INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 JUNE 2019

H1 2019 RESULTS SHOW THAT THE GROUP IS FIRMLY ON TRACK TO DELIVER ON ITS TARGETS. THEY ALSO HIGHLIGHT THE CONTINUED SUPPORT PROVIDED BY THE GROUP TO THE ECONOMY IN THE COUNTRIES IN WHICH IT OPERATES, AND SPECIFICALLY IN ITALY WHERE, MOREOVER, IT IS COMMITTED TO BECOMING A REFERENCE MODEL IN TERMS OF SUSTAINABILITY AND SOCIAL AND CULTURAL RESPONSIBILITY.

RESULTS REFLECT THE GROUP'S SUSTAINABLE PROFITABILITY WHICH DERIVES FROM A SOLID CAPITAL BASE AND STRONG LIQUIDITY POSITION, AND FROM A RESILIENT AND WELL-DIVERSIFIED BUSINESS MODEL FURTHER STRENGTHENED BY THE STRATEGIC ACTIONS CARRIED OUT IN THE FIRST HALF OF THE YEAR:

- **EFFECTIVE PROACTIVE CREDIT MANAGEMENT, WITH A FOCUS ON LOANS IN EARLY DELINQUENCY STAGES;**
- **STRATEGIC FLEXIBILITY IN MANAGING OPERATING COSTS, WITH VOLUNTARY EXITS OF PEOPLE AND POSSIBLE BRANCH CLOSURES IN ADDITION TO THOSE ENVISAGED IN THE BUSINESS PLAN;**
- **MANAGING REVENUE GENERATION, WITH FINANCIAL ACTIVITIES STRENGTHENED, TO BOTH CAPTURE MARKET OPPORTUNITIES AND PROVIDE NATURAL HEDGING AGAINST THE IMPACT OF MARKET VOLATILITY ON FEE-BASED REVENUES, AND A CONTINUED FOCUS ON WEALTH MANAGEMENT & PROTECTION IN THE PRESENCE OF A STRONG RESERVE OF POTENTIAL VALUE CREATION DERIVING FROM THE AMOUNT OF HOUSEHOLD SIGHT DEPOSITS THAT CAN BE CONVERTED INTO ASSETS UNDER MANAGEMENT AND FROM THE POOL OF ASSETS HELD UNDER ADMINISTRATION.**

NET INCOME ROSE TO €1,216 MILLION IN Q2 2019 AND €2,266 MILLION IN H1 2019.

THE CAPITAL POSITION WAS SOLID AND WELL ABOVE REGULATORY REQUIREMENTS, EVEN UNDER THE ADVERSE SCENARIO OF THE 2018 EBA/ECB STRESS TEST. PRO-FORMA FULLY LOADED COMMON EQUITY TIER 1 RATIO WAS 13.9%, TAKING INTO ACCOUNT THE DIVIDENDS ACCRUED IN H1 2019.

OPERATING PROFITABILITY INCREASED ON Q1 2019: OPERATING INCOME WAS UP 6.6% AND OPERATING MARGIN UP 10.3%. OPERATING COSTS DECREASED 3.2% ON H1 2018.

CREDIT QUALITY IMPROVED. GROSS NPLS WERE REDUCED AT NO EXTRAORDINARY COST TO SHAREHOLDERS, WITH NPL STOCK DOWN 4.6% ON YEAR-END 2018 AND DOWN AROUND €17 BILLION SINCE THE END OF 2017. IN THE FIRST 18 MONTHS OF THE 2018-2021 BUSINESS PLAN, THE NPL REDUCTION ACHIEVED WAS AS MUCH AS 67% OF THE TARGET SET FOR THE ENTIRE FOUR-YEAR PERIOD. GROSS NPL RATIO STOOD AT 8.4% AND NET NPL RATIO AT 4.1%. NET ADJUSTMENTS TO LOANS WERE DOWN 21.6% ON H1 2018. ANNUALISED COST OF RISK IN H1 2019 DECREASED TO 47 BASIS POINTS.

INTESA SANPAOLO CONTINUES TO OPERATE AS A GROWTH ACCELERATOR IN THE REAL ECONOMY IN ITALY. IN H1 2019, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €21.5 BILLION. IN H1 2019, THE GROUP FACILITATED THE RETURN TO PERFORMING STATUS OF AROUND 10,000 COMPANIES, THUS SAFEGUARDING AROUND 50,000 JOBS. THIS BROUGHT THE TOTAL TO AROUND 103,000 COMPANIES SINCE 2014, WITH AROUND 500,000 JOBS SAFEGUARDED OVER THE SAME PERIOD.

INTESA SANPAOLO IS THE ENGINE OF THE ITALIAN SOCIAL ECONOMY. 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.

THE GROUP'S SOCIAL AND CULTURAL RESPONSIBILITY HAS TRANSLATED, IN ITALY, INTO: INITIATIVES TO REDUCE CHILD POVERTY AND TO SUPPORT PEOPLE IN NEED DELIVERING, SINCE 2018, AROUND 4.5 MILLION MEALS, 178,800 DORMITORY BEDS, 66,600 MEDICINE PRESCRIPTIONS AND 52,700 ITEMS OF CLOTHING; SUPPORT PROVIDED TO FAMILIES WHO HAVE BEEN VICTIMS OF NATURAL DISASTERS, WITH OVER €55 MILLION SUBSIDISED LOANS GRANTED IN H1 2019 (OVER €252 MILLION SINCE 2018); SUPPORT PROVIDED TO FAMILIES AND BUSINESSES AFFECTED BY THE GENOA BRIDGE COLLAPSE, WITH A €4.5 MILLION PLAFOND FOR MORTGAGE FORGIVENESS (€0.5 MILLION ALREADY FORGIVEN) AND A €50 MILLION PLAFOND FOR RECONSTRUCTION (€2.2 MILLION GRANTED); THE FUND FOR IMPACT, WITH €1.1 MILLION ALREADY GRANTED IN THE FIRST FOUR MONTHS BY *PER MERITO* (THE FIRST LINE OF CREDIT WITHOUT COLLATERAL FOR ALL ITALIAN UNIVERSITY STUDENTS); A €5 BILLION CIRCULAR ECONOMY CREDIT PLAFOND TO SUPPORT SUSTAINABLE DEVELOPMENT WITH 178 PROJECTS EVALUATED, OF WHICH 40 HAVE ALREADY BEEN FINANCED FOR AROUND €540 MILLION; THE CIRCULAR ECONOMY LAB WHICH IS IMPLEMENTING OPEN INNOVATION PROJECTS; IN H1 2019, AROUND 500 START-UPS ANALYSED (AROUND 1,050 SINCE 2018) AND ACCELERATOR PROGRAMS LAUNCHED IN RESPECT OF 66 COACHED START-UPS (177 SINCE 2018); *GIOVANI E LAVORO* PROGRAM UNDERWAY, IN PARTNERSHIP WITH GENERATION, AIMED AT INTRODUCING 5,000 YOUNG PEOPLE TO THE ITALIAN LABOUR MARKET: IN H1 2019, AROUND 90 COMPANIES COMMITTED TO THE PROGRAM, AROUND 1,300 STUDENTS ASSESSED AND AROUND 240 INTERVIEWED, 95 STUDENTS TRAINED IN FOUR TRAINING SESSIONS; IN H1 2019, AROUND 280,000 VISITORS (500,000 IN 2018) TO THE GROUP'S MUSEUMS *GALLERIE D'ITALIA* WHICH ARE AMONG THE TOP MUSEUMS IN ITALY BY NUMBER OF VISITORS, AROUND 44,000 STUDENTS PARTICIPATING IN FREE EDUCATIONAL ACTIVITIES (73,000 IN 2018) AND 110 ARTWORKS FROM THE CORPORATE COLLECTION ON LOAN (140 IN 2018).

- **GROWTH IN NET INCOME:**
  - **€1,216M IN Q2 2019, UP 15.8% VS €1,050M IN Q1 2019**
  - **€2,266M IN H1 2019, UP 4% VS €2,179M IN H1 2018**

- **GROWTH IN GROSS INCOME:**
  - **UP 1.6% ON Q1 2019**
  - **UP 2.1% ON H1 2018**

- **GROWTH IN OPERATING PROFITABILITY ON Q1 2019:**
  - **OPERATING INCOME UP 6.6%**
  - **OPERATING MARGIN UP 10.3%**

- **REDUCTION IN OPERATING COSTS, DOWN 3.2% ON H1 2018**

- **IMPROVEMENT IN CREDIT QUALITY TREND:**
  - **DECREASE IN NPLs, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **GROSS NPL REDUCTION: AROUND €17BN SINCE DECEMBER 2017 AND AROUND €30BN SINCE SEPTEMBER 2015 (AROUND €6BN AND AROUND €19BN, RESPECTIVELY, EXCLUDING THE SALE TO INTRUM FINALISED IN Q4 2018)**
    - **NPL STOCK DOWN 4.6% GROSS AND 3.7% NET ON YEAR-END 2018; NPL TO TOTAL LOAN RATIO OF 8.4% GROSS AND 4.1% NET**
  - **NET ADJUSTMENTS TO LOANS DOWN 21.6% ON H1 2018**
  - **ANNUALISED COST OF RISK IN H1 2019 DOWN TO 47 BASIS POINTS**

- **SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 30 JUNE 2019, AFTER THE DEDUCTION OF €1,813M OF DIVIDENDS ACCRUED IN H1 2019, OF**
    - **13.9% PRO-FORMA FULLY LOADED** (1) (2)
    - **13.6% PHASED-IN** (2) (**)
  - **COMMON EQUITY TIER 1 RATIO IN THE 2018 EBA/ECB 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** (***)

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(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 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, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the H1 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

(2) After the deduction of accrued dividends, equal to 80% of net income for the first half of the year, and the coupons accrued on the Additional Tier 1 issues.

(**) Equal to 12.3% excluding the mitigation of the impact of the first time adoption of IFRS 9. This would be 12.8% when taking into account the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital), in respect of which the process of recognition has been launched.

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

HIGHLIGHTS:

OPERATING INCOME:	Q2 2019	+6.6%	€4,677M FROM €4,389M IN Q1 2019
	H1 2019	-3.8%	€9,066M FROM €9,420M IN H1 2018
OPERATING COSTS:	Q2 2019	+2.8%	€2,266M FROM €2,204M IN Q1 2019
	H1 2019	-3.2%	€4,470M FROM €4,619M IN H1 2018
OPERATING MARGING:	Q2 2019	+10.3%	€2,411M FROM €2,185M IN Q1 2019
	H1 2019	-4.3%	€4,596M FROM €4,801M IN H1 2018
GROSS INCOME:	Q2 2019	€1,821M	FROM €1,792M IN Q1 2019
	H1 2019	€3,613M	FROM €3,539M IN H1 2018
NET INCOME:	Q2 2019	€1,216M	FROM €1,050M IN Q1 2019
	H1 2019	€2,266M	FROM €2,179M IN H1 2018

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER DIVIDENDS ACCRUED IN H1 2019:
13.9% PRO-FORMA FULLY LOADED (3) (4);
13.6% PHASED-IN (4) (5)

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(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 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, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the H1 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

(4) After the deduction of accrued dividends, equal to 80% of the net income for the first half of the year, and the coupons accrued on the Additional Tier 1 issues.

(5) Equal to 12.3% excluding the mitigation of the impact of the first time adoption of IFRS 9. This would be 12.8% when taking into account the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital), in respect of which the process of recognition has been launched.

Turin - Milan, 31 July 2019 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated half-yearly report as at 30 June 2019 [(6)].

Results for both the second quarter and the first half of 2019 show that the Group is firmly on track to deliver on its targets. They also highlight the continued **support provided by the Group to the country**, which includes its commitment to **becoming a reference model in terms of sustainability and social and cultural responsibility**.

Results reflect the Group's **sustainable profitability** which derives from a **solid capital base and strong liquidity position**, and from a **resilient and well-diversified business model further strengthened by the strategic actions carried out in the first half of the year**:

- **effective proactive credit management at no extraordinary cost to shareholders**, with a **focus on loans in early delinquency stages** (specifically, the Pulse initiative);

- **strategic flexibility in managing operating costs**, through:
  - the agreement reached in May 2019 with the trade unions with regard to **1,600 voluntary exits** by June 2021 – **in addition to the 9,000 envisaged** in the 2018-2021 Business Plan by June 2020. **Around 2,600 applications** have been received, which are currently being evaluated.
  - optimisation of the branch network in Italy through **branch closures**, in addition to around 1,100 closures envisaged in the Business Plan, made possible by the **widening of the distribution network of Banca 5, the Group's proximity bank, to around 50,000 points of sale** due to the **growth in the number of joined merchants**, following the agreement reached with SisalPay;

- **managing revenue generation** in a challenging macroeconomic environment, through:
  - **strengthening of financial activities -** through an internal reorganisation implemented to focus the Treasury department on the management of the liquidity portfolio and to concentrate the integrated management of the other portfolios at Banca IMI, within overall risk limits unchanged **- to both capture market opportunities and provide natural hedging** against the impact of market volatility on fee-based revenues, structurally increasing the total contribution of the securities portfolio management, including net interest income, to the Group's revenues;
  - a **continued focus on Wealth Management & Protection driven by a client-centric approach** in the presence of a **strong reserve of potential value creation** deriving from the amount of **household sight deposits that can be converted into assets under management**, which is estimated to be in the region of €60bn at the end of the first six months, and from the pool of around €170bn of **assets held under administration**.

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

Specifically, the Group recorded:

- **growth in net income to €1,216m in Q2 2019**, up 15.8% versus €1,050m in Q1 2019 and up 31% versus €927m in Q2 2018, and to **€2,266m in H1 2019**, up 4% versus €2,179m in H1 2018;

- **growth in gross income**, up 1.6% on Q1 2019 and up 2.1% on H1 2018;

- **growth in operating profitability on Q1 2019**:
  - **operating income up 6.6%**;
  - **operating margin up 10.3%**;

- **reduction in operating costs down 3.2% on H1 2018**;

- **high efficiency** highlighted by a **cost/income of 49.3%** in H1 2019 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **net adjustments to loans down 21.6% on H1 2018**;

- H1 2019 annualised **cost of risk down to 47bps** versus the 61bps of full-year 2018;

- **improving credit quality** mainly due to an **effective proactive credit management approach**, **at no extraordinary cost to shareholders**:
  - gross **NPLs reduced** by around **€1.7bn in H1 2019**, by around **€30bn since September 2015** (the reduction was around €19bn excluding the bad-loan sale to Intrum finalised in Q4 2018) and by around **€17bn since December 2017** (the reduction was around €6bn excluding the Intrum transaction). **In the first 18 months of the 2018-2021 Business Plan, the NPL reduction achieved was as much as 67% of the target set for the entire four-year period**.
  - **NPL stock in June 2019 down 4.6% gross** and **3.7% net on December 2018**;
  - **NPL to total loan ratio** in June 2019 at **8.4% gross and 4.1% net**;

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 54.1%** at the end of June 2019, **with a cash coverage ratio of 65.9% for the bad loan component**;
  - **robust reserve buffer on performing loans** amounting to around 0.5% at the end of June 2019;

- **very solid capital position**, with capital ratios well above regulatory requirements. As at 30 June 2019, the **pro-forma fully loaded Common Equity Tier 1 ratio** came in at **13.9%** (7) (8) – **one of the highest levels amongst major European banks** – and the phased-in Common Equity Tier 1 ratio at 13.6% (8) (9) after the deduction of €1,813m of dividends accrued in the first half of the year. The aforementioned ratios compare with the SREP requirement for 2019, comprising Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer (10), which set the fully loaded Common Equity Tier 1 ratio at 9.36% and the phased-in Common Equity Tier 1 ratio at 8.96%. Under the adverse scenario of the 2018 EBA/ECB 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 (***).
- **strong liquidity position and funding capability**, with **liquid assets of €191bn** and **available unencumbered liquid assets of €110bn at the end of June 2019. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have been comfortably 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 €60.5bn in Q2 2019 (an average of €60.5bn in Q1 2019 and €61.9bn in 2018) and consisted entirely of the TLTRO with a four-year maturity.

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(7) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 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, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the H1 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

(8) After the deduction of accrued dividends, equal to 80% of net income for the first half of the year, and the coupons accrued on the Additional Tier 1 issues.

(9) Equal to 12.3% excluding the mitigation of the impact of the first time adoption of IFRS 9. This would be 12.8% when taking into account the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital), in respect of which the process of recognition has been launched.

(10) *Countercyclical Capital Buffer* calculated taking into account the exposures as at 30 June 2019 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 2019-2020 period, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for the first nine months of 2019).

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

- <u>support provided to the real economy</u>, with around **€26bn of medium/long-term new lending** in H1 2019. **Loans** amounting to around **€21.5bn** were granted **in Italy**, of which around **€18bn was granted to households and SMEs**. **In H1 2019, the Group facilitated the return** from non-performing **to performing status of** around **10,000 Italian companies, thus safeguarding around 50,000 jobs.** This brought the total to around **103,000 companies since 2014, with around 500,000 jobs safeguarded over the same period**.
- <u>support provided to the social economy</u>**: Intesa Sanpaolo is the engine of the Italian social economy**. 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.
- <u>sustainability and social and cultural responsibility</u> which, in the presence of solid financials, translated into the actions shown below, carried out by the Group in Italy in H1 2019:
  - initiatives to **reduce child poverty** and to **support people in need** delivering, since 2018, around **4.5 million meals**, around **178,800 dormitory beds**, around **66,600 medicine prescriptions** and around **52,700 items of clothing**;
  - **support provided to families affected by earthquakes and natural disasters, by forgiving or allowing *moratoria* in respect of mortgages** on damaged properties and granting over €55m subsidised loans in H1 2019 (over €252m granted since 2018);
  - **support provided to families and businesses affected by the Genoa bridge collapse**, with a €4.5m plafond for mortgage forgiveness (€0.5m already forgiven) and a €50m plafond for reconstruction (€2.2m granted);
  - **activation of the Fund for Impact** in Q4 2018, enabling lending of around €1.2bn to categories that otherwise would have difficulties in accessing credit, despite their potential; launch of the first line of credit without collateral for all Italian university students studying in Italy or abroad (***Per Merito***), with €1.1m granted in the first four months;
  - a **€5bn Circular Economy credit Plafond** for the 2018-2021 period, to support **sustainable development**: **178 projects** have been evaluated, of which 40 already financed for around **€540m**;
  - the **Circular Economy Lab** for corporate clients which is implementing **Open Innovation projects**;
  - **around 500 start-ups have been analysed** (around 1,050 since 2018) and **accelerator programs** have been launched with **66 coached start-ups** in H1 2019 (177 since 2018), introducing them to selected investors and ecosystem players (around 1,400 to date);
  - the Intesa Sanpaolo *Giovani e Lavoro* program is underway, in partnership with Generation, aimed at **training** and **introducing 5,000 young people to the Italian labour market over the next three years**: during H1 2019, around 90 companies committed to the program, around 1,300 students assessed and around 240 interviewed, 95 students trained in four training sessions;
  - in H1 2019, *Gallerie d'Italia*, the Group's museums, received around **280,000 visitors** (500,000 in 2018) and around **44,000 students** participated in the free educational activities (73,000 in 2018); the "Rubens, Van Dyck, Ribera: A princely collection" exhibition, held from December 2018 to April 2019 in Naples, hosted around **105,000 visitors** and artworks received on loan from major international museums; the 19th edition of the ***Restituzioni*** program started – the most important restoration program in the world that the Group initiated in 1989; **110 artworks from the corporate collection were lent** to Italian and international museums (140 in 2018).

The income statement for the second quarter of 2019

The consolidated income statement for Q2 2019 recorded **net interest income** of €1,761m, up 0.3% from €1,756m in Q1 2019 and down 4.2% from €1,838m in Q2 2018.

Net fee and commission income amounted to €1,989m, up 5.5% from €1,886m in Q1 2019. Specifically, commissions on commercial banking activities were up 3.3% and commissions on management, dealing and consultancy activities were up 6.3%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded an 8.3% increase in dealing and placement of securities, a 3.5% increase in portfolio management (performance fees contributed €1m in both Q2 2019 and Q1 2019) and a 10.7% increase in distribution of insurance products. Net fee and commission income for Q2 2019 was down 1.3% from €2,015m in Q2 2018. Specifically, commissions on commercial banking activities were down 2% and those on management, dealing and consultancy activities were down 3.2%. The latter recorded decreases of 9.3% in dealing and placement of securities, 1.4% in portfolio management (performance fees contributed €1m in Q2 2018) and 4.5% in distribution of insurance products.

Income from insurance business amounted to €284m from €291m in Q1 2019 and €281m in Q2 2018.

Profits on financial assets and liabilities at fair value amounted to €633m from €457m in Q1 2019. Contributions from customers decreased from €142m to €136m, those from capital markets decreased from €82m to €65m, those from trading and treasury increased from €217m to €426m and those from structured credit products decreased from €16m to €7m. Profits on financial assets and liabilities at fair value of €633m for Q2 2019 compare with profits of €448m in Q2 2018. In Q2 2018, contributions from customers amounted to €86m, those from capital markets to €98m, those from trading and treasury to €261m and those from structured credit products to €3m.

Operating income amounted to €4,677m, up 6.6% from €4,389m in Q1 2019 and up 1.5% from €4,607m in Q2 2018.

Operating costs amounted to €2,266m, up 2.8% from €2,204m in Q1 2019, as a result of increases of 2.2% in personnel expenses and 7% in administrative expenses and a decrease of 3.1% in adjustments. Operating costs for Q2 2019 were down 1.9% from €2,310m in Q2 2018, as a result of decreases of 2% in personnel expenses, 2.1% in administrative expenses and 0.8% in adjustments.

As a result, **operating margin** amounted to €2,411m, up 10.3% from €2,185m in Q1 2019 and up 5% from €2,297m in Q2 2018. The cost/income ratio was 48.4% in Q2 2019 versus 50.2% in Q1 2019 and 50.1% in Q2 2018.

Net adjustments to loans amounted to €554m from €369m in Q1 2019 and €694m in Q2 2018.

Net provisions and net impairment losses on other assets amounted to €37m from €30m in Q1 2019 and €35m in Q2 2018.

Other income amounted to €1m versus €6m in Q1 2019 and €3m in Q2 2018.

Income (Loss) from discontinued operations recorded a zero balance, the same as in Q1 2019, versus a €1m loss in Q2 2018.

Gross income amounted to €1,821m from €1,792m in Q1 2019 and €1,570m in Q2 2018.

Consolidated net income for the quarter amounted to €1,216m, after accounting:
- taxes on income of €449m;
- charges (net of tax) for integration and exit incentives of €30m;
- effect of purchase price allocation (net of tax) of €29m;
- levies and other charges concerning the banking industry (net of tax) of €96m. This derives from pre-tax charges of €114m in relation to the contribution to the resolution fund in addition to those estimated in Q1 2019 for the full year, €8m in relation to contributions to the deposit guarantee scheme concerning the international network and €14m in relation to levies incurred by international subsidiaries. In Q1 2019, this caption amounted to €146m, deriving from the following pre-tax figures: charges of €199m in relation to the ordinary contribution to the resolution fund estimated for full year 2019, €5m in relation to contributions to the deposit guarantee scheme concerning the international network, €12m in relation to levies incurred by international subsidiaries, and positive fair value differences of €8m regarding the *Atlante* fund. In Q2 2018, this caption amounted to €93m, deriving from pre-tax charges of €111m in relation to the contribution to the resolution fund in addition to those estimated in Q1 2018 for the full year, €8m in relation to contributions to the deposit guarantee scheme concerning the international network and €12m in relation to levies incurred by international subsidiaries.
- minority interests of €1m.

Net income of €1,216m in Q2 2019 compares with €1,050m in Q1 2019 and €927m in Q2 2018.

<u>The income statement for the first half of 2019</u>

The consolidated income statement for H1 2019 recorded **net interest income** of €3,517m, down 4.7% from €3,691m in H1 2018.

Net fee and commission income amounted to €3,875m, down 4.1% from €4,042m in H1 2018. Specifically, commissions on commercial banking activities were up 0.4% and commissions on management, dealing and consultancy activities were down 7.5%. The latter recorded decreases of 14% in dealing and placement of securities, 5.3% in portfolio management (performance fees contributed €2m, compared with €6m in H1 2018) and 9.1% in distribution of insurance products.

Income from insurance business amounted to €575m, the same as in H1 2018.

Profits on financial assets and liabilities at fair value amounted to €1,090m, compared with €1,057m in H1 2018 (which included the positive effect of €264m deriving from the fair value measurement and subsequent sale of the NTV investment). Contributions from customers increased from €225m to €278m, those from capital markets decreased from €382m (including the aforementioned positive effect due to NTV) to €147m, those from trading and treasury increased from €444m to €642m and those from structured credit products increased from €5m to €23m.

Operating income amounted to €9,066m, down 3.8% from €9,420m in H1 2018.

Operating costs amounted to €4,470m, down 3.2% from €4,619m in H1 2018, as a result of decreases of 2.6% in personnel expenses and 6.2% in administrative expenses and an increase of 0.2% in adjustments.

As a result, **operating margin** amounted to €4,596m, down 4.3% from €4,801m in H1 2018. The cost/income ratio was 49.3% in H1 2019 versus 49% in H1 2018.

Net adjustments to loans amounted to €923m from €1,177m in H1 2018.

Net provisions and net impairment losses on other assets amounted to €67m from €86m in H1 2018.

Other income amounted to €7m versus €1m in H1 2018.

Income (Loss) from discontinued operations recorded a zero balance, the same as in H1 2018.

Gross income amounted to €3,613m from €3,539m in H1 2018.

Consolidated net income for the first half of the year amounted to €2,266m, after accounting:

- taxes on income of €985m;
- charges (net of tax) for integration and exit incentives of €52m;
- effect of purchase price allocation (net of tax) of €69m;
- levies and other charges concerning the banking industry (net of tax) of €242m. This derives from the following pre-tax figures: charges of €313m in relation to the contribution to the resolution fund, €13m in relation to contributions to the deposit guarantee scheme concerning the international network, €26m in relation to levies incurred by international subsidiaries, and positive fair value differences of €8m regarding the *Atlante* fund. In H1 2018, this caption amounted to €219m, deriving from the following pre-tax figures: charges of €277m in relation to the contribution to the resolution fund, €12m in relation to contributions to the deposit guarantee scheme concerning the international network, €23m in relation to levies incurred by international subsidiaries, and positive fair value differences of €1m regarding the *Atlante* fund.
- losses pertaining to minority interests of €1m.

Net income of €2,266m in H1 2019 compares with €2,179m in H1 2018.

Balance sheet as at 30 June 2019

As regards the consolidated balance sheet figures, as at 30 June 2019 **loans to customers** amounted to €394bn, up 0.2% on year-end 2018 and down 1.4% on 30 June 2018 (down 0.5% on Q1 2019 and 2.3% on H1 2018 when taking into account quarterly and half-yearly average volumes (11)). Total **non-performing loans** (bad, unlikely-to-pay, and past due) amounted - net of adjustments - to €15,981m, down 3.7% from the €16,591m of year-end 2018. In detail, bad loans decreased to €7,054m from €7,138m as at year-end 2018, with a bad loan to total loan ratio of 1.8% (1.8% as at year-end 2018), and a cash coverage ratio of 65.9% (67.2% as at year-end 2018). Unlikely-to-pay loans decreased to €8,552m from €9,101m as at year-end 2018. Past due loans amounted to €375m from €352m as at year-end 2018.

Customer financial assets amounted to €939bn, up 3% on year-end 2018 and down 1% on 30 June 2018. Under customer financial assets, **direct deposits from banking business** amounted to €423bn, up 1.9% on year-end 2018 and down 1.8% on 30 June 2018. **Direct deposits from insurance business and technical reserves** amounted to €158bn, up 5.5% on year-end 2018 and up 4% on 30 June 2018. Indirect customer deposits amounted to €515bn, up 3.9% on year-end 2018 and down 0.2% on 30 June 2018. **Assets under management** amounted to €344bn, up 4.1% on year-end 2018 and up 1.2% on 30 June 2018. As for bancassurance, in H1 2019 the new business for life policies amounted to €7.5bn. Assets held under administration and in custody amounted to €171bn, up 3.6% on year-end 2018 and down 2.9% on 30 June 2018.

Capital ratios as at 30 June 2019, calculated by applying the transitional arrangements for 2019 and taking into account €1,813m of dividends accrued in the first half of 2019, were as follows:
- Common Equity Tier 1 ratio (12) at 13.6% (13.5% at year-end 2018 (13)),
- Tier 1 ratio (12) at 15.3% (15.2% at year-end 2018 (13)),
- total capital ratio (12) at 17.6% (17.7% at year-end 2018 (13)).

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(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, equal to 80% of net income for the first half of the year, and the 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 12.3% for the Common Equity Tier 1 ratio, 14% for the Tier 1 ratio and 16.6% for the total capital ratio. These would be 12.8%, 14.4% and 17.1%, respectively, when taking into account the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital), in respect of which the process of recognition has been launched.

(13) 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 12% for the Common Equity Tier 1 ratio, 13.8% for the Tier 1 ratio and 16.5% for the total capital ratio. These would be 12.5%, 14.2% and 17.1%, respectively, when taking into account the Danish compromise.

The estimated pro-forma Common Equity Tier 1 ratio for the Group on a **fully loaded basis** was 13.9% (13.6% at year-end 2018). It was calculated by applying the fully loaded parameters to the financial statements as at 30 June 2019, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 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, as well as the expected absorption of DTAs on losses carried forward and the expected distribution of the H1 2019 net income of insurance companies that exceeds the amount of reserves already distributed in the first quarter.

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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 €110bn at the end of June 2019;
- 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 €191bn at the end of June 2019;
- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €60.5bn in Q2 2019 (an average of €60.5bn in Q1 2019 and €61.9bn in 2018). 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 77% of direct deposits from banking business (including securities issued);
- medium/long-term wholesale funding was €1.6bn in H1 2019 and included benchmark transactions of €1bn covered bonds and JPY13.2bn senior (around 90% were placed with foreign investors).

The Group’s **leverage ratio** as at 30 June 2019 was 6.1% applying the transitional arrangements for 2019 and 5.5% fully loaded, both best in class among major European banking groups.

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As at 30 June 2019, the Intesa Sanpaolo Group’s **operating structure** had a total network of 4,967 branches, consisting of 3,901 branches in Italy and 1,066 abroad, and employed 90,888 people.

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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, and Mediocredito Italiano which is the SME Finance Hub.

In the second quarter of 2019, the Banca dei Territori Division recorded:
- operating income of €2,215m, +1% versus €2,194m in Q1 2019;
- operating costs of €1,251m, +1.5% versus €1,233m in Q1 2019;
- operating margin of €964m, +0.3% versus €961m in Q1 2019;
- a cost/income ratio of 56.5% versus 56.2% in Q1 2019;
- net provisions and adjustments of €362m, versus €232m in Q1 2019;
- gross income of €602m, -17.5% versus €730m in Q1 2019;
- net income of €379m, -17.4% versus €460m in Q1 2019.

In the first half of 2019, the Banca dei Territori Division recorded:
- operating income of €4,410m, -6.8% versus €4,731m in H1 2018, contributing approximately 49% of the consolidated operating income (50% in H1 2018);
- operating costs of €2,484m, -7% versus €2,671m in H1 2018;
- operating margin of €1,926m, -6.5% versus €2,060m in H1 2018;
- a cost/income ratio of 56.3% versus 56.5% in H1 2018;
- net provisions and adjustments of €594m, versus €843m in H1 2018;
- gross income of €1,332m, +9.4% versus €1,217m in H1 2018;
- net income of €839m, +9.2% versus €768m in H1 2018.

The **Corporate and Investment Banking** Division includes:
- Global Corporate, which manages the relationship with corporate clients with a turnover higher than €350m, 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 second quarter of 2019, the Corporate and Investment Banking Division recorded:
- operating income of €1,238m, +47.4% versus €840m in Q1 2019;
- operating costs of €251m, -0.5% versus €253m in Q1 2019;
- operating margin of €987m, +68% versus €588m in Q1 2019;
- a cost/income ratio of 20.3% versus 30.1% in Q1 2019;
- net provisions and adjustments of €70m, versus €52m in Q1 2019;
- gross income of €920m, +71.7% versus €536m in Q1 2019;
- net income of €619m, +70.3% versus €363m in Q1 2019.

In the first half of 2019, the Corporate and Investment Banking Division recorded:
- operating income of €2,079m, -1.2% versus €2,105m in H1 2018, contributing approximately 23% of the consolidated operating income (22% in H1 2018);
- operating costs of €504m, -1.2% versus €510m in H1 2018;
- operating margin of €1,575m, -1.3% versus €1,595m in H1 2018;
- a cost/income ratio of 24.2% in line with H1 2018;
- net provisions and adjustments of €122m, versus €19m in H1 2018;
- gross income of €1,456m, -7.6% versus €1,576m in H1 2018;
- net income of €983m, -13.4% versus €1,135m in H1 2018.

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 second quarter of 2019, the International Subsidiary Banks Division recorded:
- operating income of €504m, +4.4% versus €482m in Q1 2019;
- operating costs of €241m, +1.2% versus €238m in Q1 2019;
- operating margin of €263m, +7.6% versus €245m in Q1 2019;
- a cost/income ratio of 47.8% versus 49.3% in Q1 2019;
- net provisions and adjustments of €28m, versus €3m in Q1 2019;
- gross income of €238m, -1.5% versus €242m in Q1 2019;
- net income of €189m, +4.6% versus €181m in Q1 2019.

In the first half of 2019, the International Subsidiary Banks Division recorded:
- operating income of €986m, -0.4% versus €990m in H1 2018, contributing approximately 11% of the consolidated operating income (11% in H1 2018 as well);
- operating costs of €478m, +0.2% versus €477m in H1 2018;
- operating margin of €508m, -1% versus €513m in H1 2018;
- a cost/income ratio of 48.5% versus 48.2% in H1 2018;
- net provisions and adjustments of €31m, versus €29m in H1 2018;
- gross income of €481m, -1% versus €486m in H1 2018;
- net income of €371m, -1.9% versus €378m in H1 2018.

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) Morval and Fideuram Asset Management Ireland.

In the second quarter of 2019, the Private Banking Division recorded:
- operating income of €474m, -2.7% versus €488m in Q1 2019;
- operating costs of €141m, -4.4% versus €147m in Q1 2019;
- operating margin of €334m, -2% versus €340m in Q1 2019;
- a cost/income ratio of 29.7% versus 30.2% in Q1 2019;
- net provisions and adjustments of €6m versus €19m in Q1 2019;
- gross income of €328m, -0.9% versus €330m in Q1 2019;
- net income of €232m, in line with Q1 2019.

In the first half of 2019, the Private Banking Division recorded:
- operating income of €962m, +1.2% versus €951m in H1 2018, contributing approximately 11% of the consolidated operating income (10% in H1 2018);
- operating costs of €288m, +3.2% versus €279m in H1 2018;
- operating margin of €674m, +0.3% versus €672m in H1 2018;
- a cost/income ratio of 29.9% versus 29.3% in H1 2018;
- net provisions and adjustments of €25m versus €12m in H1 2018;
- gross income of €658m, -1.6% versus €669m in H1 2018;
- net income of €465m, +0.9% versus €461m in H1 2018.

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 UCITS with limited tracking error, VUB Asset Management (Slovakia), which heads up the Hungarian company CIB IFM and the Croatian company PBZ Invest (the asset management hub in Eastern Europe), Epsilon Associati SGR, a company specialising in active portfolio management and, specifically, in quantitative and multi-strategy management with total-return investment objectives. Eurizon Capital owns 49% of the Chinese asset management company Penghua Fund Management.

In the second quarter of 2019, the Asset Management Division recorded:
- operating income of €183m, +1.8% versus €180m in Q1 2019;
- operating costs of €35m, -2.9% versus €36m in Q1 2019;
- operating margin of €148m, +3% versus €144m in Q1 2019;
- a cost/income ratio of 19.2% versus 20.2% in Q1 2019;
- gross income of €148m, +3% versus €144m in Q1 2019;
- net income of €109m, -6.5% versus €117m in Q1 2019.

In the first half of 2019, the Asset Management Division recorded:
- operating income of €364m, -1.6% versus €370m in H1 2018, contributing approximately 4% of the consolidated operating income (4% in H1 2018 as well);
- operating costs of €72m, -6.5% versus €77m in H1 2018;
- operating margin of €292m, -0.3% versus €293m in H1 2018;
- a cost/income ratio of 19.8% versus 20.8% in H1 2018;
- gross income of €292m, -0.3% versus €293m in H1 2018;
- net income of €226m, -2.6% versus €232m in H1 2018.

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 second quarter of 2019, the Insurance Division recorded:
- operating income of €278m, +5.3% versus €264m in Q1 2019;
- operating costs of €49m, +10.4% versus €44m in Q1 2019;
- operating margin of €229m, +4.3% versus €219m in Q1 2019;
- a cost/income ratio of 17.7% versus 16.8% in Q1 2019;
- net provisions and adjustments of €1m, versus no net provisions and adjustments in Q1 2019;
- gross income of €228m, +3.8% versus €220m in Q1 2019;
- net income of €167m, +5.9% versus €157m in Q1 2019.

In the first half of 2019, the Insurance Division recorded:
- operating income of €542m, -12.6% versus €620m in H1 2018, contributing approximately 6% of the consolidated operating income (7% in H1 2018);
- operating costs of €94m, +10.6% versus €85m in H1 2018;
- operating margin of €448m, -16.3% versus €535m in H1 2018;
- a cost/income ratio of 17.3% versus 13.7% in H1 2018;
- no net provisions and adjustments, versus net provisions and adjustments of €2m in H1 2018;
- gross income of €448m, -15.9% versus €533m in H1 2018;
- net income of €324m, -16.5% versus €388m in H1 2018.

The outlook for 2019

In 2019, the Group’s net income is expected to grow compared with 2018 as a result of growth in revenues, continuous reduction in operating costs and decrease in the cost of risk. The dividend policy for 2019 envisages the distribution of cash dividends corresponding to a payout ratio of 80% of net income.

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For consistency purpose, the income statement figures for the four quarters of 2018 were restated following:

- the adoption of IFRS 16;
- the inclusion of the investment in Autostrade Lombarde into the full scope of consolidation, with the related items consolidated line by line and operating income fully recognised in "other operating income (expenses)" due to the company not being part of the Banking Group (given that Intesa Sanpaolo does not exercise management and control on it), and the corresponding net income included under minority interests;
- the reclassification of operating income of Risanamento, which was fully recognised in "other operating income (expenses)", similarly to Autostrade Lombarde, due to Risanamento, too, not being part of the Banking Group (given that Intesa Sanpaolo does not exercise management and control on it);
- the reclassification of commissions from placement of certificates from "profits (losses) on financial assets and liabilities designated at fair value" to "net fee and commission income";
- the reclassification of expenses relating to personnel transferred to Intrum from "personnel expenses" to "administrative expenses";
- the reclassification of charges concerning the banking industry borne by international subsidiaries from "other operating income (expenses)" to "levies and other charges concerning the banking industry (net of tax)" and "taxes on income".

* * *

In order to present more complete information on the results generated in the first half of 2019, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the report approved by the Board of Directors are attached. Please note that the auditing company in charge of performing the limited review of the half-yearly report has not yet completed its analysis.

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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.

* * *

This press release contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

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Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	30.06.2019	30.06.2018	Changes	
			amount	%
Net interest income	3,517	3,691	-174	-4.7
Net fee and commission income	3,875	4,042	-167	-4.1
Income from insurance business	575	575	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	1,090	1,057	33	3.1
Other operating income (expenses)	9	55	-46	-83.6
Operating income	**9,066**	**9,420**	**-354**	**-3.8**
Personnel expenses	-2,805	-2,879	-74	-2.6
Other administrative expenses	-1,153	-1,229	-76	-6.2
Adjustments to property, equipment and intangible assets	-512	-511	1	0.2
Operating costs	**-4,470**	**-4,619**	**-149**	**-3.2**
Operating margin	**4,596**	**4,801**	**-205**	**-4.3**
Net adjustments to loans	-923	-1,177	-254	-21.6
Other net provisions and net impairment losses on other assets	-67	-86	-19	-22.1
Other income (expenses)	7	1	6	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**3,613**	**3,539**	**74**	**2.1**
Taxes on income	-985	-1,045	-60	-5.7
Charges (net of tax) for integration and exit incentives	-52	-35	17	48.6
Effect of purchase price allocation (net of tax)	-69	-70	-1	-1.4
Levies and other charges concerning the banking industry (net of tax)	-242	-219	23	10.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	1	9	-8	-88.9
Net income (loss)	**2,266**	**2,179**	**87**	**4.0**

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

(millions of euro)

	2019		2018			
	Second quarter	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Net interest income	1,761	1,756	1,736	1,844	1,838	1,853
Net fee and commission income	1,989	1,886	2,029	1,959	2,015	2,027
Income from insurance business	284	291	238	271	281	294
Profits (Losses) on financial assets and liabilities designated at fair value	633	457	204	208	448	609
Other operating income (expenses)	10	-1	-11	-11	25	30
Operating income	**4,677**	**4,389**	**4,196**	**4,271**	**4,607**	**4,813**
Personnel expenses	-1,418	-1,387	-1,519	-1,415	-1,447	-1,432
Other administrative expenses	-596	-557	-753	-637	-609	-620
Adjustments to property, equipment and intangible assets	-252	-260	-287	-259	-254	-257
Operating costs	**-2,266**	**-2,204**	**-2,559**	**-2,311**	**-2,310**	**-2,309**
Operating margin	**2,411**	**2,185**	**1,637**	**1,960**	**2,297**	**2,504**
Net adjustments to loans	-554	-369	-698	-519	-694	-483
Other net provisions and net impairment losses on other assets	-37	-30	-76	-25	-35	-51
Other income (expenses)	1	6	507	-2	3	-2
Income (Loss) from discontinued operations	-	-	-	-	-1	1
Gross income (loss)	**1,821**	**1,792**	**1,370**	**1,414**	**1,570**	**1,969**
Taxes on income	-449	-536	-173	-432	-504	-541
Charges (net of tax) for integration and exit incentives	-30	-22	-54	-31	-16	-19
Effect of purchase price allocation (net of tax)	-29	-40	-49	-38	-26	-44
Levies and other charges concerning the banking industry (net of tax)	-96	-146	-69	-90	-93	-126
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-1	2	13	10	-4	13
Net income (loss)	**1,216**	**1,050**	**1,038**	**833**	**927**	**1,252**

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

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	30.06.2019	01.01.2019	Changes	
			amount	%
Due from banks	77,141	68,723	8,418	12.2
Loans to customers	394,253	393,550	*703*	*0.2*
Loans to customers measured at amortised cost	*393,243*	*392,945*	*298*	*0.1*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,010*	*605*	*405*	*66.9*
Financial assets measured at amortised cost which do not constitute loans	20,396	14,183	6,213	43.8
Financial assets at fair value through profit or loss	52,693	41,536	11,157	26.9
Financial assets at fair value through other comprehensive income	65,996	60,441	5,555	9.2
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	159,171	149,546	9,625	6.4
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	568	952	-384	-40.3
Investments in associates and companies subject to joint control	1,071	943	128	13.6
Property, equipment and intangible assets	16,895	17,081	-186	-1.1
Assets owned	*15,325*	*15,452*	*-127*	*-0.8*
Rights of use acquired under leases	*1,570*	*1,629*	*-59*	*-3.6*
Tax assets	16,120	17,253	-1,133	-6.6
Non-current assets held for sale and discontinued operations	803	1,297	-494	-38.1
Other assets	23,258	23,811	-553	-2.3
Total Assets	**828,365**	**789,316**	**39,049**	**4.9**

Liabilities	30.06.2019	01.01.2019	Changes	
			amount	%
Due to banks at amortised cost	120,077	107,815	12,262	11.4
Due to customers at amortised cost and securities issued	411,588	405,960	5,628	1.4
Financial liabilities held for trading	51,187	41,895	9,292	22.2
Financial liabilities designated at fair value	4	4	-	-
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	847	810	37	4.6
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	72,027	67,800	4,227	6.2
Tax liabilities	2,056	2,433	-377	-15.5
Liabilities associated with non-current assets held for sale and discontinued operations	254	258	-4	-1.6
Other liabilities	26,483	20,859	5,624	27.0
of which lease payables	*1,547*	*1,603*	*-56*	*-3.5*
Technical reserves	84,710	80,797	3,913	4.8
Allowances for risks and charges	5,260	6,254	-994	-15.9
of which allowances for commitments and financial guarantees given	*450*	*510*	*-60*	*-11.8*
Share capital	9,086	9,085	1	-
Reserves	38,232	37,690	542	1.4
Valuation reserves	-474	-913	-439	-48.1
Valuation reserves pertaining to insurance companies	322	9	313	
Equity instruments	4,103	4,103	-	-
Minority interests	337	407	-70	-17.2
Net income (loss)	2,266	4,050	-1,784	-44.0
Total liabilities and shareholders' equity	**828,365**	**789,316**	**39,049**	**4.9**

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	**2019**			**2018**			
	30/6	**31/3**	**1/1**	**31/12**	**30/9**	**30/6**	**31/3**
Due from banks	77,141	85,515	68,723	68,723	71,178	69,876	70,646
Loans to customers	394,253	395,595	393,550	393,550	395,265	399,704	400,958
Loans to customers measured at amortised cost	*393,243*	*394,990*	*392,945*	*392,945*	*394,543*	*399,083*	*400,344*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,010*	*605*	*605*	*605*	*722*	*621*	*614*
Financial assets measured at amortised cost which do not constitute loans	20,396	19,995	14,183	14,183	12,528	12,181	11,688
Financial assets at fair value through profit or loss	52,693	47,626	41,536	41,536	41,377	42,158	42,115
Financial assets at fair value through other comprehensive income	65,996	66,406	60,441	60,441	67,174	61,836	60,556
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	159,171	155,240	149,546	149,546	153,350	152,229	153,550
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	568	702	952	952	638	682	476
Investments in associates and companies subject to joint control	1,071	1,075	943	943	592	602	608
Property, equipment and intangible assets	16,895	16,899	17,081	15,474	14,352	14,410	14,400
Assets owned	*15,325*	*15,317*	*15,452*				
Rights of use acquired under leases	*1,570*	*1,582*	*1,629*				
Tax assets	16,120	16,854	17,253	17,253	17,116	17,120	17,354
Non-current assets held for sale and discontinued operations	803	1,236	1,297	1,297	3,694	3,609	751
Other assets	23,258	22,137	23,811	23,823	21,697	21,288	22,046
Total Assets	**828,365**	**829,280**	**789,316**	**787,721**	**798,961**	**795,695**	**795,148**

Liabilities and Shareholders' Equity	**2019**			**2018**			
	30/6	**31/3**	**1/1**	**31/12**	**30/9**	**30/6**	**31/3**
Due to banks at amortised cost	120,077	123,165	107,815	107,815	107,551	99,059	98,313
Due to customers at amortised cost and securities issued	411,588	416,505	405,960	405,960	417,801	424,836	417,731
Financial liabilities held for trading	51,187	48,433	41,895	41,895	39,866	39,482	39,753
Financial liabilities designated at fair value	4	4	4	4	4	4	4
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	847	846	810	810	905	1,413	1,394
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	72,027	70,955	67,800	67,800	71,069	70,337	69,058
Tax liabilities	2,056	2,675	2,433	2,433	2,229	2,145	2,577
Liabilities associated with non-current assets held for sale and discontinued operations	254	260	258	258	312	261	266
Other liabilities	26,483	22,675	20,859	19,264	19,370	20,190	21,073
of which lease payables	*1,547*	*1,553*	*1,603*				
Technical reserves	84,710	82,508	80,797	80,797	80,449	79,842	82,656
Allowances for risks and charges	5,260	5,694	6,254	6,254	6,566	6,877	7,242
of which allowances for commitments and financial guarantees given	*450*	*449*	*510*	*510*	*490*	*473*	*503*
Share capital	9,086	9,085	9,085	9,085	9,084	8,732	8,732
Reserves	38,232	41,704	37,690	37,690	37,949	37,212	40,796
Valuation reserves	-474	-877	-913	-913	-1,631	-1,366	-760
Valuation reserves pertaining to insurance companies	322	137	9	9	-44	3	429
Equity instruments	4,103	4,103	4,103	4,103	4,103	4,103	4,103
Minority interests	337	358	407	407	366	386	529
Net income (loss)	2,266	1,050	4,050	4,050	3,012	2,179	1,252
Total Liabilities and Shareholders' Equity	**828,365**	**829,280**	**789,316**	**787,721**	**798,961**	**795,695**	**795,148**

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)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
30.06.2019	4,410	2,079	986	962	364	542	-277	9,066
30.06.2018	4,731	2,105	990	951	370	620	-347	9,420
% change	-6.8	-1.2	-0.4	1.2	-1.6	-12.6	-20.2	-3.8
Operating costs								
30.06.2019	-2,484	-504	-478	-288	-72	-94	-550	-4,470
30.06.2018	-2,671	-510	-477	-279	-77	-85	-520	-4,619
% change	-7.0	-1.2	0.2	3.2	-6.5	10.6	5.8	-3.2
Operating margin								
30.06.2019	1,926	1,575	508	674	292	448	-827	4,596
30.06.2018	2,060	1,595	513	672	293	535	-867	4,801
% change	-6.5	-1.3	-1.0	0.3	-0.3	-16.3	-4.6	-4.3
Net income (loss)								
30.06.2019	839	983	371	465	226	324	-942	2,266
30.06.2018	768	1,135	378	461	232	388	-1,183	2,179
% change	9.2	-13.4	-1.9	0.9	-2.6	-16.5	-20.4	4.0

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
30.06.2019	207,661	112,929	32,713	9,620	258	-	31,072	394,253
01.01.2019	211,491	110,642	31,538	9,530	228	-	30,121	393,550
% change	-1.8	2.1	3.7	0.9	13.2	-	3.2	0.2
Direct deposits from banking business								
30.06.2019	195,425	102,578	41,635	35,486	10	-	48,024	423,158
01.01.2019	191,588	102,449	39,384	32,103	6	-	49,552	415,082
% change	2.0	0.1	5.7	10.5	66.7	-	-3.1	1.9

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