Report of the Board of Directors
Ordinary Part - Item 2 on the agenda

Remuneration:

c) Extension of the increase in the cap on the non-recurring to recurring remuneration in the context of the package offered to the newly recruited Financial Advisors of the Intesa Sanpaolo Group

Distinguished Shareholders,

you have been called to this Ordinary Meeting to discuss and pass resolutions on the proposal to extend the increase in the cap on the non-recurring to recurring remuneration in the context of the package offered to the newly recruited Financial Advisors of the Intesa Sanpaolo Group up to 2:1, pursuant to the Supervisory Provisions on Remuneration and incentive policies and practices *(*Title IV - Chapter 2 of Circular no. 285 of 17 December 2013, as subsequently supplemented and amended – the "**Supervisory Provisions**").

This proposal, as explained in detail below, is based on the need to ensure the alignment between the non-recurring remuneration assigned to newly recruited Financial Advisors and the provisions introduced in 2018, in order to ensure the attraction of new talent and the acquisition and retention of new assets, also in order to sustain the growth and development of the Group's Networks.

(i) Functions and number of the staff potentially affected by the proposed increase of the non-recurring to recurring remuneration ratio up to 2:1

The staff potentially affected by the proposal are the Financial Advisors (i.e. freelance workers who have an agency agreement and carry out the "out-of-branch services") of the companies of the Intesa Sanpaolo Group and, more specifically, those of the Fideuram Group, who are offered a recruitment package that is aimed at incentivising the acquisition of new assets.

Taking into account the average annual number of newly recruited Financial Advisors, the proposed increase of the non-recurring to recurring remuneration ratio (pursuant to the Supervisory Provisions, non-recurring remuneration is considered as variable remuneration and recurring remuneration is considered as fixed remuneration) would affect about 240 new resources of the Group per year.

(ii) Rationale underlying the proposed increase

The proposed increase in the cap on the non-recurring to recurring remuneration is based on the following reasons:

- the need to ensure the alignment between the package offered to newly recruited Financial Advisors and the new Supervisory Provisions in respect of entry bonuses introduced in 2018; and
- the need to ensure the attraction of new Financial Advisors, as they are fundamental for the growth and development of the Networks, considering that, although they represent, on average, only 4% of the overall network of Financial Advisors of the Group, they contribute to a relevant portion of the average annual asset inflow of the Group.

More specifically, until the 2018 update of the Supervisory Provisions, the Group used to pay the new Financial Advisors an entry bonus, paid up-front in cash, after an observation period, without any cap limitations. Instead, pursuant to the 2018 amendment, the entry bonus must be included in the calculation of the bonus cap, unless it is paid in a single instalment at the moment of recruitment. However, paying the entry bonus upon recruitment would not allow the verification of the acquisition of new financial assets. Therefore, in order to ensure said verification it was necessary to review the package offered to new Financial Advisors.

Additionally, as mentioned above, as the recruitment of new Financial Advisors constitutes one of the pillars for growth and development, it is of primary importance that the Networks have effective instruments to attract the best Financial Advisors, offering them an attractive remuneration package from the moment of their recruitment and until the actual acquisition of new assets is verified (about 24-36 months from the beginning of the agency contract, i.e. “recruiting period”). In this regard, it is important to note that during the recruiting period the recurring component of the remuneration of Financial Advisors tends to be low, as it increases through time. If the bonus cap was kept at 100%, the non-recurring (i.e. variable) component would risk being insufficient to guarantee the Financial Advisor is sufficiently remunerated for the activity of acquiring new assets, also in light of the practices of the sector so far and, as part of it, of those institutions which - due to their smaller size - benefit from the exemption from the application of certain Supervisory Provisions.

In any case, the payment of the variable component of the remuneration will follow strict schemes (e.g. increase of the deferral period in case the cap on the non-recurring to recurring remuneration is exceeded). Additionally, the payment will be made in compliance with the conditions set by the Remuneration Policies in force from time to time (*inter alia*, gateway conditions, individual access, malus conditions).

(iii) The expected impact on the prudential requirements

The increase in the cap on the non-recurring to recurring remuneration in the context of the package offered to the newly recruited Financial Advisors of the Intesa Sanpaolo Group up to 2:1 ensures that the prudential regulation requirements, including those related to own funds, will keep being respected by the Group.

Specifically, the proposed increase:

- would impact a very limited number of staff (i.e. about 240 per year);
- would be cost-neutral, as there would be no additional costs for the recruitment of new Financial Advisors in comparison to those incurred into in the past and it could even lead to a reduction of costs;
- there would be no impact on the own funds, as it is estimated that:
    - the non-recurring component will be partially paid in financial instruments to a very limited number of Financial Advisors (i.e. those who will receive a “particularly high”[1] amount of non-recurring remuneration);
    - however, in the theoretical and unrealistic case in which all the newly recruited Financial Advisors were to be paid a portion of non-recurring remuneration in financial instruments (with consequent reduction of own funds deriving from the purchase of own shares to serve such remuneration), such portion would be equal to around EUR 20 million per year, with a possible reduction of the CET 1 equal to **–** 0.6 basis points[2] (maximum and prudential theoretical risk).

Additionally, a strict connection between the non-recurring component and the conservation of the prudential requirements in terms of capital and liquidity would be guaranteed by the link at various levels with the RAF of the Intesa Sanpaolo Group and of the Fideuram Group. Specifically, the Remuneration Policies would apply that provide, as gateway conditions, the respect of the CET1 limits (capital condition) and of the Net Stable Funding Ratio limits (liquidity condition) provided in the RAF of the Intesa Sanpaolo Group and the Fideuram Group The same conditions apply also to the payment of deferred portions of the non-recurrent remuneration accrued (malus conditions).

[1] Based on the Intesa Sanpaolo Group Remuneration and Incentive Policies, for the three-year period 2019-2021, a variable remuneration exceeding EUR 400,000 is considered “particularly high”.
[2] The impact was calculated using data as of December 2020.

Distinguished Shareholders, you are therefore invited to approve the proposal to extend the increase in the cap on the non-recurring to recurring remuneration in the context of the package offered to the newly recruited Financial Advisors of the Intesa Sanpaolo Group up to a maximum of 2:1.

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.