
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 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 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 values, in accordance with Article 1, paragraph 948 of Law 145/2018. As a result of the above realignment, a taxation constraint totalling 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 placed on the Share Premium Reserve, as detailed in Section 12 of Part B - Liabilities in the Notes to the 2019 Financial Statements.

Given the above, it is proposed 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 for the year	2,136,974,390.28
Assignment of a dividend of 0.116 euro for each of the 17.509.728.425 ordinary shares outstanding, for a total disbursement of	2,031,128,497.30
Assignment to the Allowance for charitable, social and cultural contributions	12,500,000.00
Assignment to the Extraordinary reserve of the residual net income	93,345,892.98

Furthermore, taking into account that the consolidated net income for the year 2019 is equal to 4,182 million euro, we hereby propose to resolve on a partial distribution of the Share Premium Reserve of 0.076 euro for each of the 17,509,728,425 ordinary shares constituting the share capital for a total amount of 1,330,739,360.30 euro.

As a consequence, the total dividend amounts to 3,361,867,857.60 euro or 0.192 euro for each of the 17,509,728,425 ordinary shares.

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

The overall proposed dividend makes it possible to remunerate shareholders consistently with the sustainable profitability of the Group, while ensuring the capital adequacy of the Bank and the Banking Group. This is as a result of the Basel 3 series of Rules, as well as the provisions issued by the European Central Bank. If this proposal is approved, the consolidated capital requirements would show a Common Equity Tier 1 ratio of 13.9% and a Total Capital Ratio of 17.7%, both higher than the requirements of the EU Bodies and the Supervisory Authority. At Parent Company level, the capital requirements, despite being lower than those at consolidated level, would still be well above the minimum requirements.

We propose that the above distributions be made payable, in compliance with legal provisions, as of 20 May 2020, with detachment of the coupon on 18 May 2020.

Please note that dividends not distributed in respect of any treasury shares held by the Bank at the record date of 19 May 2020 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 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., merged during the year, the shareholders' equity of Intesa Sanpaolo S.p.A. will be as shown in the table below.

Shareholders' equity	Annual report 2019	Changes	Share capital and reserves of Annual Report 2019 after the Shareholders' Meeting resolutions
	(millions of euro)		
Share capital	9,086	-	9,086
Share premium reserve	25,233	-1,331	23,902
Reserves	3,399	93	3,492
Valuation reserves	1,375	-	1,375
Equity instruments	4,103	-	4,103
Treasury shares	-61	-	-61
Total reserves	34,049	-1,238	32,811
TOTAL	43,135	-1,238	41,897

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, and distribution to shareholders of dividend and part of Share Premium Reserve,

all in accordance with the terms set out above.

25 February 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.