This report (the "**Report**") – drafted pursuant to art. 2441, paragraph 6, of the Italian Civil Code and art. 70 paragraph 7, lett. *a),* of Consob Regulation no. 11971 dated 14 May 1999 ("**Issuers' Regulation**") – sets out the terms, conditions and the rationales of the share capital increase that the Board of Directors of Intesa Sanpaolo S.p.A. ("**ISP**" or the "**Company**") intends to resolve in execution of the delegation granted by the Extraordinary Shareholders' Meeting of ISP held on 27 April 2020, pursuant to art. 2443 of the Italian Civil Code (the "**Delegation**").

1. Overview of the transaction. Rationale and allocation of the share capital increase

The exercise of the Delegation under this Report is part of the broader context of the voluntary public exchange offer (*offerta pubblica di scambio volontaria*) (the "**OPS**" or the "**Offer**"), pursuant to arts. 102 and 106, paragraph 4, of the Italian Legislative Decree No. 58 of 24 February 1998 (the Italian Consolidated Financial Act, or "**TUF**"), on all ordinary shares of Unione di Banche Italiane S.p.A. ("**UBI Banca**"). The Offer was announced by ISP as per ISP's notice dated 17 February 2020 pursuant to art. 102, paragraph 1, of TUF and art. 37 of the Issuers' Regulation (the "**Notice of the Offer**") and promoted by filing the offer document to Consob as per subsequent press release issued by ISP on 6 March 2020 pursuant to art. 37-*ter*, paragraph 3, of the Issuers' Regulation.

It is pointed out that - as more extensively explained in the Notice of the Offer (to which reference is made in full) and the Report of the Board of Directors to the Extraordinary Shareholders' Meeting held on 27 April 2020, as supplemented upon request by Consob on 23 April 2020 - the OPS has the purpose of allowing an aggregation between ISP and UBI Banca enabling the full enhancement of the potential of the two groups through the creation of an entity able to strengthen their respective stakeholders, including the Italian component in the European banking scene, and to consolidate the leadership in the Corporate Social Responsibility, with the aim of becoming a point of reference for individuals and companies in Italy, as well as creating value for their shareholders through the distribution of dividend flows that are sustainable over time also by means of the synergies deriving from the aggregation.

ISP will offer to UBI Banca's shareholders tendering in the OPS, for each no. 10 UBI Banca shares tendered - and as a consideration thereof - No. 17 newly issued ordinary shares of ISP having the same characteristics as the outstanding ordinary shares of ISP: this corresponds to a ratio of 1.7000 newly issued ordinary shares of ISP for each UBI Banca share tendered in the OPS, without prejudice to Paragraph 2 below.

On 27 April 2020 the Shareholders' Meeting of ISP, in extraordinary session, approved the proposal of Delegation to increase the share capital functional to the OPS (the "**Share Capital Increase**").

The resolution to grant the Delegation provides for that the Share Capital Increase may be resolved by the Board of Directors within 31 December 2020, possibly in one or more tranches and in a divisible form (*in via scindibile*), in an amount of share capital equal to Euro 0.52 for each newly issued share (amount corresponding to the implied par value, rounded to the second decimal place, of the currently outstanding shares of ISP)([1]) and, thus, in a maximum share capital amount equal to Euro 1,011,548,072.60, plus share premium, with issuance of a maximum of 1,945,284,755 ISP ordinary shares. The Delegation provides for the exclusion of the pre-emption right pursuant to art. 2441, paragraph 4, first sentence, of the Italian Civil Code, since the newly issued shares of ISP to be offered in exchange are reserved to UBI Banca's shareholders tendering in the OPS and they will be subscribed and paid up by way of contribution, in favour of ISP, of UBI Banca shares tendered in the OPS (or in any case contributed to ISP in execution of the sell-out and/or squeeze-out rights pursuant arts. 108 and 111 of TUF, if applicable).

On 2 June 2020 the European Central Bank has ascertained, pursuant to arts. 56 and 61 of the Italian Legislative Decree No. 385 of 1 September 1993, (the Italian Consolidated Banking Act or "**TUB**"), that the amendments to ISP's Articles of Association relating to the Delegation and the Share Capital Increase do not conflict with the sound and prudent management of ISP (see also Paragraph 14 below). Furthermore, on 5 June 2020, the European Central Bank has authorized ISP to acquire the control of UBI Banca and IW Bank S.p.A. through the Offer, as well as to acquire a qualified participation in Zhong OuAsset Management Company Co. Ltd. As a result, the resolution of ISP Shareholders' Meeting relating to the Delegation and the amendments to ISP's Articles of Association have been registered with the Companies' Register.

Moreover, on 8 June 2020 the Bank of Italy authorized the indirect acquisition of a controlling interest in UBI Banca Group companies Pramerica SGR S.p.A. (as well as a qualified interest in POLIS Fondi SGR S.p.A.), pursuant to Article 15 of TUF, and UBI Leasing S.p.A., UBI Factor S.p.A. and Prestitalia S.p.A., pursuant to Articles 19 and 110 of TUB.

In addition, on 10 June 2020 Luxembourg's Authority - *Commission de Surveillance de Secteur Financier* (CSSF) - authorized the indirect acquisition of a majority interest in Pramerica Management S.A., with registered offices in Luxembourg.

The authorization by IVASS is still pending, while the relevant procedure has been concluded. It is the final sector authorization, to which the conclusion of the Consob proceedings for the approval of the Offer Document (and, thus, for the start of the Offer) is still subject.

The Board of Directors is now called to resolve, in execution of the Delegation, on the Share Capital Increase – excluding pre-emption rights pursuant art. 2441, paragraph 4, first sentence, of the Italian Civil Code, as above described– in order that the OPS may

(1) The implied par value is calculated by dividing the current share capital of ISP by the number of shares currently outstanding.

be start, subject to the authorization of the prospectus relating to ISP's newly issued ordinary shares and the OPS offer document by Consob. It is pointed out that the Share Capital Increase may be carried out also in different stages: the Share Capital Increase may, more precisely, be executed both on the payment date of the OPS consideration (subject to the fulfilment or waiver, if applicable, of the conditions precedent for its effectiveness, as detailed in the offer document that will be published once the approval by Consob is obtained) and, if applicable, on any payment dates determined in relation to the execution of the sell-out and/or squeeze-out rights pursuant to arts. 108 and 111 of TUF.

2. **Number of shares to be issued to service the contribution in kind; listing and dividend entitlement**

As described in the preceding paragraph, the Share Capital Increase will concern a maximum of no. 1,945,284,755 ordinary shares functional to the OPS and paid up by way of contribution in kind to ISP of UBI Banca shares tendered in the OPS (or in any case contributed in ISP in execution of the sell-out and/or squeeze-out rights pursuant to arts. 108 and 111 of TUF), on the basis of the exchange ratio of no. 1.7000 newly issued ordinary shares of ISP for each UBI Banca shares.

If the result of the application of the exchange ratio indicated above is not a whole number of newly issued ISP shares (*i.e.*, if a participating shareholder of UBI does not offer at least no. 10 UBI Banca shares, or a number of UBI Banca shares equal to a whole multiple of 10), it is provided for that the intermediary appointed to coordinate the collection of the subscriptions in the OPS shall aggregate the fractional parts of ISP shares pertaining to the participating entities, proportionally to their respective fractional parts, and the subsequent sale on the MTA of the whole number of ISP shares resulting from such aggregation. The cash proceeds deriving from such sales will be credited to the relevant participating entities proportionally to their respective fractional parts; all the above, according to the terms detailed in the offer document.

The ordinary ISP shares to be issued in execution of the Share Capital Increase will be traded on the MTA managed by Borsa Italiana S.p.A. and they will have the same dividend rights as the ordinary ISP shares outstanding on the date of the relevant issuance.

As to the issuance price, please refer to Paragraph 4.

3. **Criteria for determining the exchange ratio between ISP shares and UBI Banca shares**

3.1 Introduction

As in any share exchange transaction, the essential aspect for ISP shareholder, who as a result of the OPS registers a dilution of the shareholding in its company, is the exchange ratio between ISP shares and UBI Banca shares. To this purpose, the Board of Directors of ISP, with the advice and cooperation of Mediobanca Banca di Credito Finanziario S.p.A., has carried out an assessment of UBI Banca shares with a view to express an evaluation of such shares, on the basis of publicly available data and information. Therefore, the remarks and assessments expressed in the evaluation must be considered in relative terms and exclusively limited to the OPS. The evaluation methods and the consequent economic values of UBI Banca shares have been identified for the purpose of determining the maximum number of ISP shares to be issued in the context of the OPS. In no case are such evaluations to be considered as possible indications of any current or prospective market price or value in a context other than the present one.

3.2 <u>Assessment criteria applied by the Board of Directors to determine the exchange ratio</u>

For each UBI share tendered in the Offer, ISP will offer a consideration per share, not subject to any adjustment, equal to no. 1.7000 ordinary shares of ISP issued by virtue of the Share Capital Increase.

The above exchange ratio has been determined by the Board of Directors of ISP on the basis of its own assessment and analyses, carried out with the assistance of its financial advisor.

Given the nature of the above consideration, the evaluation analyses performed by the Board of Directors to determine the exchange ratio, were carried out on the basis of a comparative prospective and focusing on the principle of relative homogeneousness and comparability of the valuation methods applied.

The assessments performed by the Board of Directors of ISP are referred to the economic and market conditions as of 14 February 2020 corresponding to the trading day prior to the announcement date of the OPS.

In particular, without prejudice to anything set out in the offer document submitted for approval to CONSOB, the Board of Directors of ISP has deemed to apply:

- <u>as main assessment methods</u>: (i) the Stock Market Prices, (ii) the linear regression method between multiples of the stock market price on the tangible equity of comparable listed companies and their respective prospective profitability levels and (iii) the trading multiples method in the in the stock market price variant of comparable listed companies on their respective prospective profits;
- <u>as control methods</u>: (i) the target prices method provided for by research analysts and (ii) the dividend discount model method in the so-called variant of the excess capital.

The decision to apply the above mentioned market methods as main assessment methods is driven by the capability of these methods to represent the economic value of ISP and UBI Banca on the basis of the market capitalization of the securities traded on regulated stock markets, whose prices express the perception of their value attributed by investors taking into account the growth perspectives, risk profile and profit generation, based on publicly available information, and, thus, representative of their economic value. The decision to use the above mentioned control methods is driven by the reason that the latter are based on information provided for by research analysts – and not on the basis of detailed industrial plans prepared by the companies, as better described below – which, by their nature, entail a high degree of variability and limited comparability to the assessments provided for.

It should be noted that the assessment analyses carried out to the purpose of determining the consideration have highlighted certain limitations and criticalities pointed out by the advisor and recognised by the Board of Directors, including:

(i) ISP did not carry out any due diligence activity on UBI Banca and relied exclusively on publicly available information to form its own findings, as well as on its own experience to estimate the potential synergies;

(ii) absence of an industrial plan providing a detailed annual evolution of the main financial metrics for UBI Banca, as a consequence, the projections utilised have been based on the estimates of the research analysts' reports, published following the release of the banks' financial results as of 31 December 2019;

(iii) absence of detailed accounting and financial information on the branches network and the insurance activities to be disposed as part of the agreements signed by ISP on 17 February 2020 relatively with BPER Banca S.p.A. and UnipolSai Assicurazioni S.p.A. (see in particular paragraph 1.3 of the Notice of the Offer);

(iv) limited level of information to estimate the synergies, the related integration costs as well as the additional provisions necessary for UBI Banca impaired loans portfolio (NPLs).

In addition, it is pointed out that the reference methods both for ISP and UBI Banca and the selected comparable companies are based on market prices and prospective estimates of research analysts as of 14 February 2020, which are, by their nature, uncertain and volatile, especially in the current context. Therefore, the outcome of the valuation analyses may vary, also significantly, in relation to market trends and the expectations of research analysts following such date.

Below it is outlined a brief description of the valuation methodologies applied for the purpose of the determination of the consideration:

(a) *Main assessment methods*

(i) *Stock Market Prices method:* the Stock Market Prices method applies market prices as relevant information to assess the economic value of companies, by applying to this purpose the stock prices expressed in share prices obtained at different time frames deemed relevant and under the assumption that there is a degree of correlation between such market prices for shares of the companies and the economic value of the companies object of the analysis. The main feature of such method lies in the ability to represent, in relative terms, the relationship existing between the values of the companies in question as perceived by the market.

To the extent of this analysis, it has been deemed appropriate to apply for such method the following criteria: (x) official market prices of ISP and UBI Banca shares as of 14 February 2020; (y) average of official market prices of ISP and UBI Banca shares weighted for the traded volumes (so called Volume Weighted Average Price) as of 1 month, 3 months and 6 months before the 14th February 2020;

(ii) *Linear regression method*: according to the linear regression method, the economic value of a company shall be determined on the basis of parameters identified through the correlation (if statistically significant) between price to tangible book value multiples ("Price/TBV") of a sample of listed companies considered comparable and their respective profitability represented by the return on average tangible equity for the period (RoATE).

Specifically, it has been performed (1) a linear regression using the historical Price/TBV and the expected RoATE for 2020 and (2) a linear regression using the expected Price/NTA for 2020 and the expected RoATE for 2021, in order to determine the necessary parameters to assess the companies;

(iii) *Trading multiples method:* according to the trading multiples method, the economic value of a company shall be determined on the basis of economic

criteria recognised by the market as value drivers for listed comparable companies having features similar to those under assessment.

The methodology is based on the application of multiples to be computed, for a sample of selected comparable companies as the ratio between the market capitalization and certain selected economic parameters (economic, equity and financial assets) of a sample of comparable companies (cd. peers). Such multiples shall be applied, with the any add-on and adjustments deemed appropriate, to the relevant economic parameters of the company being valued, in order to determine a valuation range. For this transaction – taking into account the specific characteristics of the banking sector and the common market practice – the Price/Expected Net Income 2020 and Price/ Expected Net Income 2021 have been selected as reference trading multiples.

The degree of reliability of the linear regression assessment method and the trading multiples method depends on the appropriateness of the methodology itself compared to the specific features of the valuation analysis and, in particular, on the comparability, from an operational and financial standpoint, between the companies included in the reference sample and those object of the valuation. For the purpose of the valuation analysis and given their comparability with the companies object of the analysis in terms of business model, geographical presence and/or size, the following sample of Italian and European medium and large sized listed companies has been selected:

- as to the Italian listed companies, the following sample has been selected: UniCredit, Banco BPM, BPER Banca, Banca Monte dei Paschi di Siena, Credito Emiliano, Banca Popolare di Sondrio e Credito Valtellinese;
- as to the European listed companies, the following sample has been selected: BNP Paribas, Crédit Agricole, Société Générale, Santander, BBVA, CaixaBank e Commerzbank.

(b) <u>*Control evaluation methods*</u>

(i) *Research analysts' target prices method:* the method of target prices identifies the economic value of a company based on the company's target valuations pointed out by equity research analysts. Target prices are indications of value, which express an estimate of the price that a share could reach on the stock market and are determined based on certain valuation methodologies identified by each research analyst at his sole discretion.

(ii) *Dividend Discount Model method in the version of the Excess Capital:* the Dividend Discount Model in the version of Excess Capital is based on the assumption that the economic value of a company is equal to the net present values of the sum of:

- the cash flows related to potential future dividends generated in a selected time frame which are distributable to shareholders without affecting the capital position required to maintain a pre-set target level of regulatory capital in the long-term. Such cash flows shall be estimated regardless of the forecast of company's management dividend policies;
- the long-term value of the company (the so-called Terminal Value), computed as the net present value of a normalised distributable cash flow in perpetuity to be sustainable from an economic point of view and coherent with the long term growth rate of the business.

As previously highlighted, the projections utilised for the application of this methodology have been derived from the consensus estimates of the reports issued by equity research analysts, published following the release of the financial results as of 31 December 2019.

The valuation methodologies described above have been applied on an individual and going concern basis both for ISP and UBI Banca, considering the value creation deriving from the combination of the two entities.

As a result of the above and on the basis of the valuation approach used, the Board of Directors of ISP has determined, within the valuation range identified by applying the methods previously described, an exchange ratio equal to 1.7000x ISP shares for each UBI Banca share and, therefore in no. 1,945,284,755 as the maximum number of ISP ordinary shares that will be newly issued in the context of the OPS. Based on the official price of ISP shares as of 14 February 2020 (equal to Euro 2.502), the exchange ratio identified by the Board of Directors expresses a value equal to Euro 4.254 (rounded to the third decimal place) for each UBI Banca share and, therefore, incorporates the following premiums on volume weighted average official prices of UBI Banca in the periods set out below::

Reference date	**Volume Weighted average price of UBI Banca Share**	**Premium**
14 February 2020	3,333	+27.6%
1 month earlier than 14 February 2020 (included)	2,968	+35.7%
3 months earlier than 14 February 2020 (included)	2,939	+36.0%
6 months earlier than 14 February 2020 (included)	2,743	+38.6%

It is worth mentioning that upon mandate of ISP Board of Directors, KPMG S.p.A. ("**KPMG**") has prepared and made available to ISP Extraordinary Shareholders' Meeting, held on 27 April 2020, a report confirming the reasonableness and non-arbitrariness of the valuation methodologies used by ISP Board of Directors for the determination of the above mentioned exchange ratio (and, thus, for the determination of the essential economic conditions of the OPS), in compliance with ISAE "3000 revised".

4. **Determination of the issuance price**

As mentioned in Paragraphs 1 and 2 above, the Share Capital Increase provides for the issue of maximum no. 1,945,284,755 ordinary ISP shares, on the basis of the exchange ratio of 1.7000 newly issued ordinary ISP shares for each UBI Banca share transferred to ISP; this in an amount of share capital equal to Euro 0.52 for each newly issued share (amount corresponding to the implied par value, rounded to the second decimal place, of the currently outstanding shares of ISP) and, thus, in a maximum share capital amount equal to Euro 1,011,548,072.60, plus share premium.

The Board of Directors, without prejudice to the exchange ratio set out and analyzed in Paragraph 3, must determine the share premium, *i.e.* the portion of the issue price not intended to be allocated to the share capital, but, precisely, to the premium reserve.

In the context of capital increase transactions with the exclusion of pre-emption right as it is to be paid up by way of contribution in kind, the applicable international accounting principles, as known, pursuant to primary mandatory rule, require the recognition, against the issue of new shares, of an overall increase in ISP net assets (share capital plus premium) equal to the fair value of ISP shares that will be assigned to the entities participating in the OPS, net of additional charges directly attributable to the issue of the new shares; such fair value will correspond, more precisely, to the stock exchange listing (reference price) of ISP share on the trading day prior to the date of effectiveness of the exchange with UBI Banca shares tendered in the OPS.

Therefore, in the context of the OPS, it is the current regulatory framework, including accounting regulations, requiring that the unit issue price of ISP shares, which by definition means the increase in ISP net assets (capital and share premium), following the share issuance, is equal to the fair value, *i.e.* the stock exchange listing (reference price) of ISP share on the previous trading day: (i) the payment date of the consideration for the OPS (subject to the fulfilment or waiver, if applicable, of the conditions precedent for its effectiveness), as well as, if applicable, (ii) the subsequent payment date of the consideration in execution of the sell-out and/or squeeze-out rights pursuant to articles 108 and 111 of TUF, as provided for in the offer document; in any case, thus, upon execution of the contribution of UBI shares tendered. The price thus identified is considered as the fair issue price.

Certainly, without prejudice to the limit consisting of the value that the Independent Expert (as defined below), in its assessment report, attributed to the shares of UBI Banca subject to contribution in kind pursuant to arts. 2440, paragraph 2, and 2343-*ter* of the Italian Civil Code.

Without limitation and on the basis of the currently available data, if the shares were issued on the date of this Report (16 June 2020), the issuance price of the same would be equal to their stock exchange reference price as of 15 June 2020, of Euro 1.604 (rounded to the third decimal place) per share, to be allocated to the share capital as per Euro 0.52 and to the share premium reserve as per Euro 1.084.

All of the above, without prejudice to the foregoing, the Board of Directors also points out that the above mentioned method is in line with the constant conduct of professional practice for capital increases of corporations with shares listed, where the stock market prices method is commonly accepted and applied - both at national and international level. In fact, stock market prices, generally express, in an efficient market, the value attributed by the market to the shares being traded and consequently provide relevant information on the value of a company which the shares refer to, since they correspond to the information available to analysts and investors, as well as their expectations relating to the Bank's economic and financial performance. For the purposes of applying the stock market prices method, it is assumed that:

- the security is traded on efficient markets;
- a free float exists, with reference to the stake of the share capital traded on the financial markets, such as to guarantee a level of liquidity, as to the volume of daily trades, that is significant with respect to the standards characterizing the main securities in the reference stock exchange listing;
- there is a significant coverage by financial analysts and such as to make the market promptly informed in relation to exogenous and endogenous phenomena as communicated by the issuer, which may have affect the share price.

Finally, it is pointed out that the Board of Directors has appointed KPMG S.p.A., as external auditor of ISP, to prepare the fairness report on the issuing price (*parere sulla congruità del prezzo di emissione*) relating to the shares of ISP to be offered in exchange in the context of the OPS, pursuant to art. 2441, sixth paragraph, of the Italian Civil Code and art. 158 of TUF. The said fairness report - which will be issued in relation to the resolution of the Board of Directors of ISP for the exercise of the Delegation and made available to the public in accordance with the terms and modalities set forth under applicable law – relating to the above mentioned principle, shall not require any update, when, upon execution of the contribution of UBI shares, on the payment date of the OPS consideration (also in the exercise of the sell-out and/or squeeze-out rights pursuant to arts. 108 and 111 of TUF, if applicable), the expected issuance price as calculated above will be determined automatically and definitively, on the basis of the updated data available on that date and in application of the above principle.

5. **Information on the results of the last financial year and general information on the operating performance and outlook for the current financial year**

It is pointed out that Intesa Sanpaolo Group's financial statements as of 31 December 2019 show a net profit of Euro 4,182 million, increased by 3.3% compared to Euro 4,050 million in 2018.

The Interim Statement as of 31 March 2020 of Intesa Sanpaolo Group - published on 12 May 2020 and to which reference is made - shows a net profit of Euro 1,151 million, increased by 9.6% compared to the first quarter of 2019.

The Group's net equity, including the profit accrued in the period, amount to Euro 56,516 million as of 31 March 2020 compared to Euro 55,968 million as of the beginning of the year.

As to the main balance sheet figures and key indicators as of 31 March 2020:

- direct deposits from the banking business amounted to Euro 434 billion, increased by 1.9% compared to 31 December 2019;
- direct deposits from insurance business and technical reserves amounts to Euro 156 billion, decreased by 5.7% compared to 31 December 2019;
- indirect deposits decreased to Euro 485 billion, down by 9.2% compared to the end of December 2019, attributable to both assets under management and assets under administration, mainly as a result of the depreciation caused by the performance of the financial markets as a result of the pandemic;
- net loans to customers amount to Euro 405 billion, increased by 2.4% compared to 31 December 2019. The Group's net non-performing loans (bad loans, unlikely to pay and past loans), net of adjustments amounts to Euro 14,001 million, down by 1.6% compared to 14,222 million as of 31 December 2019. In this context, bad loans decreased to Euro 6,558 million from Euro 6,740 million as of 31 December 2019, and represented 1.6% of total loans (1.7% at 31 December 2019), and a coverage ratio of 64.4% (65.3% at the end of 2019). Loans included in the

unlikely-to-pay category decrease to Euro 6,639 million from Euro 6,738 million in December 2019, and past due / overdue loans amount to Euro 804 million compared to Euro 744 million at the end of 2019;

- financial assets, excluding those of insurance companies, amount to Euro 157 billion, increased by 6.9% compared to 31 December 2019;
- financial assets pertaining to insurance companies pursuant to IAS 39 amount to Euro 159 billion, decreased by 5.7% compared to 31 December 2019;
- capital adequacy ratios, Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital ratio, which take into account the transitional treatment adopted to mitigate the impact of IFRS 9, as of 31.03.20 were respectively equal to 14.2%, 16.1% and 18.5%.

As to the main income statement figures in the first quarter of 2020:

- net interest income, amounting to Euro 1,747 million, shows a substantial overall stability (- 0.5%) compared to the first three months of 2019;
- net fees and commissions amount to Euro 1,844 million and show a slight decrease by 1.1% compared to Euro 1,865 million in the first quarter of 2019;
- income from the insurance business amounts to Euro 312 million, compared to Euro 291 million in the first quarter of 2019;
- Profits (Losses) on financial assets and liabilities at *fair value* are equal to Euro 994 million, significantly increased compared to Euro 458 million in the first quarter of 2019;
- as a result of these revenue and cost trends, the operating margin amounted to Euro 2,713 million, up by around 26.8% on the first quarter of 2019. The cost/income ratio is equal to 44.4%, compared to 51.0% in the first quarter of 2019;
- net adjustments to loans increased to Euro 403 million (around + 9%): furthermore, provisions for risks and charges have been set aside (approx. Euro 300 million) as the first estimate of the possible effects of the pandemic from COVID-19 on performing loans determined on the basis of the information available at the date of approval of the Interim Statement as at 31 March 2020.

In relation to the forecasts for the end of the current year, please refer to the Interim Statement, recalling that the validity of the strategic actions envisaged in the Intesa Sanpaolo 2018-2021 Business Plan has been confirmed. The Group can continue to rely on its strengths, which reside in a resilient and well-diversified business model, which is focused on Wealth Management & Protection and specifically on the development of non-motor P&C insurance products, strategic flexibility in managing operating costs and proactive management of non-performing loans.

Considerations relating to the possible macroeconomic scenario and Intesa Sanpaolo's inherent strengths lead to an estimated net income for the Group that could be no lower than around Euro 3 billion in 2020 and no lower than around Euro 3.5 billion in 2021, assuming a potential cost of risk of up to around 90 basis points in 2020 and up to around 70 basis points in 2021.

The dividend policy indicated in the 2018-2021 Business Plan and envisaging the distribution of cash dividends corresponding to a payout ratio of 75% of net income for 2020 and 70% for 2021, has been confirmed. This is subject to ECB indications in respect of dividend distribution after 1 October 2020, the timeline of the recommendation of 27 March 2020. The Business Plan projection of a fully operational pro-forma Common Equity Tier 1 ratio above 13%([2]) in 2021 has also been confirmed, even taking into account the potential distribution of the 2019 suspended dividend, subject to ECB indications with respect to dividend distribution after 1 October 2020.6. **Guarantee and/or placement consortia**

Since it is an increase in share capital functional to a public exchange offer, no guarantee and/or placement consortia are envisaged.

7. **Shareholders who have expressed their availability to subscribe the newly issued shares**

The subscription of the Share Capital Increase for the OPS may only take place as a result of UBI Banca shareholders' tendering in the OPS, once the offer period has started.

8. **Term for the execution of the Share Capital Increase**

Considering the requirements under the regulations applicable to public exchange offers, it is envisaged that the Share Capital Increase is executed by 31 December 2020, subject to: (i) the approval by Consob relating to the newly issued ISP shares prospectus, as well as the offer document relating to the OPS; and (ii) the fulfilment (or waiver, if applicable) of the conditions precedent relating the effectiveness of the OPS detailed in the offer document itself.

([2]) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward. Above 12% when excluding the aforementioned DTA absorptions.

As specified above, the Share Capital Increase will be implemented, within the aforementioned term, both on the payment date of the OPS consideration and, if applicable, on the payment dates of payment that may be set in relation to the execution of the sell-out and/or squeeze-out rights pursuant to arts. 108 and 111 of TUF.

9. **Economic, equity and financial effects of the Share Capital Increase and dilutive effects**

The percentage of dilution of the current shareholders in the share capital of ISP depends on the result of the OPS, as the number of new ISP shares to be issued in the context of the Share Capital Increase will depend on the number of tendering in the OPS itself.

In the event that all of UBI Banca shares are transferred to ISP (as a result of tendering in the OPS and, if applicable, in execution of the sell-out and/or squeeze-out rights) and assuming the Share Capital Increase is fully diluted, ISP will issue no. 1,945,284,755 new shares to be assigned in exchange to those who tendered their shares. These shares will represent approximately 10% of the total number of ISP shares.

10. **Value of the assets to be contributed as per assessment report pursuant to articles 2440, paragraph 2, and 2443, paragraph 4, of the Italian Civil Code.**

As required by the applicable provisions of the Italian Civil Code in relation to any contributions in kind, the value of UBI Banca shares that will be conferred in ISP is subject to a specific assessment conducted by an expert.

As already specified in the Notice of the Offer, the Board of Directors has resolved, pursuant to art. 2440, paragraph 2, of the Italian Civil Code, to apply the provisions of art. 2343- *ter*, paragraph 2, lett. *b)* (also for the purposes referred to in articles 2343- *quater* and 2443, paragraph 4), of the Italian Civil Code. Such provisions allow the Board not to require a sworn assessment of the contributed assets by an expert appointed by the Court where the transferring company has its registered office, provided that, pursuant to art. 2343- *ter*, paragraph 2, of the Italian Civil Code: "*the value attributed, for the purposes of determining the share capital and any share premium, to the assets in kind […] to be contributed is equal to or lower than […] the value resulting from an assessment referred to a date not exceeding six months prior to the contribution and in compliance with the generally accepted principles and criteria for evaluating the assets to be contributed, provided that such assessment is prepared by an expert independent from the contributing entity, the company and the shareholders that severally or jointly exercise control on the contributing entity or on the company itself, having an adequate and proven expertise* ".

The Board of Directors has appointed Pricewaterhouse Coopers Advisory SpA (the " **Independent Expert** ") which, on 13 March 2020, has submitted its report, made available to the public pursuant to the requirements of the law at the Shareholders' Meeting on 27 April 2020. Subsequently, upon request of the Board of Directors, the Independent Expert has issued, on 31 March 2020, an Addendum relating to the assessment of the possible effect, on fair value per UBI Banca share as of 17 February 2020, of the decision of the latter to suspend the payment of dividend on 2019 profits (scenario *cum dividend*).

Thereafter, upon request of ISP Board of Directors, the Independent Expert has issued a new assessment report, which was drafted taking into account the data and information available as of 31 March 2020 (and thus, with reference to the latter date) which, thus, constitutes the new reference date of the aforementioned report.

In the new report, issued on 15 June 2020, the Independent Expert has determined that the fair value per share of each of the UBI Banca's shares as of 31 March 2020 is included in the range between Euro 3.577 and Euro 4.406 (*cum dividend*). Therefore, the Independent Expert has confirmed that the fair value per share of each of the UBI Banca's shares that may be contributed in kind in the context of the Share Capital Increase is not lower than Euro 3.577, *cum dividend* and including the control premium, lower bound of the determined fair value range.

Pursuant to the law, the value attributed, for the purpose of determining the share capital and the share premium, to tendered UBI Banca shares shall be equal to or lower than the value expressed in the aforementioned report of the Independent Expert.

It is pointed out that, in accordance with art. 2443, paragraph 4, of the Italian Civil Code, the board resolution to exercise the Delegation and the related Share Capital Increase will include, for filing purposes with the Companies' Register, the statements provided for by art. 2343-quater, paragraph 3, letter a), b), c) and e), relating to:

"*a) the description of the transferred assets or credits excluded from the report referred to in the article 2343, first paragraph;*

b) the value attributed to them, the source of such assessment and, if applicable, the assessment method;

c) the statement that such value is at least equal to that attributed to them for the purpose of determining the share capital and any share premium; [...];

e) the statement of eligibility of the requirements of expertise and independence of the expert pursuant to article 2343-ter, paragraph 2, letter b)".

The statement under art. 2343-*quater*, paragraph 3, letter *d)*, of the Italian Civil Code will be subsequently released and filed with the Companies' Register of Companies, within the terms provided for by art. 2443, paragraph 4, of the Italian Civil Code.

11. **Shareholding structure of ISP as a result of the Share Capital Increase. Effects on any shareholders' agreements.**

According to the nature of the Share Capital Increase for the OPS and the variables connected to the results of the OPS itself, it is not possible to envisage the shareholding structure of ISP following the execution of such share capital increase.

With reference to the dilutive effects on the current shareholders in the share capital of ISP, reference is made to Paragraph 9.

On the basis of the available information, on the date hereof, no shareholders' agreement pursuant to art. 122 of TUF is in force in relation to ISP.

12. **Tax effects of the transaction on ISP**

The contribution of UBI Banca shares in the context of the OPS does not result in any tax burden on ISP as transferee.

13. **Effects of the transaction on the transferring issuer**

The Share Capital Increase is functional to the OPS, and thus, to the pursuit of its objectives, with particular reference, as far as it concerns this Report, to the aggregation of UBI Banca into the ISP Group, as extensively described in the Notice of the Offer and in the Report of the Board of Directors to the Extraordinary Shareholders' Meeting of 27 April 2020, as well as in the offer document, which will be published subject to the approval of Consob.

14. **Authorizations**

As mentioned in Paragraph 1, on June 2 2020, the European Central Bank notified that the procedure was successfully concluded, pursuant to and for the purposes of arts. 56 and 61 of TUB aimed at ascertaining that the amendments to the Articles of Association referred to in the resolution of the ISP Shareholders' Meeting of 27 April 2020, as well as those referred to in this Report, do not conflict with a sound and prudent management of ISP.

It is pointed out that, according to the same communication, the European Central Bank has granted its authorization to calculate the new shares issued in the context of the Share Capital Increase among ISP's own funds as Tier 1 capital, pursuant to arts. 26 and 28 of EU Regulation no. 575/2013 of the European Parliament and the Council dated 26 June 2013.

15. **Amendments to the Articles of Association**

The exercise of the Delegation submitted to the Board of Directors results in the amendment of art. 5 of ISP Articles of Association.

Below is a comparison of the aforementioned art. 5 in the current and proposed text, pointing out that the proposed text is highlighted in bold type.

Art.5. Share capital *(version in force)*	**Art. 5. Share capital** *(new text in bold)*
5.1.- The Company's subscribed and paid-in share capital amounts to 9,085,663,010.32 Euro, represented by 17,509,728,425 ordinary shares without nominal value.	*(Unchanged)*
5.2.- The Extraordinary Shareholders' Meeting may resolve upon the allocation of net income to the employees of the Company or of its subsidiaries by issuing financial instruments in accordance with the applicable legislation.	*(Unchanged)*
5.3. - The Extraordinary Shareholders' Meeting held on 27 April 2020 conferred to the Board of Directors, pursuant to article 2443 of the Italian Civil Code, the power, to be exercised within 31 December 2020, to resolve upon a share capital increase for a consideration, to be	5.3. - **The Board of Directors, at the meeting held on 16 June 2020, by virtue of the delegated powers pursuant to article 2443 of the Italian Civil Code conferred to the Board of Directors by the Extraordinary Shareholders' Meeting held on 27 April 2020, resolved upoin a paid-in**

carried out on one or more tranches and in a divisible manner, without pre-emption rights pursuant to article 2441, paragraph 4, first sentence, of the Italian Civil Code, up to a maximum total amount of 1,011,548,072.60 Euro, in addition to any share premium (*sovrapprezzo*), for a maximum number of 1,945,284,755 ordinary shares of the Company, without nominal value, with regular economic rights (*godimento regolare*) and having the same characteristics as the ordinary shares of the Company already outstanding at the date of issuance, to be paid up through contribution in kind, being reserved to the public exchange offer on all of the ordinary shares of Unione di Banche Italiane S.p.A., launched by the Company on 17 February 2020 with notice pursuant to Article 102, paragraph 1, of Legislative Decree no. 58 dated 24 February 1998.	**share capital increase, in one or more tranches and in divisible manner, by the term of 31 December 2020, up to a maximum of 1,011,548,072.60 euro, in addition to any share premium (*sovrapprezzo*), without pre-emption rights pursuant to article 2441, paragraph 4, first sentence, of the Italian Civil Code, by issuing a maximum number of 1,945,284,755 ordinary shares of the Company, without nominal value, with regular economic rights (*godimento regolare*) and having the same characteristics as the Company's ordinary shares outstanding on the issue date. Such shares will be (i) issued at the unit price of [●] [** *Note: the overall unit issue price of the issue will be equal, in compliance with the regulations in force, to the fair value of the same, which in turn corresponds to the stock market price (reference price) of ISP shares on the trading day prior to the payment date of the consideration for the public exchange offer, as well as, if applicable, on the subsequent payment dates of the consideration in execution of the sell-out right pursuant to art. 108 of the TUF and / or the squeeze-out right referred to in Article 111 of the TUF* **], which will be allocated to the share capital in Euro 0.52 and to the share premium for the remaining portion and (ii) paid up through contribution in kind, being reserved to the public exchange offer on all ordinary shares of Unione di Banche Italiane S.p.A., launched by the Company on 17 February 2020 with notice pursuant to art. 102, paragraph 1 of the Italian**

	Legislative Decree dated 24 February 1998, no. 58.

16. **Right of withdrawal**

The proposed amendments to the Articles of Association do not entail the right of withdrawal under the applicable the law.

17. **Resolutions submitted to the Board of Directors**

In consideration of the above, the Board of Directors is invited to adopt the following resolutions:

"*The Board of Directors*

- *having examined the Report of the Board of Directors and the proposals made therein;*
- *reference made to the report of the Board of Directors prepared for the Extraordinary Shareholders' Meeting of 27 April 2020;*
- *having acknowledged the opinion on the fairness of the issue price of the newly issued ISP shares expressed by KPMG, the independent auditing firm, pursuant to art. 2441, paragraph 6 of the Italian Civil Code and article 158 of the TUF;*
- *reference made also to KPMG report, already made available to the Extraordinary Shareholders' Meeting of 27 April 2020, confirming the reasonableness and non-arbitrariness of the criteria applied by the Board of Directors for the determination of the exchange ratio for the public exchange offer referred to* below *;*
- *having acknowledged the assessment report of the Independent Expert Pricewaterhouse Coopers Advisory S.p.A., pursuant to art. 2440, paragraph 2 of the Italian Civil Code and art. 2343-ter, paragraph 2, letter b) of the Italian Civil Code;*
- *having acknowledged the statement from the Chairman of the Management Control Committee that the subscribed share capital is fully paid up;*
- *having acknowledged the authorizations received from the competent authorities;*
- *reference made to the Delegation granted by the Extraordinary Shareholders' Meeting of 27 April 2020 and thus in the exercise of the same;*

resolves

1) *to increase the share capital against payment, in one or more tranches and in a divisible manner, excluding pre-emption right pursuant to article 2441, paragraph 4, first sentence of the Italian Civil Code, in a maximum total amount of 1,011.548.072.60 Euro, in addition to the share premium, with the issue of a maximum number of 1,945,284,755 new ordinary shares of the Company, without par value, with regular entitlement and the same characteristics as the ordinary shares of the Company outstanding on the issue date, to be paid up by contribution in kind as functional to the public exchange offer relating all ordinary shares of Unione di Banche Italiane S.p.A. ("UBI"), under the communication by ISP on 17 February 2020 pursuant to art. 102, paragraph 1 of the Italian Legislative Decree of 24 February 1998, no. 58 ("TUF") (including the possible execution of the sell-out right pursuant to art. 108 of TUF and / or the squeeze-out right pursuant to art. 111 of TUF, if applicable); such shares, thus, to be reserved for subscription to the holders of UBI shares according to the exchange ratio determined in no. 17 ordinary ISP shares against no. 10 tendered UBI shares (or, in any case, transferred in execution of the sell-out right pursuant to art. 108 of TUF and / or the squeeze-out right pursuant to art. 111 of TUF);*
2) *to determine that, without prejudice to the exchange ratio referred to in the previous item 1), the overall unit issue price of the new ISP shares deriving from the aforementioned capital increase, is equal, in compliance with current regulations, to their fair value , which in turn corresponds to the stock market price (reference price) of ISP shares identified on the trading day prior to (i) the payment date of the consideration for the public exchange offer, as well as (ii) if applicable, on the subsequent payment dates of the consideration in execution of the sell-out right pursuant to art. 108 of TUF and / or the squeeze-out right pursuant to art 111 of TUF; by allocating the unit amount of Euro 0.52 to the share capital and the remaining portion of the issue price to the share premium reserve and also without prejudice to the threshold represented by the value attributed by the Independent Expert Pricewaterhouse Coopers Advisory S.p.A., in its assessment report to UBI Banca Shares subject to contribution pursuant to arts. 2440, paragraph 2, and 2343-ter, paragraph 2, lett. b) of the Italian Civil Code;*
3) *to determine, pursuant to art. 2439, paragraph 2 of the Italian Civil Code, (i) that the deadline for the execution of the share capital increase is set on 31 December 2020 (prior to, if necessary, the update of the abovementioned assessment report of the Independent Expert Pricewaterhouse Coopers Advisory S.p.A.), specifying that, in the event that the share capital increase is not fully subscribed within the aforementioned term, the same will remain unchanged and valid – in compliance with the terms of the public exchange offer – to the extent of the tendering collected*

within such date in execution of the offer (and the sell-out right pursuant to art. 108 of TUF and / or the squeeze-out right pursuant to 111 of TUF, if applicable) and (ii) that the new shares are issued (and the Company's share capital will be increased accordingly) on the payment date of the offer price, as well as, if applicable, on the subsequent payment dates of the consideration in execution of the sell-out pursuant to art. 108 of TUF and / or the squeeze-out right pursuant to art 111 of TUF;

4) *to amend accordingly article 5 of the articles of association by including the following third paragraph: "5.3. - **The Board of Directors, at the meeting held on 16 June 2020, by virtue of the delegated powers pursuant to article 2443 of the Italian Civil Code conferred to the Board of Directors by the Extraordinary Shareholders' Meeting held on 27 April 2020, resolved upoin a paid-in share capital increase, in one or more tranches and in divisible manner, by the term of 31 December 2020, up to a maximum of 1,011,548,072.60 euro, in addition to any share premium (sovrapprezzo), without pre-emption rights pursuant to article 2441, paragraph 4, first sentence, of the Italian Civil Code, by issuing a maximum number of 1,945,284,755 ordinary shares of the Company, without nominal value, with regular economic rights (godimento regolare) and having the same characteristics as the Company's ordinary shares outstanding on the issue date. Such shares will be (i) issued at the unit price of [●] [** Note: the overall unit issue price of the issue will be equal, in compliance with the regulations in force, to the fair value of the same, which in turn corresponds to the stock market price (reference price) of ISP shares on the trading day prior to the payment date of the consideration for the public exchange offer, as well as, if applicable, on the subsequent payment dates of the consideration in execution of the sell-out right pursuant to art. 108 of the TUF and / or the squeeze-out right referred to in Article 111 of the TUF **], which will be allocated to the share capital in Euro 0.52 and to the share premium for the remaining portion and (ii) paid up through contribution in kind, being reserved to the public exchange offer on all ordinary shares of Unione di Banche Italiane S.p.A., launched by the Company on 17 February 2020 with notice pursuant to art. 102, paragraph 1 of the Italian Legislative Decree dated 24 February 1998, no. 58.**";*

5) *to appoint the Chairman of the Board of Directors and the Chief Executive Officer of the Company, severally, to carry out all actions, also by means of special attorneys, required for, necessary to or useful for the execution of anything resolved,*

including the power to fulfil any necessary action to the prompt performance of the public exchange offer, the issue, delivery, and acceptance to listing of the new shares of the Company, as well as to fulfil the relevant and necessary formalities, including the filing of the resolutions with the Companies' Register and the filing of the text of the new updated articles of association (also as a result of the share capital increase), with the right to carry out any non-substantial amendments, which may be required for the purpose, and in general anything necessary for their complete execution, with any and all necessary and appropriate power, in compliance with current regulatory provisions;

6) *to acknowledge and declare, pursuant to art. 2443, paragraph 4, of the Italian Civil Code, the following*:
   i. *the assets to be transferred which are not subject to the assessment pursuant to art. 2343, first paragraph, of the Italian Civil Code are the ordinary shares UBI listed at MTA managed by Borsa Italiana S.p.A.;*
   ii. *the value attributed to the abovementioned shares, the source of such valuation and the valuation method are those that result from the Report of the Board of Director as attached to the present minutes under "A", of the fairness report as attached to the present minutes under "B", of the assessment report of the Independent Expert Pricewaterhouse Coopers Advisory S.p.A. as attached to the present minutes under "C", as well as from the further documentation (report of the Board of Directors, KPMG's report on the reasonableness and non-arbitrariness of the criteria used for the determination of the exchange ratio) already submitted to the above-mentioned extraordinary shareholders' meeting of 27 April 2020 that is here re-attached in a sole unique dossier under "D"; all the above mentioned attachments are to be considered as part of the present resolution;*
   iii. *such value, as above resolved, is at least equal to the one attributed for the purpose of the determining the company's share capital and the possible share premium;*
   iv. *the Independent Expert Pricewaterhouse Coopers S.p.A. complies with the requirements of expertise and independence under the applicable law."*

Milan, 16 June 2020

For the Board of Directors

The Chairman