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# Report of the Management Board Ordinary Part - Item 1 on the agenda

## **Integration of the Legal Reserve; coverage of the loss for 2013; distribution of part of the Extraordinary Reserve to the shareholders**

Distinguished Shareholders,

The Intesa Sanpaolo S.p.A. financial statements for 2013 report a net loss of 3,913,087,268.23 euro. In relation to the merger by incorporation of Sudameris S.A. during 2013 and of Centro Leasing S.p.A. carried out in 2013 and effective as of 1 January 2014, and to the net loss for the year, we submit the following for your approval:

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	(euro)
Integration of the Legal reserve up to one-fifth of share capital at the date of the Shareholders' Meeting, using the Share premium reserve for a total of	716,993.27
Coverage of the loss for 2013 using the Share premium reserve for a total of	3,913,087,268.23
Distribution from the Extraordinary reserve of a unit amount of 0.05 euro to the 16,440,896,882 ordinary shares and non-convertible savings shares, pursuant to Article 29.3 of the Articles of Association, for a total of	822,044,844.10

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The justification for the first proposal lies in the need to adjust the Legal reserve to the limit established by Article 2430 of the Italian Civil Code, by means of the available portion of the Share premium reserve, thus making income from future years fully available.

The share capital increase of 1 January 2014 following the merger by incorporation of Centro Leasing S.p.A. is also considered.

The same need underlies the second proposal to cover the loss for the year using the Share premium reserve, up to its total amount.

With regard to the proposal of assigning a "dividend" by using the Extraordinary reserve, the following should be considered.

The Company and the Group have adequate capitalisation, with regard to the parameters set by the Rules in force as at 31 December 2013 (Basel 2), as well as taking into consideration the new capital requirements envisaged by the CRD IV Directive (Basel 3). Therefore, it has been decided to submit for the approval of the Shareholders' Meeting the distribution of prior-year net income allocated to the Extraordinary reserve, pursuant to Article 2364 bis of the Italian Civil Code and Articles 7.3 and 29.3 of the Company's Articles of Association.

The proposed distribution of extraordinary reserve makes it possible to remunerate shareholders consistently with sustainable profitability of the Group, while ensuring the capital adequacy of the Bank and the Banking Group. If this proposal is approved, capital requirements would stand at the following levels:

- Intesa Sanpaolo S.p.A. - Core Tier 1: 24.1%, Tier 1: 26.1% and Total Capital Ratio: 32,7%;
- Intesa Sanpaolo Group - Core Tier 1: 11.3 %, Tier 1: 12.2 % and Total Capital Ratio: 14,8 %.

The above capital requirements meet the provisions of EU Bodies and the Supervisory Authority and the need for sound and prudent management of the Company.

We propose that the assignment be made, in compliance with legal provisions, as of 22 May 2014, with detachment of the coupon on 19 May 2014 and record date on 21 May.

This assignment of reserves shall be subject to the same tax regime as the distribution of dividends.

As is known, pursuant to art. 6, paragraph 1, letter a) of Legislative Decree no. 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 2013 such amount was 5,275,075.43 euro.

During 2013, recorded among the other reserves, were the merger differences deriving from the incorporation into Intesa Sanpaolo, of Sudameris, Intesa Sec 2 and Adriano Finance, companies already subsidiaries. The net amount, equal to euro 60,267,655.10, will be recognised in the carrying value of the Extraordinary reserve at the outcome of the Shareholder's Meeting resolutions.

It is further specified that no attribution from the Extraordinary reserve will be made to the treasury shares which the Bank may hold at the record date.

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.

<b>Shareholders' equity</b>	<b>Annual report 2013</b>	<b>Change due to the Shareholders' Meeting resolutions</b>	<b>Share capital and reserves after the Shareholders' Meeting resolutions</b>
			(millions of euro)
Share capital			
- <i>ordinary</i>	8,061	-	8,061
- <i>savings</i>	485	-	485
<b>Total share capital</b>	<b>8,546</b>	<b>-</b>	<b>8,546</b>
Share premium reserve	31,093	-3,914	27,179
Reserves	4,044	-822	3,222
Valuation reserves	6	-	6
Treasury shares	-13	-	-13
<b>Total reserves</b>	<b>35,130</b>	<b>-4,736</b>	<b>30,394</b>
<b>TOTAL</b>	<b>43,676</b>	<b>-4,736</b>	<b>38,940</b>

27 March 2014

For the Management Board  
The Chairman – Gian Maria Gros-Pietro