
Report of the Board of Directors

Ordinary Part - Item 1 on the agenda

2020 financial statements:

- a) Approval of the Parent Company's 2020 financial statements
- b) Allocation of net income for the year and distribution to shareholders of dividend and part of the Share Premium Reserve

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 S.p.A. as at 31 December 2020 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 2020, such amount was 127,964,928.21 euro.

On 15 December 2020, the European Central Bank, following its previous guidance in this regard, published a Recommendation on dividend policies during the COVID-19 epidemic whereby it asked significant credit institutions to exercise extreme prudence when deciding on or paying out dividends to remunerate shareholders and reserved the right to review this Recommendation before 30 September 2021, when, in the absence of materially adverse developments, the European Central Bank intends to repeal the Recommendation and return to assessing banks' capital and distribution plans based on the outcome of the normal supervisory cycle. The same recommendation was made by the Bank of Italy to the banks under its direct supervision.

Specifically, the European Central Bank generally recommends that distributions by banks should not exceed the lower of: *i)* 15% of their accumulated profit for the financial years 2019 and 2020; and *ii)* 20 basis points in terms of the Common Equity Tier 1 ratio.

In view of the above and considering our Bank's sound capital base, it is proposed the distribution of a total amount of around 694 million euro, equal to 20 basis points in terms of the Common Equity Tier 1 ratio at consolidated level, an amount that represents the lower of the two parameters indicated above and enables full compliance with the Recommendation of the European Central Bank.

It is proposed to allocate the net income for the year 2020 of Intesa Sanpaolo S.p.A. which amounts to 678,696,963.96 euro, as follows:

(euro)

Net income for the year	678,696,963.96
Assignment of a dividend of 0.0274 euro for each of the 19,430,463,305 ordinary shares, for a total disbursement of	532,394,694.56
Assignment to the Allowance for charitable, social and cultural contributions	16,500,000.00
Assignment to the Extraordinary reserve of the residual net income	129,802,269.40

In view of the above and taking into account that the consolidated net income relating to 2020 is equal to 3,277 million euro, it is also proposed to resolve on a partial distribution of the Share Premium Reserve of 0.0083 euro for each of the 19,430,463,305 ordinary shares constituting the share capital for a total amount of 161,272,845.43 euro.

As a consequence, the total dividend amounts to 693,667,539.99 euro or 0.0357 euro for each of the 19,430,463,305 ordinary shares.

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

If this proposal is approved, the consolidated capital requirements would show a Common Equity Tier 1 ratio of 14.7% and a Total Capital Ratio of 19.6%, both comfortably 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 propose that the above distributions be made payable, in compliance with legal provisions, as of 26 May 2021, with detachment of the coupon on 24 May 2021.

Please note that dividends not distributed in respect of any own shares held by the Bank at the record date of 25 May 2021 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 positive amount of 2,080,191,860.89 euro relating to the merger differences arising from the cancellation of the shares of the merged subsidiary Banca IMI S.p.A., the shareholders' equity of Intesa Sanpaolo S.p.A. will be as shown in the table below.

			(millions of euro)
Shareholders' equity	Annual report 2020	Changes	Share capital and reserves of Annual Report 2020 after the Shareholders' Meeting resolutions
Share capital	10,084	-	10,084
Share premium reserve	27,603	-161	27,442
Reserves	7,609	130	7,739
Valuation reserves	1,176	-	1,176
Equity instruments	7,053	-	7,053
Treasury shares	-90	-	-90
Total reserves	43,351	-31	43,320
TOTAL	53,435	-31	53,404

We are aware of the need to maintain our capital strength, especially in the current difficult situation, but also of our Bank's solidity and the importance of passing on the value generated by the operations of our Group to our shareholders. Accordingly, we inform you that the Board of Directors, subject to the above-mentioned developments in the recommendations from the Supervisory Authorities, intends to call a shareholders' meeting to be held after 30 September this year and propose a distribution of retained earnings reserves, against the 2020 results, which when added to the above-mentioned dividends will lead to the payment of a total amount corresponding to a payout ratio of 75% of the 3,505 million euro adjusted consolidated net income¹.

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

- a) the proposal of approval of the Parent Company's 2020 financial statements,
- b) the proposal of allocation of net income for the year and distribution to shareholders of dividend and part of the Share Premium Reserve,

all in accordance with the terms set out above.

23 March 2021

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.

¹ Excluding from the stated net income the items related to the acquisition of UBI Banca consisting of the effect of the purchase price allocation, including negative goodwill, and integration charges, as well as the write-off of goodwill of the Banca dei Territori Division.