

INTESA SANPAOLO: COMPENSATION PLAN BASED ON FINANCIAL INSTRUMENTS FOR THE GROUP'S EMPLOYEES

Turin - Milan, May 7th 2014 – The Management Board of Intesa Sanpaolo, in the light of the agreements entered into on May 6th 2014 with Unions (the “**Union Agreement**”) and following to the requests received by CONSOB on the same date, makes available to the public certain information about the Investment Plan referred to in the disclosure document prepared pursuant to article 84-bis of the Issuer’s Regulation, and approved by the Management Board on April 7th 2014.

The information referred to in this document shall be considered as an integration of the above-mentioned disclosure document, to which reference shall be made to the meaning of defined terms, unless otherwise specified. CONSOB’s requests are set out in italics at the beginning of each paragraphs.

1) Free allocation of Intesa Sanpaolo ordinary shares (Free Shares)

The factors taken into account in the determination of the compensation to be awarded through the free allocation of Intesa Sanpaolo ordinary shares (Free Shares), indicating, in particular, the parameters to which the number of shares that can be assigned is linked, also taking into account that in the information document it is stated that “The Free Share maximum amount assignable to each Employee is differentiated by population group”

The Free Shares amount assignable to each employee is determined, on the basis of the Union Agreement, from the amounts that may be due by way of Company Bonus or Result Variable Award for the years 2014-2017, referred to in Articles 48 and 52 of the CCNL in force, for an individual equivalent amount of Euro 920.

With regard to employees identified as Risk Takers, according to EBA Standards, such amount: a) may be increased depending on the specific responsibilities assigned, b) shall not, however, exceed the theoretical equivalent amount of EUR 80,000 (in the case of the Group’s Executives with strategic responsibilities), and c) shall be subject to the provisions of the existing Community and National Provisions on Compensation with respect to variable compensation.

2) Ratio Matching Shares to Free Shares

The ratio between the number of Free Shares allotted and the number of Matching Shares issued in favor of employees who have opted for the Investment Plan, also indicating methods for the determination of the said ratio

The ratio Matching to Free Shares to be allocated to the employees who will opt to adhere to the Investment Plan shall be equal to a minimum level (so-called “minimum leverage”) of 0.8, as indicated in the Union Agreement.

This ratio may be increased depending on the specific responsibilities assigned and on the contribution’s degree to business results provided by each employee, by virtue of his/her role in the organization of the Group. In such area, (i) for the executives (not included among the Risk Takers) it will have an average value of 5 and (ii) for Risk Takers it shall amount to an average value of 9 (up to a theoretical maximum of 17).

3) Methods for the determination of the discount embedded in the price of the Discounted Shares compared to the market value of the Intesa Sanpaolo ordinary shares

The methods for the determination of the discount embedded in the price of the Underlying Shares compared to the market value of the Intesa Sanpaolo ordinary shares

The capital increase through the Discounted Shares issue is reserved for employees pursuant to article 2441, paragraph 8 of the Italian Civil Code and, therefore, pre-emptive rights are excluded. It follows that the extent of the discount is not connected to the enhancement of the pre-emptive rights, as is the case of capital increases without exclusion of such right.

The discount constitutes the main element of cost to be borne by the ISP Group for the benefit of employees. Because of the discount, employees can obtain the protection of the original market value of Free and Matching Shares and acquire the right to a portion of any appreciation of the Underlying Shares.

In consideration of the variables existing in the period up to the Issue Date, it is currently estimated that the discount could settle below and close to 20%. This level is in line with that shown as part of investment plans and share incentive reserved for employees and recently finalized on the market.

The definitive measure of the discount shall be determined by the competent bodies referred to in paragraph 7 below.

4) Relationship between incentive compensation based on financial instruments and other components of total compensation

The relationship between incentive compensation based on financial instruments and other components of total compensation, indicating the criteria based on which said relationship has been determined

For the employees not included among the Risk Takers, the Stock Plan and the Investment Plan are the only forms of remuneration through financial instruments. With regard to the relationship with the other components of the remuneration, the average incidence of LECOIP (*Leveraged Employee Co-Investment Plan*) goes from 1.5% to 2% on an annual basis, depending on the possible payment of other forms of variable remuneration referred to in the aforementioned Articles 48 and 52 of the CCNL in force. This percentage derives from the Union Agreement, which also defines the value of the assignable Free Shares and the value of the minimum lever to be paid to each employee of the Group.

With regard to the Risk Takers, for whom likewise variable compensation deriving from the Risk Taker LECOIP Certificate constitutes an advance from the amounts that may be due in respect of the Company Bonus or Result Variable Award for the years 2014-2017, under Articles 48 and 52 of the CCNL in force, and/or Annual Incentive System, the maximum amount of remuneration paid in financial instruments amounts to 62.5% of the total variable remuneration and to 31.25% of the total annual remuneration. These relationships are determined on the basis of the following elements: (a) the respect of the limits set by applicable community and national provisions on the total variable remuneration assigned with respect to fixed remuneration (and equal to a ratio of 1:1); (b) any payment of the maximum amounts related to annual incentives systems - if activated - for 50% in shares, according to the provisions of applicable regulations and corporate policies regarding remuneration.

5) Criteria used for the determination of the value attributable to the Certificates

The criteria used for the determination of the value to the investment certificates (LECOIP Certificate and Risk Taker LECOIP Certificate) which shall be offered for the underwriting to the employees adhering to the Investment Plan

The issue value of LECOIP Certificates is determined as the sum of:

- (i) the original market value of one ordinary share of Intesa Sanpaolo (calculated as the arithmetic average of the official closing prices recorded by such share within 30 calendar days preceding the issue); and
- (ii) the value of the option that gives the right to the subscriber to receive, from the Counterparty, a portion of any appreciation of the Intesa Sanpaolo ordinary share with respect to the original market value of the same multiplied by a coefficient (leverage).

6) Characteristics of the options embedded in the LECOIP Certificate

Taking into consideration that investment certificates, "reflect the terms of certain options which are based on ISP ordinary shares", describing the characteristics of the above terms of the options incorporated in the financial instruments, indicating, in particular, the way of determination of: (i) the "original market value of the Free Shares and Matching Shares"; (ii) the "portion of any appreciation of the Underlying Shares" that the certificate holders shall be entitled to receive at maturity; (iii) the "price of Shares" that the "Counterparty" shall pay to the employee at the time of the conclusion of the "ISP Ordinary Shares" forward sale agreement

The options embedded in the LECOIP Certificates ensure both "*the original market value of the Free Shares and Matching Shares*", and a "*portion of any appreciation of the Underlying Shares*" to the employee.

The original market value of the Free and Matching Shares is defined as an amount equal to the volume-weighted arithmetic average prices of Intesa Sanpaolo ordinary shares on each trading day for the period of 30 calendar days preceding the issue date of the certificates.

Any appreciation for the employee is equal to a portion, to be defined by the competent bodies referred to in paragraph 7, of the payoff of the options, calculated by reference to the average of the 43 performances (i.e. appreciation) of the ISP share observed in the 43 months following the date of issue of the certificate. Each performance shall be calculated as the difference between the current share price for each future month set and the original market value of the share. Any negative performance will be assumed to be zero (floor).

For the Risk Takers the certificate will provide that upon the occurrence of certain conditions the protection of the original market value of the Free and Matching Shares and the portion of any appreciation described above can be reduced below the level set for other employees, even reaching zero.

With reference to the "*Shares price*" that the "*Counterparty*" shall pay to the employee at the time of the execution of the "*ISP Ordinary Shares*" forward sale agreement, such price shall be equal to the amount necessary for the subscription, at the issue value, of the LECOIP Certificate (as defined above in point 5) and of the Discounted Shares (issued in the context of the capital increase for consideration).

It should be noted that the LECOIP Certificate characteristics shall be described in detail in a prospectus, that the Counterparty shall submit for approval by the CONSOB.

7) Tentative timing for the decision by the Management Board regarding the allocation of financial instruments

The timing foreseen for the resolution, by the competent corporate bodies, regarding the decision of the issuance of financial instruments, indicating also if the Remuneration Committee shall be involved in such decision

Management Board and its delegated bodies will take all the necessary decisions on the capital increase and on the implementation of the plan as soon as the authorization process is completed. This process includes the issue by the Bank of Italy of the certification referred to in Article 56 of Legislative Decree 385/1993, needed for the registration of the statutory amendments in the Company Register subject to the resolution of the Shareholders' Meeting convened on May 8th 2014, and the approval by CONSOB of the prospectus relating to the LECOIP Certificate, which will be submitted by the Counterparty.

In particular, in this context, the allocation of the financial instruments to the executive members of the Management Board who are Group managers shall be subject to a resolution by the Supervisory Board subject to the involvement of the Remuneration Committee and the assignment to the other recipients shall be made, on the basis of policies approved by the Shareholders' Meeting, as a result of the determinations of the Management Board, as soon as the additional organizational, procedural and financial aspects of the transaction object of the plan, subject to the prior approval of the Shareholders' Meeting, is defined.