
Report of the Board of Directors

Item 1 on the agenda

2018 financial statements:

- a) Approval of the Parent Company's 2018 financial statements
- b) Allocation of net income for the year and distribution of dividend to shareholders

Distinguished Shareholders,

pursuant to Article 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 2018 and the proposal for allocation of net income for the year.

The reclassifications made to the shareholders' equity items are described in section 12 of Part B - Liabilities of the Notes to the Financial Statements. You are also reminded that, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005 currently in force, a portion of net income corresponding to capital gains recognised in the income statement, net of the related tax charge and other than the net income from trading financial instruments and foreign exchange and hedging transactions, arising from application of the fair value criterion, must be recorded in an unavailable reserve. As at 31 December 2018, such amount was 86,185,974.87 euro.

Given the above, it is proposed to allocate the net income for the year 2018 of Intesa Sanpaolo, which amounts to 3,685,594,819.23 euro, as follows:

	(euro)
Net income for the year	3,685,594,819.23
Assignment of a dividend of 0.197 euro for each of the 17,509,481,027 ordinary shares outstanding, for a total disbursement of	3,449,367,762.32
Assignment to the Allowance for charitable, social and cultural contributions	13,500,000.00
Assignment to the Extraordinary reserve of the residual net income	222,727,056.91

The proposed dividend 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 requirements would show a Common Equity Tier 1 ratio of 13.5% and a Total Capital Ratio of 17.7%, while the capital requirements 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 22 May 2019, with detachment of the coupon on 20 May 2019.

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 proposal submitted is approved by you, and taking into account the reclassification to the Extraordinary Reserve of the total net negative amount of 170,947,708.11 euro relating to the merger and exchange differences arising from the cancellation of the shares of the subsidiaries Banca Nuova S.p.A., Cassa di Risparmio del Veneto S.p.A., Cassa di Risparmio del Friuli Venezia Giulia S.p.A., IMI Investimenti S.p.A., Cassa di Risparmio di Forlì e della Romagna S.p.A., Banco di Napoli S.p.A. and Intesa Sanpaolo Securitisation Vehicle S.r.l. merged during the year (in this regard it should be noted that, pursuant to Article 172, paragraph 5, of the Consolidated Law on Income Taxes, in relation to the aforementioned merger differences, Suspended Tax Reserves will be re-established for an amount of 14,425.49 euro), as well as the reclassification to the Share Premium Reserve of the total positive amount of 306,299,877.18 euro - now recognised under Other Reserves - of the LECOIP Contribution Reserve, established in connection with the LECOIP-Leveraged Employee Co-Investment Plan launched in 2014 and completed in 2018, the shareholders' equity of Intesa Sanpaolo S.p.A. will be as shown in the table below.

Shareholders' equity	Annual report 2018	Changes	(millions of euro) Share capital and reserves of Annual Report 2018 after the Shareholders' Meeting resolutions
Share capital	9,085	-	9,085
Share premium reserve	24,926	306	25,232
Reserves	4,370	-83	4,287
Valuation reserves	1,081	-	1,081
Equity instruments	4,103	-	4,103
Treasury shares	-40	-	-40
Total reserves	34,440	223	34,663
TOTAL	43,525	223	43,748

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

- a) the proposal of approval of the Parent Company's 2018 financial statements,
- b) the proposal of allocation of net income for the year,

all in accordance with the terms set out above.

26 February 2019

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.