
Report of the Board of Directors

Ordinary Part - Item 1 on the agenda

2019 financial statements:

- a) Approval of the Parent Company's 2019 financial statements
- b) Allocation of net income for the year

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 2019 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 2019, such amount was 80,974,036.49 euro.

In addition, given that over time the Bank has carried out revaluations of real estate assets in application of IAS/IFRS, the Board of Directors, at its meeting of 11 June 2019, resolved to realign the tax values of some of those real estate assets to their higher carrying amounts, in accordance with Article 1, paragraph 948 of Law 145/2018. As a result of the above realignment, a taxation constraint of 1,684,935,197.64 euro in the event of distribution, equal to the amount of the higher realigned values (1,953,845,112.69 euro) net of the substitute tax paid (268,909,915.05 euro), has been allocated to the share premium reserve, as detailed in Section 12 of Part B - Liabilities in the Notes to the 2019 Financial Statements.

On 25 February 2020, the Board of Directors of Intesa Sanpaolo resolved to submit for your approval, in accordance with the 2018-2021 Business Plan, the proposal to distribute a dividend of 0.192 euro per outstanding share for a total amount of 3,361,867,857.60 euro, from Intesa Sanpaolo's net income for 2019 of 2,031,128,497.30 and from the share premium reserve of 1,330,739,360.30 euro.

As you are no doubt aware, on 27 March 2020 the European Central Bank published a recommendation regarding dividend policies in the aftermath of the COVID-19 epidemic, recommending that distributions of dividends should not be made in view of the economic situation generated by the epidemic. The same recommendation was made by the Bank of Italy to the banks under its direct supervision.

In view of the above, we propose to follow the recommendations made by the European Central Bank and consequently to allocate the net income for the year 2019 of Intesa Sanpaolo, which amounts to 2,136,974,390.28 euro, as follows:

	(euro)
Net income	2,136,974,390.28
Assignment to the Allowance for charitable, social and cultural contributions	12,500,000.00
Assignment to the Extraordinary reserve of the residual net income	2,124,474,390.28

If this proposal is approved, the consolidated capital requirements would show a Common Equity Tier 1 ratio of 15% and a Total Capital Ratio of 18.8%, both amply meeting the requirements of the EU Bodies and the Supervisory Authority. At Parent Company level as well, the capital requirements would be well above the minimum requirements.

We are aware of the need not to alter the capital requirements in the current difficult situation, but also of our Bank's solidity and the importance of passing on the value generated by the management of our Group to our shareholders. Accordingly, we inform you that the Board of Directors will consider proposing a distribution of retained earnings reserves by the end of this year, with the calling of a specific shareholders' meeting after 1 October, if the evolution of the COVID-19 epidemic and the economic situation enables us to resume the shareholder remuneration policies adopted up to now, in compliance with the guidance from the Supervisory Authority, while continuing to guarantee our Bank's capital strength, which is equally important to all of us.

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 829,527,618.44 euro relating to the merger and exchange differences arising from the cancellation of the shares of the subsidiaries Intesa Sanpaolo Group Services S.c.p.A., Cassa di Risparmio in Bologna S.p.A., Banca CR Firenze S.p.A., Cassa di Risparmio di Pistoia e della Lucchesia S.p.A., Banca Apulia S.p.A., Banca Prossima S.p.A., Mediocredito Italiano S.p.A., Intesa Sec. 3 S.r.l. and Intesa Sec NPL S.p.A., the shareholders' equity of Intesa Sanpaolo S.p.A. will be as shown in the table below.

Shareholders' equity	Annual report 2019	Changes	(millions of euro)
			Share capital and reserves of Annual Report 2019 after the Shareholders' Meeting resolutions
Share capital	9,086	-	9,086
Share premium reserve	25,233	-	25,233
Reserves	3,399	2,124	5,523
Valuation reserves	1,375	-	1,375
Equity instruments	4,103	-	4,103
Treasury shares	-61	-	-61
Total reserves	34,049	2,124	36,173
TOTAL	43,135	2,124	45,259

Distinguished Shareholders, you are therefore invited to resolve on the following:
a) the proposal of approval of the Parent Company's 2019 financial statements,
b) the proposal of allocation of net income for the year,

all in accordance with the terms set out above.

31 March 2020

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.