PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2018

RESULTS FOR 9M 2018 REFLECT THE GROUP'S SUSTAINABLE PROFITABILITY, DERIVING FROM A SOLID CAPITAL BASE AND A STRONG LIQUIDITY POSITION AND FROM ITS BUSINESS MODEL. THIS BUSINESS MODEL IS RESILIENT AND WELL DIVERSIFIED, WITH WEALTH MANAGEMENT & PROTECTION BEING THE FOCUS, FINANCIAL ACTIVITIES PROVIDING NATURAL HEDGING AGAINST THE IMPACTS OF MARKET VOLATILITY ON FEE-BASED REVENUES, STRATEGIC FLEXIBILITY IN MANAGING OPERATING COSTS, AND EFFECTIVE PROACTIVE CREDIT MANAGEMENT.

9M 2018 RESULTS SHOW THAT THE BANK IS FIRMLY ON TRACK TO DELIVER ON THE 2018-2021 BUSINESS PLAN TARGETS AND ACHIEVE A 2018 NET INCOME HIGHER THAN THE €3.8 BILLION NET INCOME OF 2017. THEY ALSO HIGHLIGHT THE GROUP'S CONTINUED SUPPORT TO THE COUNTRY, WHICH INCLUDES ITS COMMITMENT TO BECOME A REFERENCE MODEL ON SOCIAL AND CULTURAL RESPONSIBILITY.

NET INCOME FOR 9M 2018 WAS €3,012 MILLION, AND AROUND €3.4 BILLION – CORRESPONDING TO 90% OF THE €3.8 BILLION NET INCOME OF 2017 – WHEN INCLUDING THE NET CAPITAL GAIN FROM THE INTRUM PARTNERSHIP TO BE BOOKED BY YEAR-END 2018.

THE CAPITAL POSITION WAS SOLID AND WELL ABOVE REGULATORY REQUIREMENTS, EVEN UNDER THE ADVERSE SCENARIO OF THE STRESS TEST: PRO-FORMA FULLY LOADED COMMON EQUITY TIER 1 RATIO WAS 13.7%, NET OF DIVIDENDS ACCRUED IN 9M 2018.

OPERATING MARGIN ROSE 13.2% ON 9M 2017, WITH OPERATING INCOME UP 4.3% AND OPERATING COSTS DOWN 3.2%.

CREDIT QUALITY IMPROVED. GROSS NPLS WERE REDUCED AT NO EXTRAORDINARY COST TO SHAREHOLDERS, WITH STOCK DOWN 26.3% ON YEAR-END 2017 TAKING THE BAD-LOAN SALE TO INTRUM INTO ACCOUNT, ALREADY REACHING, IN 9M 2018, 53% OF THE TARGET SET IN THE 2018-2021 BUSINESS PLAN. GROSS NPL RATIO STOOD AT 9.2% AND NET NPL RATIO AT 4.5%. NET ADJUSTMENTS TO LOANS WERE DOWN 18.5% ON 9M 2017 AND ANNUALISED COST OF RISK DECREASED TO 57 BASIS POINTS.

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN 9M 2018, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO €36.6 BILLION. IN 9M 2018, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF AROUND 13,000 COMPANIES, WITH AROUND 65,000 JOBS SAFEGUARDED – BRINGING THE TOTAL TO AROUND 86,000, WITH AROUND 430,000 JOBS SAFEGUARDED, SINCE 2014.

INTESA SANPAOLO IS THE ENGINE OF THE ITALIAN SOCIAL ECONOMY: THE DIVIDENDS DISTRIBUTED BY THE BANK HAVE ENABLED THE FOUNDATIONS THAT ARE AMONG ITS SHAREHOLDERS TO GRANT MORE THAN HALF OF THE TOTAL FUNDS GRANTED BY ALL ITALIAN BANKING FOUNDATIONS.

IN 9M 2018, THE GROUP'S SOCIAL AND CULTURAL RESPONSIBILITY TRANSLATED, IN ITALY, INTO: INITIATIVES TO REDUCE CHILD POVERTY; SUPPORT TO PEOPLE IN NEED BY PROVIDING AROUND 8,500 MEALS A DAY, AROUND 3,000 DORMITORY BEDS A MONTH, AND AROUND 3,000 MEDICINES A MONTH; SUPPORT TO FAMILIES WHO WERE VICTIMS OF NATURAL DISASTERS, BY FORGIVING OR ALLOWING *MORATORIA* OF MORTGAGES FOR OVER €15 MILLION IN ADDITION TO AROUND €90 MILLION SUBSIDISED LOANS GRANTED IN 9M 2018 AND OVER €140 MILLION GRANTED IN 2015-2017; SUPPORT TO FAMILIES AND BUSINESSES AFFECTED BY THE GENOA BRIDGE COLLAPSE, WITH A €4.5 MILLION PLAFOND FOR MORTGAGE FORGIVENESS AND A €50 MILLION PLAFOND FOR RECONSTRUCTION; DESIGN OF THE FUND FOR IMPACT AND LAUNCH OF THE CIRCULAR ECONOMY CREDIT PLAFOND FOR AN AMOUNT OF €5 BILLION; ACTIVATION OF SEVEN "START-UP INITIATIVES" WITH AROUND 520 START-UPS PARTICIPATING; TEN MAJOR ART EXHIBITIONS HELD AT THE GROUP'S MUSEUMS, WITH AROUND 330,000 VISITORS, 140 ARTWORKS FROM THE CORPORATE COLLECTION ON LOAN AND OVER 100 ART HISTORIANS WORKING FULL TIME AT *GALLERIE D'ITALIA*, WHICH ARE AMONG THE TOP MUSEUMS IN ITALY BY NUMBER OF VISITORS.

- **ROBUST NET INCOME:**
  - **€833M IN Q3 2018 VS €927M IN Q2 2018**
  - **€3,012M IN 9M 2018 VS €2,388M IN 9M 2017 (*)**

- **GROWTH IN GROSS INCOME:**
  - **UP 19% ON 9M 2017 (*)**

- **GROWTH IN OPERATING MARGIN:**
  - **UP 13.2% ON 9M 2017**

- **GROWTH IN OPERATING INCOME:**
  - **UP 4.3% ON 9M 2017**

- **REDUCTION IN OPERATING COSTS:**
  - **DOWN 3.2% ON 9M 2017**

- **IMPROVEMENT IN THE CREDIT QUALITY TREND:**
  - **DECREASE IN NPLs, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **GROSS NPL REDUCTION: AROUND €3BN IN 9M 2018 AND AROUND €16BN SINCE SEPTEMBER 2015 EXCLUDING THE SALE TO INTRUM; AROUND €14BN AND AROUND €27BN, RESPECTIVELY, INCLUDING THIS SALE**
    - **NPL STOCK INCLUDING THE SALE TO INTRUM: DOWN 26.3% GROSS ON DECEMBER 2017, AND DOWN 20.9% NET ON DECEMBER 2017 RECALCULATED AFTER THE IFRS 9 IMPACT; NPL TO TOTAL LOAN RATIO OF 9.2% GROSS AND 4.5% NET**
  - **NET ADJUSTMENTS TO LOANS DOWN 18.5% ON 9M 2017**
  - **9M 2018 ANNUALISED COST OF RISK DOWN TO 57 BASIS POINTS**

- **SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 30 SEPTEMBER 2018, AFTER THE DEDUCTION OF €2,560M OF DIVIDENDS ACCRUED IN 9M 2018, OF**
    - **13.7% PRO-FORMA FULLY LOADED (1) (2)**
    - **13.5% PHASED-IN (2) (**)**
  - **COMMON EQUITY TIER 1 RATIO UNDER THE STRESS TEST**
    - **9.7% FULLY LOADED UNDER THE ADVERSE SCENARIO FOR 2020, 10.3% TAKING INTO ACCOUNT THE CAPITAL INCREASE TO SERVE THE INCENTIVE PLAN AND THE CONVERSION OF THE SAVINGS SHARES, BOTH FINALISED IN Q3 2018, AND 11.4% CALCULATED ON A PRO-FORMA BASIS (***)**

____

(*) Excluding from Q2 2017 the non-taxable public cash contribution of €3.5bn to offset the impact on the capital ratios of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregate Set").

(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2018, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to 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, the expected absorption of DTAs on losses carried forward, and the expected reserve distribution by insurance companies.

(2) After the deduction of accrued dividends, assumed equal to 85% of the net income for the first nine months of the year, and coupons accrued on the Additional Tier 1 issues.

(**) Equal to 12.4% excluding the mitigation of the impact of the first time adoption of IFRS 9.

(***) Also taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to 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, and the expected absorption of DTAs on losses carried forward.

HIGHLIGHTS:

OPERATING INCOME:	Q3 2018	-7.3%	€4,269M FROM €4,604M IN Q2 2018
	9M 2018	+4.3%	€13,685M FROM €13,120M IN 9M 2017
OPERATING COSTS:	Q3 2018	-	€2,306M FROM €2,306M IN Q2 2018
	9M 2018	-3.2%	€6,916M FROM €7,142M IN 9M 2017
OPERATING MARGIN:	Q3 2018	-14.6%	€1,963M FROM €2,298M IN Q2 2018
	9M 2018	+13.2%	€6,769M FROM €5,978M IN 9M 2017
GROSS INCOME:	Q3 2018	€1,421M	FROM €1,576M IN Q2 2018
	9M 2018	€4,974M	FROM €4,181M IN 9M 2017 (*)
NET INCOME:	Q3 2018	€833M	FROM €927M IN Q2 2018
	9M 2018	€3,012M	FROM €2,388M IN 9M 2017 (*)

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER ACCRUED DIVIDENDS:
13.7% PRO-FORMA FULLY LOADED (3) (4);
13.5% PHASED-IN (4) (**)

(*) Excluding from Q2 2017 the non-taxable public cash contribution of €3.5bn to offset the impact on the capital ratios of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregate Set").

(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2018, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to 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, the expected absorption of DTAs on losses carried forward, and the expected reserve distribution by insurance companies.

(4) After the deduction of accrued dividends, assumed equal to 85% of the net income for the first nine months of the year, and coupons accrued on the Additional Tier 1 issues.

(**) Equal to 12.4% excluding the mitigation of the impact of the first time adoption of IFRS 9.

Turin - Milan, 6 November 2018 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated interim statement as at 30 September 2018 [(°)] [(5)].

Results for the first nine months reflect the Group's **sustainable profitability**, deriving from a **solid capital base and a strong liquidity position** and from a **resilient and well-diversified business model** characterised by:

- a **focus on Wealth Management & Protection** driven by a **client-centric approach**, involving customer financial assets of around €1tn, and **financial activities providing natural hedging** against the impacts of market volatility on fee-based revenues;
- **strategic flexibility in managing operating costs**;
- **effective proactive credit management at no extraordinary cost to shareholders**.

Results for the nine months show that the Bank is firmly on track to deliver on the 2018-2021 Business Plan targets and achieve a 2018 net income higher than the €3.8bn net income of 2017 [(6)]. They also highlight **the Group's continued support to the country**, which includes its commitment **to become a reference model on social and cultural responsibility**:

- **net income at €833m in Q3 2018** versus €927m in Q2 2018 and €650m in Q3 2017, and **€3,012m in 9M 2018** versus €2,388m in 9M 2017 [(6)]. **The net income for 9M 2018 is around €3.4bn** when adding the **net capital gain of around €400m** from the Intrum partnership, which is to be booked by year-end 2018, and **corresponds to 90% of the €3.8bn net income of 2017** [(6)].
- **gross income up 19%** on 9M 2017 [(6)];
- **operating margin up 13.2%** on 9M 2017;
- **operating income up 4.3%** on 9M 2017, in the presence of net flow of customer financial assets directed, in 9M 2018, towards an allocation limiting the exposure to the high market volatility, with **AuM net inflow of around €9bn** and an **increase of around €1bn in direct deposits**, under which **household sight deposits rose by around €11.5bn**;
- **high efficiency**, highlighted by a **cost/income of 50.5%** – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;
- **operating costs down 3.2%** on 9M 2017;
- **net adjustments to loans down 18.5%** on 9M 2017;
- 9M 2018 annualised **cost of risk down to 57bps** versus the 81bps of full-year 2017;

(°) In accordance with Article 65-bis and Article 82-ter of the Issuers' Regulation, effective as of 2 January 2017, Intesa Sanpaolo opted for periodical disclosure, on a voluntary basis, of financial information as at 31 March and 30 September of each financial year, in addition to the annual report and the half-yearly report. This information consists of interim statements approved by the Board of Directors, basically providing continuity with the interim statements published in the past.

(5) Methodological note on the scope of consolidation on page 20.

(6) Excluding from Q2 2017 the non-taxable public cash contribution of €3.5bn to offset the impact on the capital ratios of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregate Set").

- **<u>improving credit quality</u>** due to an **effective proactive credit management approach at no extraordinary cost to shareholders** in an improving economic environment:
  - gross **NPLs were reduced by around €3bn in 9M 2018 and around €16bn since September 2015 excluding the bad-loan sale to Intrum**, and **around €14bn and around €27bn**, respectively, **including this sale**;
  - **NPL stock – which from the end of June 2018 no longer includes the bad loans to be sold to Intrum, accounted under non-current assets held for sale and discontinued operations – in September 2018 was down 26.3% gross on December 2017. This brought to achieve 53% of the 2018-2021 Business Plan NPL deleveraging target already in 9M 2018. NPL stock was down 20.9% net** on December 2017 recalculated to take into account the first time adoption of IFRS 9 effective from 1 January 2018.
  - **NPL to total loan ratio was 9.2% gross and 4.5% net** in September 2018;
- <u>sizeable NPL coverage</u>:
  - **NPL cash coverage ratio of 53.6%** at the end of September 2018, **with a cash coverage ratio of 66.7% for the bad loan component**;
  - **robust reserve buffer on performing loans** amounting to around 0.6% at the end of September 2018;
- **<u>very solid capital position</u>**, with capital ratios well above regulatory requirements. As at 30 September 2018, the **pro-forma fully loaded Common Equity Tier 1 ratio** came in at **13.7%** (7) (8) – **one of the highest levels amongst major European banks** – and the phased-in Common Equity Tier 1 ratio at 13.5% (8) (9) after the deduction of €2,560m of dividends accrued in the first nine months of the year. The aforementioned ratios compare with the SREP requirement for 2018, comprising Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer (10), which set the fully loaded Common Equity Tier 1 ratio at 9.32% and the phased-in Common Equity Tier 1 ratio at 8.125%. Under the adverse scenario of the stress test for 2020, the Common Equity Tier 1 ratio stands at 9.7%, calculated on the basis of the balance sheet date as at 31 December 2017, taking the impact of the first time adoption of IFRS 9 into account; it would stand at 10.3% taking into account the capital increase executed on 11 July 2018 to serve the 2018-2021 LECOIP 2.0 Long-term Incentive Plan and the conversion of savings shares into ordinary shares finalised on 7 August 2018, other things being equal, and at 11.4% calculated on a pro-forma basis (***).

---

(7) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 2018, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to 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, the expected absorption of DTAs on losses carried forward, and the expected reserve distribution by insurance companies.

(8) After the deduction of accrued dividends, assumed equal to 85% of the net income for the first nine months of the year, and coupons accrued on the Additional Tier 1 issues.

(9) Equal to 12.4% excluding the mitigation of the impact of the first time adoption of IFRS 9.

(10) *Countercyclical Capital Buffer* calculated taking into account the exposures as at 30 September 2018 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to the period 2018-2019 where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2018).

(***) Also taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to 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, and the expected absorption of DTAs on losses carried forward.

- **strong liquidity position and funding capability**, with **liquid assets of €173bn** and **available unencumbered liquid assets of €82bn at the end of September 2018. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have already been complied with**. The Group's refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €61bn in Q3 2018 (an average of €62.3bn in Q2 2018, €63.6bn in Q1 2018, €60.8bn in 2017 including for the full year the components deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca). These refinancing operations consisted entirely of the TLTRO with a four-year maturity.

- **support to the real economy**, with over **€44bn of medium/long-term new lending** in the first nine months of 2018. **Loans** amounting to **€36.6bn** were granted **in Italy**, of which around **€31bn was granted to households and SMEs**. **In the first nine months of 2018, the Bank facilitated the return** from non-performing **to performing status of** around **13,000 Italian companies, with around 65,000 jobs safeguarded** – bringing the total to around **86,000, with around 430,000 jobs safeguarded, since 2014.**

- **support to the social economy: Intesa Sanpaolo is the engine of the Italian social economy**. The dividends distributed by the Bank have enabled the foundations that are among its shareholders to grant more than half of the total funds granted by all Italian banking foundations.

- **social and cultural responsibility** which, in the presence of solid financials, translated into the actions shown below, carried out by the Group in Italy in the first nine months of the year:
  - initiatives to **reduce child poverty**, and a number of **partnerships in the making to support people in need**, providing around **8,500 meals a day** (over 80% of the commitment made in the 2018-2021 Business Plan), around **3,000 dormitory beds a month** (around 50% of the Plan's commitment) and around **3,000 medicines a month** (100% of the Plan's commitment);
  - **support to families affected by earthquakes and other natural disasters, by forgiving or allowing *moratoria* in respect of mortgages** on damaged properties, for an amount of more than €15m, in addition to around €90m subsidised loans granted in the nine months and more than €140m subsidised loans granted in 2015-2017;
  - **support to families and businesses affected by the Genoa bridge collapse**, with a €4.5m plafond for mortgage forgiveness and a €50m plafond for reconstruction;
  - **design of the Fund for Impact**, enabling lending of around €1.2bn to categories that otherwise would have difficulties in accessing credit, despite their potential, which is expected to be launched in the last quarter of the year;
  - **Circular Economy credit Plafond for an amount of €5bn** launched and opening of the **first Italian laboratory for the Circular Economy** dedicated to corporate clients;
  - implementation of **seven "start-up initiatives"**, with the participation of around **520 start-ups**;
  - **ten major art exhibitions** held at *Gallerie d'Italia*, the Group's museums which had around **330,000 visitors**, **140 artworks** from the corporate collection **on loan** to Italian and international museums and over 100 art historians working full time at *Gallerie d'Italia*, which are among the top museums in Italy by number of visitors.

The income statement for the third quarter of 2018

The consolidated income statement for Q3 2018 recorded **net interest income** of €1,844m, up 0.3% from €1,839m in Q2 2018 and up 0.9% from €1,828m in Q3 2017. The increase would be 0.9% and 2.7%, respectively, when excluding the impact deriving from the reversal in time value on the bad loans to be sold to Intrum, which ceased to be accounted in Q2 2018.

Net fee and commission income amounted to €1,924m, down 3.4% from €1,991m in Q2 2018. Specifically, commissions on commercial banking activities were down 0.3% and commissions on management, dealing and consultancy activities were down 7.1%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded decreases of 40.8% in dealing and placement of securities and 3.7% in distribution of insurance products and an increase of 0.2% in portfolio management (no performance fees in Q3 2018 and €1m performance fees in Q2 2018). Net fee and commission income for Q3 2018 was down 3% from the €1,984m of Q3 2017. Specifically, commissions on commercial banking activities were up 4.9% and those on management, dealing and consultancy activities were down 6.1%. The latter recorded decreases of 30.5% in dealing and placement of securities, 5.5% in distribution of insurance products and 0.6% in portfolio management (performance fees contributed €11m in Q3 2017).

Income from insurance business amounted to €271m from €281m in Q2 2018 and €227m in Q3 2017.

Profits on financial assets and liabilities at fair value amounted to €242m from €472m in Q2 2018. Contributions from customers decreased from €121m to €78m, those from capital markets decreased from €98m to €60m, those from trading and treasury decreased from €250m to €105m and those from structured credit products were negative €1m versus a positive balance of €3m. Profits on financial assets and liabilities at fair value of €242m for Q3 2018 compare with profits of €185m in Q3 2017, a quarter which recorded contributions of €120m from customers, €24m from capital markets, €36m from trading and treasury and €5m from structured credit products.

Operating income amounted to €4,269m, down 7.3% from €4,604m in Q2 2018 and up 0.6% from €4,243m in Q3 2017 (down 7% and up 1.4%, respectively, when excluding the impact of the reversal in time value which ceased to be accounted in Q2 2018).

Operating costs amounted to €2,306m, unchanged from the figure of Q2 2018, with a decrease of 2.1% in personnel expenses and increases of 3.8% in administrative expenses and 3% in adjustments. Operating costs for Q3 2018 were reduced by 2.7% from the €2,371m of the same quarter in 2017, with decreases of 3.2% in personnel expenses and 2.6% in administrative expenses and no changes in adjustments.

As a result, **operating margin** amounted to €1,963m, down 14.6% from the €2,298m of Q2 2018 and up 4.9% from the €1,872m of Q3 2017 (down 14% and up 6.6%, respectively, when excluding the impact of the reversal in time value which ceased to be accounted in Q2 2018). The cost/income ratio for Q3 2018 was 54% versus 50.1% in Q2 2018 and 55.9% in Q3 2017.

Net adjustments to loans amounted to €519m from €694m in Q2 2018 and €648m in Q3 2017.

Net provisions and net impairment losses on other assets amounted to €25m from €35m in Q2 2018 and €31m in Q3 2017.

Other income amounted to €2m versus €8m in Q2 2018 and €72m in Q3 2017.

Income (Loss) from discontinued operations was zero versus a €1m loss recorded in Q2 2018 and the zero balance of Q3 2017.

Gross income amounted to €1,421m versus €1,576m in Q2 2018 and €1,265m in Q3 2017.

Consolidated net income for the quarter amounted to €833m, after accounting:
- taxes on income of €433m;
- charges (net of tax) for integration and exit incentives of €31m;
- effect of purchase price allocation (net of tax) of €38m;
- levies and other charges concerning the banking industry (net of tax) of €81m, deriving from the following pre-tax figures: charges of €123m in relation to contributions to the Italian deposit guarantee scheme estimated for full year 2018 and €4m in relation to contributions to the deposit guarantee scheme concerning the international network, and recovery of €7m in relation to the *Atlante* fund. In Q2 2018, this caption amounted to €83m, deriving from pre-tax charges of €111m in relation to contributions to the resolution fund in addition to those estimated in Q1 for the full year 2018 and €8m in relation to contributions to the deposit guarantee scheme concerning the international network. In Q3 2017, this caption amounted to €192m, deriving from pre-tax charges of €123m in relation to contributions to the Italian deposit guarantee scheme estimated for full year 2017, €3m in relation to contributions to the deposit guarantee scheme concerning the international network, and €159m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund Voluntary Scheme.
- minority interests of €5m.

Net income of €833m in Q3 2018 compares with €927m in Q2 2018 and €650m in Q3 2017.

The income statement for the first nine months of 2018

The consolidated income statement for 9M 2018 recorded **operating income** of €13,685m, up 4.3% from €13,120m in 9M 2017.

As part of it, in 9M 2018 **net interest income** amounted to €5,538m, down 1.1% from €5,599m in 9M 2017 (basically in line when excluding the impact deriving from the reversal in time value on the bad loans to be sold to Intrum, which ceased to be accounted in Q2 2018).

Net fee and commission income amounted to €5,928m, up 0.4% from €5,904m in 9M 2017. Specifically, commissions on commercial banking activities were up 4.4% and commissions on management, dealing and consultancy activities were unchanged. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded decreases of 4.4% in dealing and placement of securities and 0.4% in distribution of insurance products and a 1.3% increase in portfolio management (with performance fees contributing €6m, compared with €21m in 9M 2017).

Income from insurance business amounted to €846m from €750m in 9M 2017.

Profits on financial assets and liabilities at fair value amounted to €1,336m (including the positive effect of €264m deriving from the fair value measurement and the subsequent sale of the NTV investment) from €745m in 9M 2017. Contributions from customers decreased from €392m to €311m, those from capital markets increased from €63m to €442m (including the aforementioned positive effect contribution from NTV), those from trading and treasury increased from €265m to €578m and those from credit products decreased from €25m to €4m.

Operating costs amounted to €6,916m, down 3.2% from the €7,142m of 9M 2017, attributable to decreases of 2.6% in personnel expenses and 5.3% in administrative expenses and an increase of 0.2% in adjustments.

As a result, **operating margin** amounted to €6,769m, up 13.2% from the €5,978m of 9M 2017. The cost/income ratio for 9M 2018 was 50.5% versus 54.4% in 9M 2017.

Net adjustments to loans amounted to €1,696m from €2,082m in 9M 2017.

Net provisions and net impairment losses on other assets amounted to €111m from €100m in 9M 2017.

Other income amounted to €12m versus €3,885m in 9M 2017. The figure for 9M 2017 included €3.5bn related to the public cash contribution to offset the impact on the capital ratios deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca and €299m as positive effect due to the sale of a stake in NTV and the fair value measurement following the reclassification of both the remaining investment held in NTV and the investment in Bank of Qingdao, which are no longer included among companies subject to significant influence.

Income (Loss) from discontinued operations recorded a zero balance, the same as in 9M 2017.

Gross income amounted to €4,974m versus €7,681m in 9M 2017; the figure for 9M 2017 would be €4,181m excluding the aforementioned public contribution.

Consolidated net income for 9M 2018 amounted to €3,012m, after accounting:
- taxes on income of €1,485m;
- charges (net of tax) for integration and exit incentives of €66m;
- effect of purchase price allocation (net of tax) of €108m;
- levies and other charges concerning the banking industry (net of tax) of €281m, deriving from the following pre-tax figures: charges of €277m in relation to contributions to the resolution fund, charges of €123m in relation to contributions to the Italian deposit guarantee scheme estimated for full year 2018, charges of €16m in relation to contributions to the deposit guarantee scheme concerning the international network, and recovery of €8m in relation to the *Atlante* fund. In 9M 2017, this caption amounted to €681m, deriving from pre-tax charges of €206m in relation to the contribution to the resolution fund, €123m in relation to contributions to the Italian deposit guarantee scheme, €15m in relation to contributions to the deposit guarantee scheme concerning the international network, €449m in relation to impairment losses on the *Atlante* fund, €159m in relation to impairment losses regarding the National Interbank Deposit Guarantee Fund Voluntary Scheme and €48m in relation to impairment losses following the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca.
- minority interests of €22m.

Net income of €3,012m in 9M 2018 compares with €5,888m in 9M 2017, and €2,388m excluding the aforementioned public contribution.

Balance sheet as at 30 September 2018

As regards the consolidated balance sheet figures, as at 30 September 2018 **loans to customers** amounted to €395bn, down 1% from the figure as at year-end 2017 recalculated to take into account the first time adoption of the IFRS 9 effective from 1 January 2018 (down 0.5% on Q2 2018 and up 4.8% on 9M 2017 when taking into account quarterly and nine-month average volumes [(11)]). Total **non-performing loans** (bad, unlikely-to-pay, and past due) - net of adjustments - amounted to €17,824m, down 20.9% from the €22,528m of year-end 2017 after the IFRS 9 impact. From 30 June 2018, total NPLs no longer include the bad loans to be sold to Intrum, which are accounted under non-current assets held for sale and discontinued operations. In detail, bad loans decreased to €7,375m from €10,562m as at year-end 2017 after the IFRS 9 impact, with a bad loan to total loan ratio of 1.9% (2.6% as at year-end 2017 after the IFRS 9 impact), and a cash coverage ratio of 66.7% (69.1% as at year-end 2017 after the IFRS 9 impact). Unlikely-to-pay loans decreased to €9,968m from €11,592m as at year-end 2017 after the IFRS 9 impact. Past due loans amounted to €481m from €374m as at year-end 2017 after the IFRS 9 impact.

Customer financial assets amounted to €940bn, down 0.7% on year-end 2017. Under customer financial assets, **direct deposits from banking business** amounted to €425bn, up 0.3% on year-end 2017. **Direct deposits from insurance business and technical reserves** amounted to €152bn, in line with year-end 2017. Indirect customer deposits amounted to €514bn, down 1.3% on year-end 2017. **Assets under management** amounted to €343bn, up 1% on year-end 2017. As for bancassurance, in 9M 2018 the new business for life policies amounted to €14.9bn. Assets held under administration and in custody amounted to €171bn, down 5.6% on year-end 2017.

Capital ratios as at 30 September 2018, calculated by applying the transitional arrangements for 2018 and after the deduction of €2,560m of dividends accrued in the first nine months of 2018, were as follows:
- Common Equity Tier 1 ratio [(12)] at 13.5% (13% at year-end 2017 [(13)]),
- Tier 1 ratio [(12)] at 15.2% (14.9% at year-end 2017 [(13)]),
- total capital ratio [(12)] at 17.7% (17.7% at year-end 2017 [(13)]).

---

(11) Excluding the loan to the banks in compulsory administrative liquidation (former Banca Popolare di Vicenza and Veneto Banca).

(12) After the deduction of accrued dividends, assumed equal to 85% of the net income for the first nine months of the year, and coupons accrued on the Additional Tier 1 issues. Excluding the mitigation of the impact of the first time adoption of IFRS 9, capital ratios are 12.4% for the Common Equity Tier 1 ratio, 14.2% for the Tier 1 ratio and 17% for the total capital ratio.

(13) Taking the impact of the first time adoption of IFRS 9 into account and in accordance with the transitional arrangements for 2018. Excluding the mitigation of the impact of the first time adoption of IFRS 9, capital ratios are 11.9% for the Common Equity Tier 1 ratio, 13.8% for the Tier 1 ratio and 17% for the total capital ratio.

The estimated pro-forma Common Equity Tier 1 ratio for the Group on a **fully loaded basis** was 13.7% (13% at year-end 2017 after the IFRS 9 impact). It was calculated by applying the fully loaded parameters to the financial statements as at 30 September 2018, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, 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, the expected absorption of DTAs on losses carried forward, and the expected reserve distribution by insurance companies.

* * *

As a result of the strategic decisions taken, **Intesa Sanpaolo** has maintained its position as **one of the most solid international banking Groups**. In addition to the asset quality and level of capital ratios commented on above, the Group has continued to build on its key strengths: **robust liquidity** and **low leverage**.

Specifically, with regard to the components of the Group's **liquidity**:
- the high level of available unencumbered liquid assets (including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral) amounted to €82bn at the end of September 2018;
- the high level of liquid assets (comprising available unencumbered liquid assets, excluding eligible assets received as collateral, and eligible assets currently used as collateral) amounted to €173bn at the end of September 2018;
- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €61bn in Q3 2018 (an average of €62.3bn in Q2 2018, €63.6bn in Q1 2018 and €60.8bn in 2017 including, for the full year, the components deriving from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca). These refinancing operations consisted entirely of the TLTRO with a four-year maturity.
- the sources of funding were stable and well diversified, with retail funding representing 74% of direct deposits from banking business (including securities issued);
- the medium/long-term funding was around €10bn in 9M 2018, of which more than €6bn was wholesale funding;
- medium/long-term wholesale issues in 9M 2018 included benchmark transactions of €1bn covered bonds and senior of U.S.$2.5bn, JPY46.6bn and €2.25bn (around 89% were placed with foreign investors).

The Group's **leverage ratio** as at 30 September 2018 was 6.2% applying the transitional arrangements for 2018 and 5.6% fully loaded, both best in class among major European banking groups.

* * *

As at 30 September 2018, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,470 branches, consisting of 4,363 branches in Italy and 1,107 abroad, and employed 93,354 people.

* * *

Breakdown of results by business area

The **Banca dei Territori** Division comprises:
- Retail customers (individual customers with financial assets up to €100,000 and businesses/companies with low-complexity needs)
- Personal customers (individual customers with financial assets between €100,000 and €1m)
- SME customers, including companies whose group turnover is below €350m.

The division includes Banca 5, a "proximity bank" linked with a non-captive network of points of sale, focused on instant banking and targeting categories of customers who rarely use banking products and services. Moreover, the division includes Banca Prossima operating at the service of non-profit entities through the Group's branches with regional centres and a team of specialists, and Mediocredito Italiano which is the SME Finance Hub.

In the third quarter of 2018, the Banca dei Territori Division recorded:
- operating income of €2,283m, -2.9% versus €2,351m in Q2 2018;
- operating costs of €1,320m, -0.8% versus €1,331m in Q2 2018;
- operating margin of €963m, -5.7% versus €1,020m in Q2 2018;
- a cost/income ratio of 57.8% versus 56.6% in Q2 2018;
- net provisions and adjustments of €328m versus €457m in Q2 2018;
- gross income of €635m, +12.7% versus €563m in Q2 2018;
- net income of €394m, +11.2% versus €354m in Q2 2018.

In the first nine months of 2018, the Banca dei Territori Division recorded:
- operating income of €7,035m, +0.8% versus €6,979m in 9M 2017, contributing approximately 51% of the consolidated operating income (53% in 9M 2017);
- operating costs of €3,997m, -5.2% versus €4,216m in 9M 2017;
- operating margin of €3,038m, +10% versus €2,763m in 9M 2017;
- a cost/income ratio of 56.8% versus 60.4% in 9M 2017;
- net provisions and adjustments of €1,170m versus €882m in 9M 2017;
- gross income of €1,868m, -0.7% versus €1,881m in 9M 2017;
- net income of €1,171m, +4% versus €1,126m in 9M 2017.

The **Corporate and Investment Banking** Division includes:
- Global Corporate, which manages the relationship with corporate clients with a turnover higher than €350m and national public entities, grouped, in accordance with a sector-based model, in the following nine industries: Automotive & Industrials; Basic Materials & Healthcare; Food & Beverage and Distribution; Retail & Luxury; Infrastructure & Real Estate Partners; Public Finance; Energy; Telecom, Media & Technology; Business Solutions
- International Department, which ensures the development of the division and is responsible for foreign branches, representative offices and foreign subsidiaries carrying out corporate banking (Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Brasil and Banca Intesa in the Russian Federation)
- Financial Institutions, which is responsible for relationships with financial institutions
- Global Transaction Banking, which is responsible for management of transaction banking services
- Banca IMI, which operates in investment banking (M&A and advisory), structured finance, capital markets and primary markets (equity and debt capital market).

The division also comprises the management of the Group's proprietary trading.

In the third quarter of 2018, the Corporate and Investment Banking Division recorded:
- operating income of €830m, -12.1% versus €945m in Q2 2018;
- operating costs of €249m, -2.9% versus €256m in Q2 2018;
- operating margin of €582m, -15.6% versus €689m in Q2 2018;
- a cost/income ratio of 30% versus 27.1% in Q2 2018;
- net provisions and adjustments of €31m versus net recoveries of €14m in Q2 2018;
- gross income of €553m, -21.3% versus €703m in Q2 2018;
- net income of €378m, -18.8% versus €466m in Q2 2018.

In the first nine months of 2018, the Corporate and Investment Banking Division recorded:
- operating income of €2,936m, +19.3% versus €2,462m in 9M 2017, contributing approximately 21% of the consolidated operating income (19% in 9M 2017);
- operating costs of €759m, +2% versus €744m in 9M 2017;
- operating margin of €2,177m, +26.7% versus €1,718m in 9M 2017;
- a cost/income ratio of 25.9% versus 30.2% in 9M 2017;
- net provisions and adjustments of €49m versus €157m in 9M 2017;
- gross income of €2,130m, +29.1% versus €1,650m in 9M 2017;
- net income of €1,514m, +29.1% versus €1,173m in 9M 2017.

The **International Subsidiary Banks** Division is responsible for operations on international markets through commercial banking subsidiaries and associates, and provides guidelines, coordination and support for the Group's subsidiaries. It is responsible for defining the Group's development strategy related to its direct presence abroad, including exploring and analysing new growth opportunities in markets where the Group already has a presence, as well as in new ones. This division also coordinates operations of international subsidiary banks and their relations with the Parent Company's head office departments and the Corporate and Investment Banking Division's branches and offices abroad. The division is in charge of the Group's operations in the following geographical areas: i) South-Eastern Europe, through Privredna Banka Zagreb in Croatia, Banca Intesa Beograd in Serbia, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Intesa Sanpaolo Bank Albania and Intesa Sanpaolo Bank Romania; ii) Central-Eastern Europe, through Intesa Sanpaolo Bank in Slovenia, VUB Banka in Slovakia and CIB Bank in Hungary; iii) CIS and South Mediterranean, through Pravex Bank in Ukraine, Eximbank in Moldova and Bank of Alexandria in Egypt.

In the third quarter of 2018, the International Subsidiary Banks Division recorded:
- operating income of €483m, -2.2% versus €494m in Q2 2018;
- operating costs of €245m, +1.6% versus €241m in Q2 2018;
- operating margin of €238m, -5.9% versus €253m in Q2 2018;
- a cost/income ratio of 50.7% versus 48.8% in Q2 2018;
- net provisions and adjustments of €39m versus €25m in Q2 2018;
- gross income of €203m, -11.3% versus €229m in Q2 2018;
- net income of €159m, -13% versus €183m in Q2 2018.

In the first nine months of 2018, the International Subsidiary Banks Division recorded:
- operating income of €1,450m, +1.5% versus €1,428m in 9M 2017, contributing approximately 11% of the consolidated operating income (11% in 9M 2017 as well);
- operating costs of €722m, +4.3% versus €692m in 9M 2017;
- operating margin of €728m, -1.1% versus €736m in 9M 2017;
- a cost/income ratio of 49.8% versus 48.5% in 9M 2017;
- net provisions and adjustments of €61m versus €98m in 9M 2017;
- gross income of €672m, -20.6% versus €846m in 9M 2017 (+2.4%, excluding the impact from the Bank of Qingdao reclassification);
- net income of €525m, -25% versus €700m in 9M 2017 (+1.9%, excluding the impact from the Bank of Qingdao reclassification).

The **Private Banking** Division serves the top customer segment (Private and High Net Worth Individuals) through Fideuram and its subsidiaries Fideuram Investimenti, Intesa Sanpaolo Private Banking, SIREF Fiduciaria, Intesa Sanpaolo Private Bank (Suisse), Banque Morval and Fideuram Asset Management Ireland.

In the third quarter of 2018, the Private Banking Division recorded:
- operating income of €461m, -1.1% versus €466m in Q2 2018;
- operating costs of €148m, +8.3% versus €137m in Q2 2018;
- operating margin of €313m, -5% versus €329m in Q2 2018;
- a cost/income ratio of 32.2% versus 29.4% in Q2 2018;
- net provisions and adjustments of €2m versus €10m in Q2 2018;
- gross income of €313m, -2% versus €320m in Q2 2018;
- net income of €209m, -4.6% versus €219m in Q2 2018.

In the first nine months of 2018, the Private Banking Division recorded:
- operating income of €1,413m, -1.7% versus €1,438m in 9M 2017, contributing approximately 10% of the consolidated operating income (11% in 9M 2017);
- operating costs of €428m, +0.2% versus €427m in 9M 2017;
- operating margin of €985m, -2.6% versus €1,011m in 9M 2017;
- a cost/income ratio of 30.3% versus 29.7% in 9M 2017;
- net provisions and adjustments of €14m versus €18m in 9M 2017;
- gross income of €982m, -1.9% versus €1,001m in 9M 2017;
- net income of €670m, -2% versus €684m in 9M 2017.

The **Asset Management** Division develops asset management solutions targeted at the Group's customers, commercial networks outside the Group and the institutional clientele through Eurizon Capital. Eurizon Capital controls Eurizon Capital SA (Luxembourg), a company specialising in managing Luxembourg mutual funds with low tracking error, and VUB Asset Management (Slovakia), which heads up the Hungarian CIB IFM and the Croatian PBZ Invest (the asset management hub in Eastern Europe). Eurizon Capital also controls Epsilon Associati SGR - a company specialising in active management and, specifically, in quantitative and multi-strategy management with total-return investment aims - which is owned 51% by Eurizon Capital and 49% by Banca IMI. Eurizon Capital owns 49% of the Chinese asset management company Penghua Fund Management. Moreover, Eurizon Capital owns 20% of the Chinese wealth management company Yi Tsai, which is owned 25% by Fideuram and 55% by the Parent Company Intesa Sanpaolo.

In the third quarter of 2018, the Asset Management Division recorded:
- operating income of €175m, -2.2% versus €179m in Q2 2018;
- operating costs of €36m, -5.4% versus €39m in Q2 2018;
- operating margin of €138m, -1.3% versus €140m in Q2 2018;
- a cost/income ratio of 20.9% versus 21.6% in Q2 2018;
- gross income of €138m, -1.2% versus €140m in Q2 2018;
- net income of €110m, -1.1% versus €111m in Q2 2018.

In the first nine months of 2018, the Asset Management Division recorded:
- operating income of €545m, -1.8% versus €555m in 9M 2017, contributing approximately 4% of the consolidated operating income (4% in 9M 2017 as well);
- operating costs of €113m, +5.6% versus €107m in 9M 2017;
- operating margin of €432m, -3.6% versus €448m in 9M 2017;
- a cost/income ratio of 20.7% versus 19.3% in 9M 2017;
- gross income of €432m, -3.6% versus €448m in 9M 2017;
- net income of €342m, -2.8% versus €352m in 9M 2017.

The **Insurance** Division develops insurance products tailored for the Group's clients and coordinates the operations of Intesa Sanpaolo Vita (which controls Intesa Sanpaolo Assicura) and Fideuram Vita.

In the third quarter of 2018, the Insurance Division recorded:
- operating income of €266m, -9.9% versus €295m in Q2 2018;
- operating costs of €46m, +7.1% versus €43m in Q2 2018;
- operating margin of €219m, -12.8% versus €252m in Q2 2018;
- a cost/income ratio of 17.4% versus 14.7% in Q2 2018;
- net provisions and adjustments of €1m versus €2m in Q2 2018;
- gross income of €219m, -12.4% versus €250m in Q2 2018;
- net income of €152m, -19.5% versus €189m in Q2 2018.

In the first nine months of 2018, the Insurance Division recorded:
- operating income of €885m, +3.3% versus €857m in 9M 2017, contributing approximately 6% of the consolidated operating income (7% in 9M 2017);
- operating costs of €131m, +3.1% versus €127m in 9M 2017;
- operating margin of €754m, +3.3% versus €730m in 9M 2017;
- a cost/income ratio of 14.8%, in line with 9M 2017;
- net provisions and adjustments of €3m versus €1m in 9M 2017;
- gross income of €751m, +3% versus €729m in 9M 2017;
- net income of €540m, +5.5% versus €512m in 9M 2017.

<u>The outlook for 2018</u>

In 2018, the Group's net income is expected to grow compared with 2017, excluding from the 2017 net income the €3.5 billion public cash contribution that offset the impact on the capital ratios resulting from the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca. An increase in revenues, continuous cost management and a decrease in the cost of risk are envisaged as the drivers of the expected performance of net income. The dividend policy for 2018 envisages the distribution of an amount of cash dividends corresponding to a payout ratio of 85% of net income.

* * *

For consistency purpose, the income statement and balance sheet figures for the first three quarters of 2017 were restated following the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca (Aggregate Set). The related items were consolidated line by line (on the basis of management accounts) and the corresponding net income/loss was included under minority interests (the restatement does not include subsidiary Eximbank - Moldova, which entered the scope of consolidation of the Intesa Sanpaolo Group at the end of the first quarter of 2018). Income statement and balance sheet figures for the four quarters of 2017 relating to the business areas were restated and included the relevant components of the Aggregate Set.

Moreover, the income statement and balance sheet figures for the four quarters of 2017 and the first quarter of 2018 were restated following the acquisition of the Morval Vonwiller group. The related items were consolidated line by line and the corresponding net income was included under minority interests.

* * *

In order to present more complete information on the results generated as at 30 September 2018, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the interim statement approved by the Board of Directors are attached. Please note that the auditing firm is completing the activities for the issue of a statement in accordance with Article 26 (2) of Regulation EU no. 575/2013 and ECB Decision no. 2015/656.

* * *

The manager responsible for preparing the company's financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154-*bis* of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

* * *

Investor Relations
+39.02.87943180
investor.relations@intesasanpaolo.com

Media Relations
+39.02.87962326
stampa@intesasanpaolo.com

group.intesasanpaolo.com

Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	30.09.2018	30.09.2017	Changes vs 30.09.2017		30.09.2017 Aggregate	Changes vs 30.09.2017 Aggregate	
			amount	%		amount	%
Net interest income	5,538	5,428	110	2.0	5,599	-61	-1.1
Net fee and commission income	5,928	5,714	214	3.7	5,904	24	0.4
Income from insurance business	846	750	96	12.8	750	96	12.8
Profits (Losses) on financial assets and liabilities designated at fair value	1,336	778	558	71.7	745	591	79.3
Other operating income (expenses)	37	83	-46	-55.4	122	-85	-69.7
Operating income	**13,685**	**12,753**	**932**	**7.3**	**13,120**	**565**	**4.3**
Personnel expenses	-4,319	-4,077	242	5.9	-4,435	-116	-2.6
Other administrative expenses	-1,987	-1,902	85	4.5	-2,098	-111	-5.3
Adjustments to property, equipment and intangible assets	-610	-576	34	5.9	-609	1	0.2
Operating costs	**-6,916**	**-6,555**	**361**	**5.5**	**-7,142**	**-226**	**-3.2**
Operating margin	**6,769**	**6,198**	**571**	**9.2**	**5,978**	**791**	**13.2**
Net adjustments to loans	-1,696	-2,075	-379	-18.3	-2,082	-386	-18.5
Other net provisions and net impairment losses on other assets	-111	-83	28	33.7	-100	11	11.0
Other income (expenses)	12	3,885	-3,873	-99.7	3,885	-3,873	-99.7
Income (Loss) from discontinued operations	-	-	-	-	-	-	-
Gross income (loss)	**4,974**	**7,925**	**-2,951**	**-37.2**	**7,681**	**-2,707**	**-35.2**
Taxes on income	-1,485	-1,233	252	20.4	-1,232	253	20.5
Charges (net of tax) for integration and exit incentives	-66	-73	-7	-9.6	-73	-7	-9.6
Effect of purchase price allocation (net of tax)	-108	-37	71		-37	71	
Levies and other charges concerning the banking industry (net of tax)	-281	-652	-371	-56.9	-681	-400	-58.7
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Minority interests	-22	-42	-20	-47.6	230	-252	
Net income (loss)	**3,012**	**5,888**	**-2,876**	**-48.8**	**5,888**	**-2,876**	**-48.8**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Aggregate figures recalculated on the basis of management accounts to include the economic effects of the acquired Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2018			2017			
	Third quarter	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Net interest income	1,844	1,839	1,855	1,837	1,807	1,816	1,805
Net fee and commission income	1,924	1,991	2,013	2,153	1,951	1,902	1,861
Income from insurance business	271	281	294	183	227	240	283
Profits (Losses) on financial assets and liabilities designated at fair value	242	472	622	538	184	366	228
Other operating income (expenses)	-12	21	28	9	11	32	40
Operating income	**4,269**	**4,604**	**4,812**	**4,720**	**4,180**	**4,356**	**4,217**
Personnel expenses	-1,424	-1,455	-1,440	-1,610	-1,444	-1,343	-1,290
Other administrative expenses	-676	-651	-660	-836	-682	-635	-585
Adjustments to property, equipment and intangible assets	-206	-200	-204	-235	-202	-188	-186
Operating costs	**-2,306**	**-2,306**	**-2,304**	**-2,681**	**-2,328**	**-2,166**	**-2,061**
Operating margin	**1,963**	**2,298**	**2,508**	**2,039**	**1,852**	**2,190**	**2,156**
Net adjustments to loans	-519	-694	-483	-1,229	-643	-737	-695
Other net provisions and net impairment losses on other assets	-25	-35	-51	-134	-24	-56	-3
Other income (expenses)	2	8	2	861	72	3,617	196
Income (Loss) from discontinued operations	-	-1	1	-	-	-	-
Gross income (loss)	**1,421**	**1,576**	**1,977**	**1,537**	**1,257**	**5,014**	**1,654**
Taxes on income	-433	-508	-544	-249	-343	-445	-445
Charges (net of tax) for integration and exit incentives	-31	-16	-19	-227	-20	-41	-12
Effect of purchase price allocation (net of tax)	-38	-26	-44	364	-26	-5	-6
Levies and other charges concerning the banking industry (net of tax)	-81	-83	-117	3	-192	-178	-282
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Minority interests	-5	-16	-1	-	-26	-8	-8
Net income (loss)	**833**	**927**	**1,252**	**1,428**	**650**	**4,337**	**901**

Figures restated, where necessary and material, considering the changes in the scope of consolidation.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income - aggregate figures

(millions of euro)

	2018			2017			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter Aggregate	Second quarter Aggregate	First quarter Aggregate
Net interest income	1,844	1,839	1,855	1,837	1,828	1,891	1,880
Net fee and commission income	1,924	1,991	2,013	2,153	1,984	1,992	1,928
Income from insurance business	271	281	294	183	227	240	283
Profits (Losses) on financial assets and liabilities designated at fair value	242	472	622	538	185	349	211
Other operating income (expenses)	-12	21	28	9	19	47	56
Operating income	**4,269**	**4,604**	**4,812**	**4,720**	**4,243**	**4,519**	**4,358**
Personnel expenses	-1,424	-1,455	-1,440	-1,610	-1,471	-1,506	-1,458
Other administrative expenses	-676	-651	-660	-836	-694	-729	-675
Adjustments to property, equipment and intangible assets	-206	-200	-204	-235	-206	-202	-201
Operating costs	**-2,306**	**-2,306**	**-2,304**	**-2,681**	**-2,371**	**-2,437**	**-2,334**
Operating margin	**1,963**	**2,298**	**2,508**	**2,039**	**1,872**	**2,082**	**2,024**
Net adjustments to loans	-519	-694	-483	-1,229	-648	-738	-696
Other net provisions and net impairment losses on other assets	-25	-35	-51	-134	-31	-61	-8
Other income (expenses)	2	8	2	861	72	3,617	196
Income (Loss) from discontinued operations	-	-1	1	-	-	-	-
Gross income (loss)	**1,421**	**1,576**	**1,977**	**1,537**	**1,265**	**4,900**	**1,516**
Taxes on income	-433	-508	-544	-249	-366	-434	-432
Charges (net of tax) for integration and exit incentives	-31	-16	-19	-227	-20	-41	-12
Effect of purchase price allocation (net of tax)	-38	-26	-44	364	-26	-5	-6
Levies and other charges concerning the banking industry (net of tax)	-81	-83	-117	3	-192	-193	-296
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Minority interests	-5	-16	-1	-	-11	110	131
Net income (loss)	**833**	**927**	**1,252**	**1,428**	**650**	**4,337**	**901**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Aggregate figures recalculated on the basis of management accounts to include the economic effects of the acquired Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	30.09.2018	01.01.2018	Changes	
			amount	%
Due from banks	71,076	71,685	-609	-0.8
Loans to customers	395,422	399,539	*-4,117*	*-1.0*
Loans to customers measured at amortised cost	*394,700*	*399,152*	*-4,452*	*-1.1*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*722*	*387*	*335*	*86.6*
Financial assets measured at amortised cost which do not constitute loans	12,528	11,557	971	8.4
Financial assets at fair value through profit or loss	41,377	42,166	*-789*	*-1.9*
Financial assets at fair value through other comprehensive income	67,149	59,960	7,189	12.0
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	153,350	152,582	768	0.5
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	638	423	215	50.8
Investments in associates and companies subject to joint control	637	678	-41	-6.0
Property, equipment and intangible assets	14,348	14,449	-101	-0.7
Tax assets	16,930	18,019	-1,089	-6.0
Non-current assets held for sale and discontinued operations	3,694	627	3,067	
Other assets	19,813	22,843	-3,030	-13.3
Total Assets	**796,962**	**794,528**	**2,434**	**0.3**

(millions of euro)

Liabilities	30.09.2018	01.01.2018	Changes	
			amount	%
Due to banks at amortised cost	106,125	99,992	6,133	6.1
Due to customers at amortised cost and securities issued	417,758	416,635	1,123	0.3
Financial liabilities held for trading	39,866	41,459	-1,593	-3.8
Financial liabilities designated at fair value	4	3	1	33.3
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	905	1,312	-407	-31.0
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,069	68,233	2,836	4.2
Tax liabilities	2,205	2,515	-310	-12.3
Liabilities associated with non-current assets held for sale and discontinued operations	312	264	48	18.2
Other liabilities	18,887	19,958	-1,071	-5.4
Technical reserves	80,449	82,926	-2,477	-3.0
Allowances for risks and charges	6,565	7,427	-862	-11.6
of which allowances for commitments and financial guarantees given	*490*	*535*	*-45*	*-8.4*
Share capital	9,084	8,732	352	4.0
Reserves	37,949	33,578	4,371	13.0
Valuation reserves	-1,631	-878	753	85.8
Valuation reserves pertaining to insurance companies	-44	417	-461	
Equity instruments	4,103	4,103	-	-
Minority interests	344	536	-192	-35.8
Net income (loss)	3,012	7,316	-4,304	-58.8
Total liabilities and shareholders' equity	**796,962**	**794,528**	**2,434**	**0.3**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

Assets	2018				2017			
	30/9	**30/6**	**31/3**	**1/1**	**31/12**	**30/9**	**30/6**	**31/3**
Due from banks	71,076	69,797	70,541	71,685	72,166	79,724	75,702	61,964
Loans to customers	395,422	399,859	401,115	399,539	411,978	399,999	405,235	402,817
Loans to customers measured at amortised cost	*394,700*	*399,238*	*400,501*	*399,152*	*411,978*	*399,999*	*405,235*	*402,817*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*722*	*621*	*614*	*387*	-	-	-	-
Financial assets measured at amortised cost which do not constitute loans	12,528	12,181	11,688	11,557	-	-	-	-
Financial assets measured at fair value through profit or loss	41,377	42,158	42,115	42,166	39,590	42,541	44,996	47,176
Financial assets measured at fair value through other comprehensive income	67,149	61,811	60,531	59,960	65,068	68,569	67,716	76,870
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	153,350	152,229	153,550	152,582	152,582	150,391	147,621	145,744
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	638	682	476	423	423	433	305	887
Investments in associates and companies subject to joint control	637	647	654	678	678	655	732	769
Property, equipment and intangible assets	14,348	14,406	14,396	14,449	14,449	12,434	12,558	12,578
Tax assets	16,930	16,934	17,175	18,019	16,888	16,836	17,058	16,919
Non-current assets held for sale and discontinued operations	3,694	3,609	751	627	627	788	778	783
Other assets	19,813	19,405	20,168	22,843	22,843	18,931	20,623	24,335
Total Assets	**796,962**	**793,718**	**793,160**	**794,528**	**797,292**	**791,301**	**793,324**	**790,842**

Liabilities and Shareholders' Equity	2018				2017			
	30/9	**30/6**	**31/3**	**1/1**	**31/12**	**30/9**	**30/6**	**31/3**
Due to banks at amortised cost	106,125	97,675	96,907	99,992	99,992	100,000	99,831	103,006
Due to customers at amortised cost and securities issued	417,758	424,785	417,691	416,635	416,635	416,774	411,618	412,703
Financial liabilities held for trading	39,866	39,482	39,753	41,459	41,221	41,717	42,556	44,825
Financial liabilities designated at fair value	4	4	4	3	3	3	4	3
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	905	1,413	1,394	1,312	1,312	1,397	1,341	1,333
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,069	70,337	69,058	68,233	68,233	65,466	62,891	60,637
Tax liabilities	2,205	2,121	2,554	2,515	2,515	2,228	2,139	2,351
Liabilities associated with non-current assets held for sale and discontinued operations	312	261	266	264	264	296	295	302
Other liabilities	18,887	19,695	20,594	19,958	20,218	18,504	27,982	24,200
Technical reserves	80,449	79,842	82,656	82,926	82,926	83,211	83,593	84,405
Allowances for risks and charges	6,565	6,876	7,241	7,427	7,219	7,043	7,018	5,444
of which allowances for commitments and financial guarantees given	*490*	*473*	*503*	*535*	*327*	*399*	*440*	*547*
Share capital	9,084	8,732	8,732	8,732	8,732	8,732	8,732	8,732
Reserves	37,949	37,212	40,796	33,578	36,843	37,301	37,300	40,273
Valuation reserves	-1,631	-1,366	-760	-878	-1,206	-2,327	-2,240	-2,555
Valuation reserves pertaining to insurance companies	-44	3	429	417	417	419	404	398
Equity instruments	4,103	4,103	4,103	4,103	4,103	4,102	4,102	3,358
Minority interests	344	364	490	536	549	547	520	526
Net income (loss)	3,012	2,179	1,252	7,316	7,316	5,888	5,238	901
Total Liabilities and Shareholders' Equity	**796,962**	**793,718**	**793,160**	**794,528**	**797,292**	**791,301**	**793,324**	**790,842**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

(millions of euro)

Income statement (millions of euro)	**Banca dei Territori**	**Corporate and Investment Banking**	**International Subsidiary Banks**	**Private Banking**	**Asset Management**	**Insurance**
Operating income						
30.09.2018	7,035	2,936	1,450	1,413	545	885
30.09.2017	6,457	2,442	1,423	1,424	555	857
30.09.2017 Aggregate	6,979	2,462	1,428	1,438	555	857
Operating costs						
30.09.2018	-3,997	-759	-722	-428	-113	-131
30.09.2017	-3,588	-741	-674	-422	-107	-127
30.09.2017 Aggregate	-4,216	-744	-692	-427	-107	-127
Operating margin						
30.09.2018	3,038	2,177	728	985	432	754
30.09.2017	2,869	1,701	749	1,002	448	730
30.09.2017 Aggregate	2,763	1,718	736	1,011	448	730
Net income (loss)						
30.09.2018	1,171	1,514	525	670	342	540
30.09.2017	1,202	1,165	715	679	352	512
30.09.2017 Aggregate	1,126	1,173	700	684	352	512

Balance sheet (millions of euro)	**Banca dei Territori**	**Corporate and Investment Banking**	**International Subsidiary Banks**	**Private Banking**	**Asset Management**	**Insurance**
Loans to customers						
30.09.2018	212,196	112,970	30,632	9,004	242	-
01.01.2018	212,433	114,317	28,610	7,988	361	22
Direct deposits from banking business						
30.09.2018	192,224	100,734	38,281	32,985	6	-
01.01.2018	191,976	107,148	35,862	31,410	6	-

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. Aggregate figures recalculated on the basis of management accounts to include the economic effects of the acquired Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.