant Transactions process management, defined by the internal regulations as extraordinary transactions which significantly alter the scope of the Group's risks or have an impact on the specific risks identified in the Risk Appetite Framework ("RAF") or are high risk or with a presence of potential risks that cannot be precisely quantified *ex-ante*. This disclosure includes the follow-up in relation to the Most Significant Transactions for which a "positive with observations" or "negative" opinion has been issued together with an in-depth study of the Most Significant Transactions that can be described as extraordinary transactions or ones with potential risks that cannot be precisely quantified.

With reference to the introduction of IFRS 9, the Validation function illustrated the activities carried out during the year and those planned for 2018, as well as the IFRS9 Validation Manual, which contains a summary of the quantitative and qualitative analyses for checking the correct classification and measurement of financial instruments and the adequacy of the methodology for calculating impairment.

Chief Audit Officer

To fulfil its supervisory duties, the Committee relies primarily on the Chief Audit Officer, who usually participates at the Committee's meetings and provides ongoing information on the activities carried out - some of them at the explicit request of the Committee itself - and on the progress of remedial actions against the main critical issues encountered. The high priority issues reported by the Committee are taken into account including at the time of defining the annual Audit plan.

During the year, the Chief Audit Officer systematically and promptly reported the significant critical issues that emerged whilst performing his own activities, to the Committee.

Using the Audit TdB, he reported on a quarterly basis on the progress of the remedial plans put in place by the competent corporate functions to overcome the main critical issues encountered. Every six months, within the context of a specific report, he submitted his own considerations and assessments on the internal control system. On an annual basis, he prepared and shared, with the Committee, the final report on the activities carried out and the results of the Risk Assessment Audit and the activities plan for the following financial year, together with the Key Performance Indicators identified to monitor the effectiveness of his own services. The final report on the activities carried out in 2017 also fulfils the obligations laid down by the Bank of Italy with regard to disclosures to the competent bodies on some specific areas such as liquidity risk management, anti-money laundering, information systems and business continuity, Parent Company's Governance towards the Asset Management Companies, the result of the audits carried out at branches abroad and whistleblowing.

The Chief Audit Officer also conducted the compulsory assurance activities, amongst which those on the Most Significant Transactions and on transactions with related parties, and prepared the following regular disclosures:

- the quarterly disclosure on whistleblowing;
- the annual report on internal audit activities according to Article 14 of the joint Consob-Bank of Italy Regulations pursuant to Article 6, paragraph 2-bis, of the Consolidated Law on Finance.

Finally, with reference to the information reports prepared upon specific request by the Committee or those on the significant critical issues that emerged during the Internal Audit activities, reference is made to the following audits:

- Banca Prossima's operations with non-profit organisations, members of the Protection System for Asylum Seekers and Refugees;
- operating processes for the promotion by Banca IMI of Special Purpose Acquisition Companies;
- procedures for the management and recognition of interest on Small Business Administration securities that are functional to the management of the New York Branch's Treasury;
- creation of a department to coordinate, supervise and monitor the so-called "new professions", or non-traditional businesses for a bank branch;
- monitoring processes for the granting of financing and the use of inside information as part of the transaction for the acquisition of a share of Rosneft Oil Company by Glencore and Qatar Holding;
- process of defining and authorising fees for consultancies in the organisational, marketing and data processing fields;
- with reference to Capital Light Bank, internal control compliance and oversight of anti-money laundering and assessment processes of bad loans linked to leasing contracts;
- with reference to the company SEC Servizi, disruption of IT services and shortcomings in the internal controls identified as a result of reports made by the former Venetian Banks.
- continuing operations carried on by the various entities acquired from the former Venetian Banks, with particular reference to anti-money laundering profiles.

The Committee monitored the progress of the mitigating actions put in place to overcome the critical issues

that emerged as a result of the above audits.

Finally, with reference to the IFRS 9 Project, the Chief Audit Officer presented the Audit approach and the results of the audits carried out, which did not reveal any critical points preventing compliance with the project plan.

Corporate Control Functions Integrated Reporting

In implementation of the provisions of the IICS Regulations, every six months, the Committee was submitted the Integrated TdB of the control functions, which provides a summary of the most significant irregularities among those highlighted by the CCF in their own TdB, and the annual summary report of the CCF, which – at the end of the activity carried out in 2017 – rated risk oversight as being on the whole adequate, including in terms of completeness, operation and reliability of the internal control system. This opinion is also supported by the Integrated Risk Assessment conducted at the end of the year by the CCF.

To examine these results more in-depth, the Committee - in the presence of the Chief Audit Officer - held the following meetings:

- with the General Manager of Mediocredito Italiano, to look more closely at credit quality, the classification and provisioning of the non-performing portfolio, the management of Proactive Lending, foreign operations in Factoring and monitoring usury;
- with the head of the International Subsidiary Banks Division, to examine the internal control model and progress of the IT projects on credit as well as the turnaround and strengthening of the control system of the Group's Banks in Hungary and in Russia;
- with all the business function owners of the NPL Data Project, to analyse the initiatives aimed at implementing and integrating the asset and loan guarantee management systems and strengthening the data quality of bad loans;
- with the Chief Financial Officer and the manager of the IT function, to examine in-depth the initiatives to strengthen the governance of IT demand and the relative Capital Budget processes;
- with the head of the Insurance Division, for an update on the progress of the mitigating actions put in place as a result of the IVASS inspections on Solvency II and anti-money laundering, on the project to adapt to Directive 2016/97/EU on insurance distribution, on data quality management and on the ORSA report;
- with the head of the Corporate and Investment Banking Division, to examine the main aspects relating to internal controls with particular attention to strengthening anti-money laundering controls, the development of credit control models and other issues of interest, including international activities, Special Purpose Acquisition Companies and IT systems;
- with the head of the Capital Light Bank, for an update on the progress of the review process of the internal controls system, of the mitigating actions launched as a result of the findings of the Internal Audit function and the derisking project in Hungary and Ukraine.

The Committee, after taking part in the process of defining the individual performance targets assigned to the managers of the CCF for the purposes of the 2017 incentive system, expressed its assessments on the achievement of some qualitative targets for the purposes of payment of the variable component of remuneration.

9)
Opinions

8. SUPERVISORY ACTIVITY ON THE ADEQUACY, EFFICIENCY AND FUNCTIONALITY OF THE GOVERNANCE AND RISK MANAGEMENT PROCESS

The Committee monitored:

- ✓ the completeness, adequacy, functionality and reliability of the RAF for 2018, examining its methodological aspects, definition and management process in line with the Recovery Plan, the Business Plan and the Budget;
- ✓ compliance with the provisions relating to the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process (ICAAP / ILAAP), examining the results of the Validation function on the adequacy of the internal systems used for these purposes as well as the results of the self-assessment performed by the Internal Audit function on the process used to determine capital adequacy and the liquidity management framework;
- ✓ the completeness, adequacy, functionality and reliability of the internal risk measurement systems to determine capital requirements, checking their compliance with regulatory requirements including for the purpose of the annual certification issued by the Board of Directors. The Committee examined the specific annual reports by the Internal Audit function and the Validation function as well as the Action

13)
Internal
Control
System

Plan prepared by Risk Management in order to mitigate the critical points highlighted by these control functions.

The Committee examined the following periodic reports:

- the results of the checks and controls on the business continuity plan and the annual report on the evaluation of the Group's IT security;
- the results of the checks by the Asset Monitors on the Covered Bonds programmes.

The Committee carefully monitored progress of the RADAR project, for compliance with the principles of the Basel Committee on Banking Supervision regarding effective risk data aggregation and risk reporting ("BCBS 239"), the Big Financial Data project, to strengthen the management and quality of strategic data, and the Data Engine project, to define the target architecture for data governance. Following the Thematic Review on the BCBS 239 principles, which Intesa Sanpaolo will have to be compliant with by January 2019, the ECB expressed a "slightly above peer group average" judgment despite some recommendations which will be addressed within the framework of the already launched multi-annual projects.

The Committee also examined the results of Audits and the state of progress of the following Remediation Plans:

- development of the IT platform that manages the core operations of the international network;
- strengthening of technological controls to protect the ICT production infrastructures (so-called cyber security);
- developmental process of the Group's new Internet Banking platform;
- Digital Factory project, for the innovation and digitalisation of the Bank's processes.

At the Committee's request, the competent internal departments provided the following in-depth studies:

- preventive assessment of social, environmental and reputational risks in the preparation of loan operations in controversial or sensitive sectors;
- approach to preventive analysis and seismic risk assessment by the Employer;
- progress of the project for the centralisation of the Group's purchases, including in relation to the former Venetian Banks;
- reputational risks arising from associating the services provided by Banca 5 in accredited non-captive points of sale and the existing gaming activities regulated by the Italian State.

Finally, the Committee examined the results of the assessment on the state of risk-awareness in the Group, the activities aimed at its growth and generally the provision of training according to law and as required by company policy.

9. SUPERVISORY ACTIVITIES OF COMPLIANCE WITH THE LEGISLATION APPLICABLE TO THE BANK IN ITS CAPACITY AS THE PARENT

The Committee found that the Bank, within the framework of the management and coordination activity of the Group, exercises control over the development of the different business areas in which the Group operates and the incumbent risks, over the maintenance of conditions of economic, financial and equity equilibrium both of the individual companies and of the Group as a whole, as well as over the assessment of the various risk profiles contributed by individual subsidiaries and the Group's total risk. The information flows between the Parent Company and its subsidiaries guarantee an effective exchange of information with regard to the management and control systems and the overall performance of the business. The rules and procedures in place allow Intesa Sanpaolo to promptly fulfil its disclosure obligations to the public in accordance with current provisions pursuant to Article 114, paragraph 2, of the Consolidated Law on Finance.

The Committee, including pursuant to Article 151-ter, paragraph 4, of the Consolidated Law on Finance, was informed about the activities of the Boards of Auditors of the Group's main Italian subsidiaries, holding a series of bilateral meetings and one in plenary session.

10. CONCLUSIVE ASSESSMENTS ON THE SUPERVISORY ACTIVITY CARRIED OUT

As detailed above, the Committee verified the functionality of the internal procedures, which have been found fit to guarantee compliance with the laws, regulations and articles of association. As to compliance with the principles of proper administration, it ascertained that the decision-making process takes into due consideration the riskiness and the effects of management decisions taken and that company boards have an adequate information flow system, including with reference to any directors' interests. The organisational structure, the administrative and accounting system and the statutory audit of accounts process are deemed adequate and functional for the tasks they are expected to perform.

The Committee also verified that there are no critical elements such as to affect the structure of the internal controls system and the governance and risk management process, while also taking into account the mitigation actions in progress, as attested in the said summary annual report of the CCF.

Taking into account all the foregoing, having considered the content of the opinions issued by the Independent Auditors, and having taken note of the attestations issued jointly by the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports, the Committee is not reporting - in as far as it is within their remit - any impediment to the approval of the financial statements of Intesa Sanpaolo S.p.A. as at 31 December 2017 accompanied by the report on operations and business performance and the notes thereto, as approved by the Board on 23 February 2018.

The Committee expresses a favourable opinion on the proposed allocation of the profit for the year and the distribution of dividends included in the financial statements.

18)

Conclusive
Assess-
ments

Milan, 8 March 2018

For the Management Control Committee

The Chairman - Marco Mangiagalli

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.