



1Q19 Results

A Solid Start to the Year

**A Strong Bank for
a Digital World**

May 7, 2019

INTESA  SANPAOLO

A Solid Start to the Year...

€1,050m Net income, +4.4% vs 1Q18 excluding the positive impact from the sale of the NTV stake⁽¹⁾

**€4,389m Operating income (+4.6% vs 4Q18⁽²⁾), with Net interest income up 1.2% vs 4Q18⁽²⁾, and
€1,792m Gross income (+30.8% vs 4Q18⁽²⁾)**

Strong decrease in Operating costs (-4.5% vs 1Q18⁽²⁾) with Cost/Income at 50.2%

**The lowest ever Q1 NPL inflow: LLPs down 23.6% vs 1Q18, with increased
NPL coverage (54.1% vs 52.7% at 31.3.18⁽³⁾)**

**€15.1bn NPL deleveraging since 31.3.18 at no cost to shareholders (€29bn since the September 2015
peak, €1bn in Q1); the lowest NPL stock since 2009 and the lowest Net NPL ratio since 2008**

64% of targeted 2018-2021 NPL deleveraging already achieved

**Common Equity⁽⁴⁾ ratio at 13.5%, well above regulatory requirements even under the EBA stress test
adverse scenario, despite the widened sovereign bond spread and TRIM and IFRS16 impacts**

Strong commitment to Corporate Social Responsibility through a variety of concrete initiatives

(1) €264m pre-tax positive impact (€246m net of tax) booked in 1Q18, deriving from the sale of the NTV stake

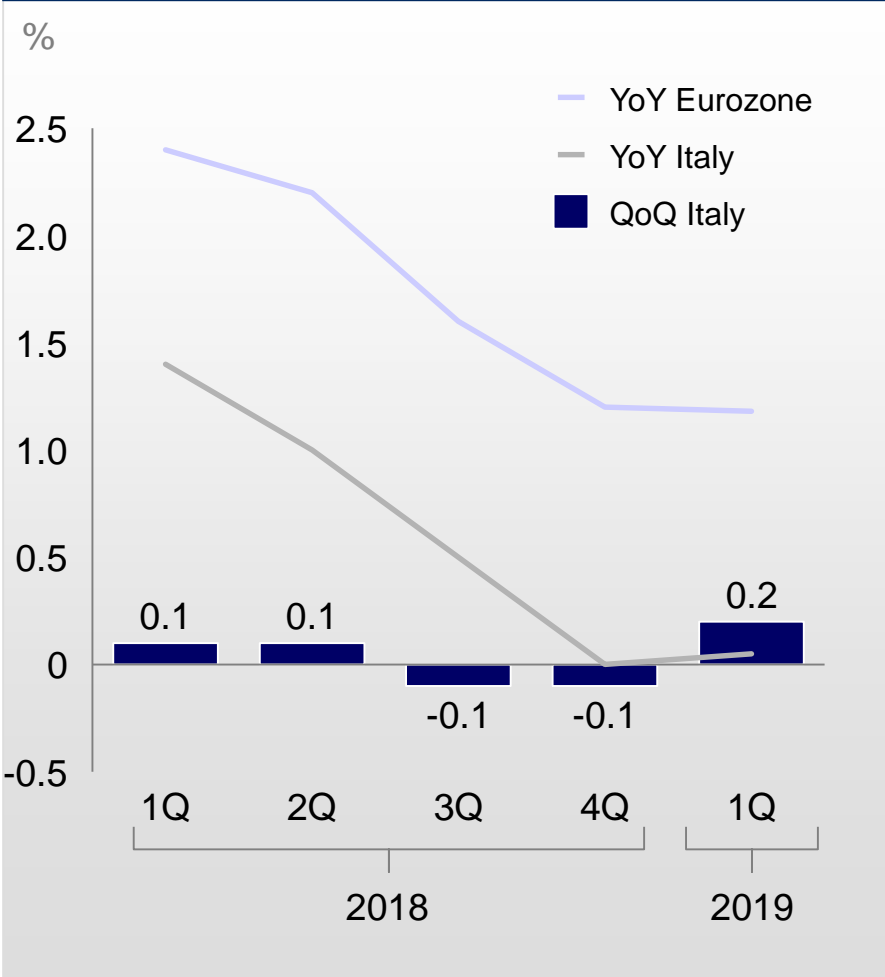
(2) Data restated for IFRS16, the full line-by-line consolidation of Autostrade Lombarde, and the reclassification of Risanamento Operating income entirely to "Other operating income (expenses)", placement fees for certificates from "Profits on financial assets and liabilities at fair value" to "Net fee and commission income", expenses for employees transferred to Tersia (Intrum deal) to "Other administrative expenses", and international subsidiaries charges concerning the banking industry from "Other operating income (expenses)" to "Levies and other charges concerning the banking industry (net of tax)" and to "Taxes on income"

(3) Pro-forma including Intrum agreement

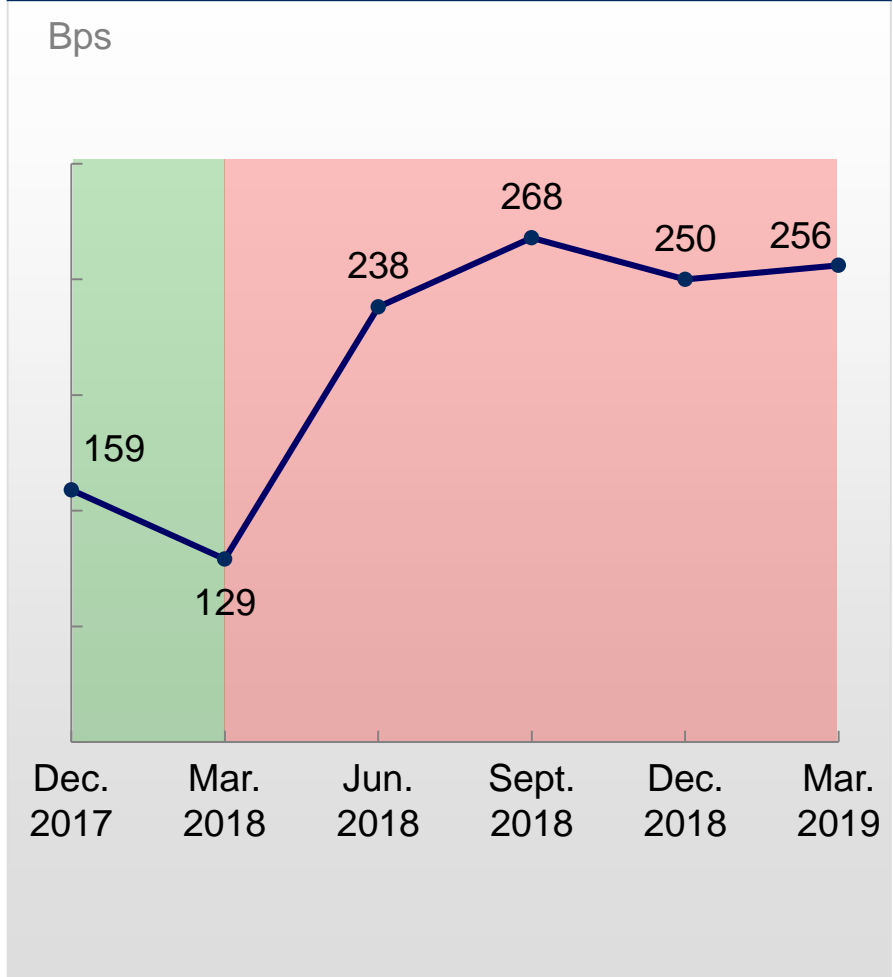
(4) Pro-forma fully loaded Basel 3 (31.3.19 financial statements considering the total absorption of DTA related to IFRS9 FTA, goodwill realignment/adjustments to loans/non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the operations of the two former Venetian banks, the expected distribution of 1Q19 Net income of insurance companies - exceeding reserves already distributed in the quarter - and the expected absorption of DTA on losses carried forward)

... Despite a Challenging Environment

Italian and Eurozone GDP growth⁽¹⁾



10-year BTP-Bund spread⁽²⁾



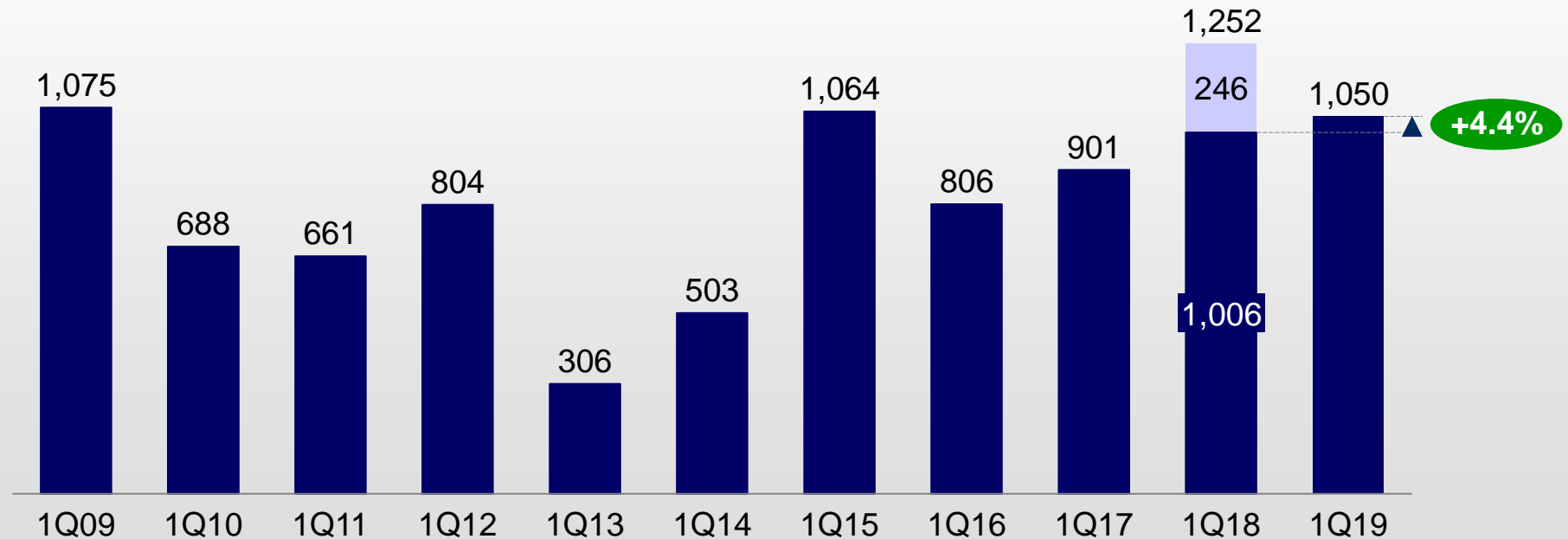
(1) Source: Eurostat, ISTAT
 (2) Source: Bloomberg

One of the Best First Quarters since 2008 for Net Income thanks to Core Operating Performance

Net income

€ m

NTV positive impact⁽¹⁾

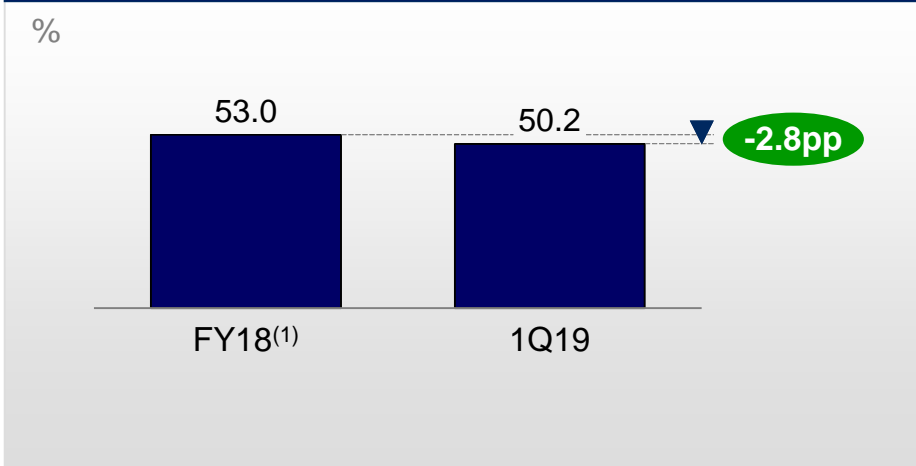


Firmly on track to deliver 2019 Net income higher than 2018

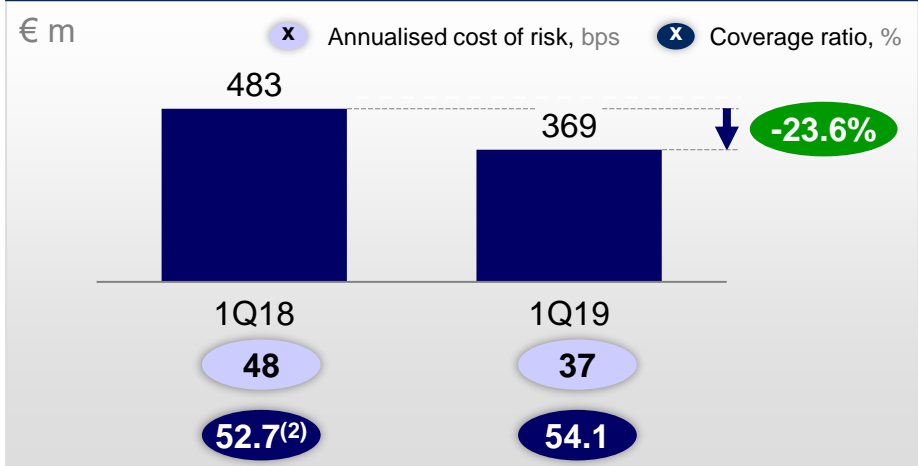
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Solid Performance Delivered

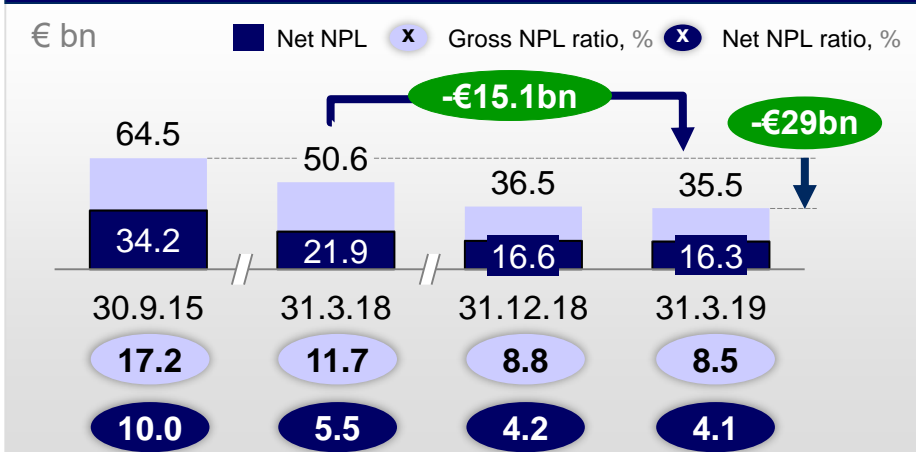
Cost/Income



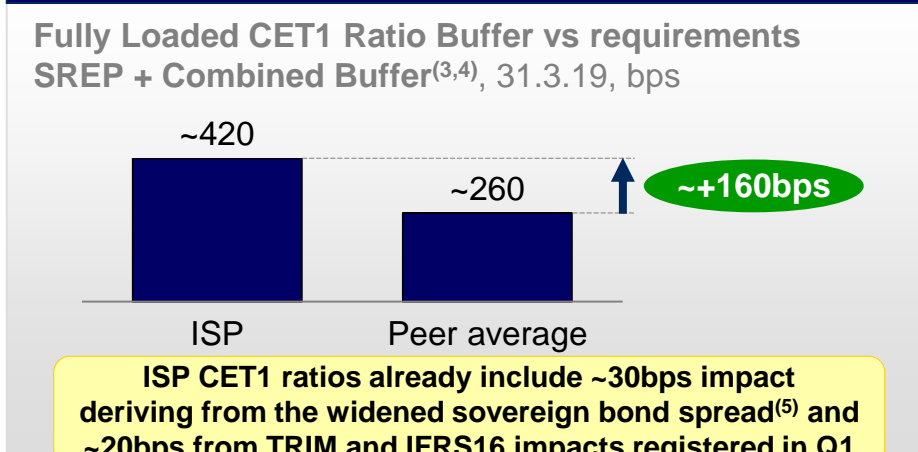
Loan loss provisions



NPL stock



Excess capital



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(4) Sample: BBVA, BNP Paribas, Deutsche Bank, ING Group, Nordea, Santander and Société Générale (31.3.19 data); BPCE, Commerzbank, Crédit Agricole Group and UniCredit (31.12.18 data). Source: Investors' Presentations, Press Releases, Conference Calls, Financial Statements

(5) 10y BTP-Bund spread: from 129bps at 31.3.18 to 250bps at 31.12.18 and 256bps at 31.3.19

ISP Continues to Be a Top Performing Delivery Machine Built on a Very Resilient and Well-diversified Business Model



Delivery machine focused on Business Plan priorities

- **€15.1bn** NPL deleveraging on a yearly basis; **64%** of 2018-2021 target already achieved
- Annualised cost of risk down to **37bps** (61bps in 2018), with the lowest LLPs since 2008

- Costs down **4.5%** YoY, while investing for growth
- Cost/Income down to **50.2%** vs 53.0% in FY18⁽¹⁾

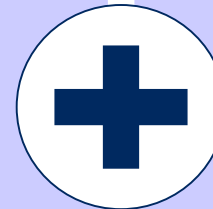
- **Resilient** revenues (+4.6% vs 4Q18⁽¹⁾, -3.5% YoY, excluding NTV) despite a challenging environment

A very resilient and well-diversified business model

Best-in-class **credit recovery** and **NPL deal making capabilities** (at no cost to shareholders)

High **strategic flexibility** in managing costs

A **Wealth Management and Protection company** driven by a **client-centric approach**, with financial market activities **naturally hedging** the impact of volatility on fee-based business



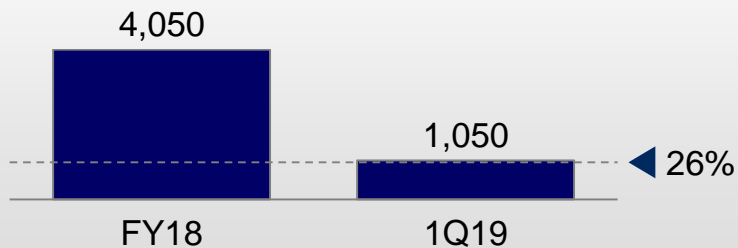
Sustainable profitability coupled with strong liquidity and capital position

(1) Data restated for IFRS16, the full line-by-line consolidation of Autostrade Lombarde, and the reclassification of Risanamento Operating income entirely to "Other operating income (expenses)", placement fees for certificates from "Profits on financial assets and liabilities at fair value" to "Net fee and commission income", expenses for employees transferred to Tersia (Intrum deal) to "Other administrative expenses", and international subsidiaries charges concerning the banking industry from "Other operating income (expenses)" to "Levies and other charges concerning the banking industry (net of tax)" and to "Taxes on income"

All Stakeholders Benefit from Our Solid Performance

Shareholders

Net income, € m

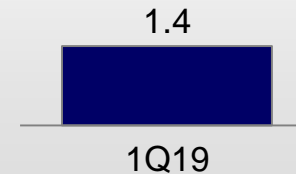


2019 payout ratio: 80%

Employees

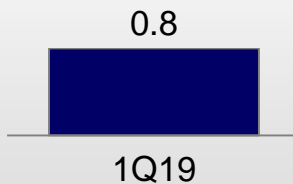
Personnel expenses, € bn

Excess capacity of ~5,000 people being reskilled (with ~1,450 already redeployed to priority initiatives)



Public Sector

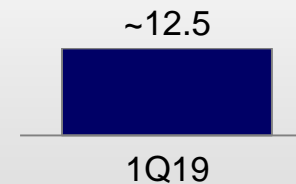
Taxes⁽¹⁾, € bn



Households and Businesses

Medium/Long-term new lending, € bn

Of which ~€10.5bn in Italy



ISP helped ~5,000 Italian companies return to performing status⁽²⁾ in Q1 (~100,000 since 2014)

(1) Direct and indirect
(2) Deriving from Non-performing loans outflow

ISP: Supporting Italy through a World-class Reference Model on Social and Cultural Responsibility

SELECTED HIGHLIGHTS

Initiatives to **reduce child poverty** and to **support people in need** well ahead of Business Plan target, delivering since 2018:

~3.9 million meals

~116,000 dormitory beds

~57,000 medicine prescriptions

~36,000 articles of clothing

Evaluated **~400 start-ups** in 1Q19 (~950 since 2018) and launched **accelerator programs** with **36 coached start-ups** in 1Q19 (147 since 2018), introducing them to selected investors and ecosystem players (~1,200 to date)

€5bn Circular Economy credit Plafond: 102 projects evaluated, of which 13 already financed for **~€300m**

The **Circular Economy Lab** for Corporate clients is running **Open Innovation Programs**

ISP Fund for Impact launched in 4Q18 (~€1.25bn lending capacity)

Launched "**Per Merito**", first line of credit without collateral dedicated to all Italian university students, studying in Italy or abroad. €130,000 already granted in the first month



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Supported families affected by earthquakes and natural disasters **by forgiving or allowing moratoria of mortgages** on destroyed properties and subsidised loans (>€28m subsidised loans granted in 1Q19, over €225m since 2018)

Supported families and businesses affected by **Genoa bridge collapse** with a €4.5m plafond for unilateral mortgage forgiveness (€0.5m already forgiven) and €50m plafond for reconstruction (€1.4m granted)

In 1Q19 **~175,000 visitors** to ISP "*Gallerie d'Italia*" museums (500,000 in 2018) and **over 33,000 students** participating in the free educational activities (73,000 in 2018)

The "*Romanticismo*" exhibit is one of the most visited in Italy with some **180,000 visitors** and 14 major exhibits held in 2018

30 artworks from our corporate collection **on loan** in 1Q19 (140 in 2018) to Italian and international museums and more than **100 art historians** currently working at "*Gallerie d'Italia*"



ISP Included in the Main Sustainability Indexes and Rankings








The only Italian bank listed in the **Dow Jones Sustainability Indexes (World and Europe)** and in the **CDP Climate Change A List 2018**








The only Italian bank listed in the **2019 Corporate Knights “Global 100 Most Sustainable Corporations in the World Index”**

1Q19: Highlights

■ Solid economic performance:

- **€1,050m Net income**, one of the best of the past decade (+4.4% vs 1Q18 excluding NTV positive impact), achieved thanks to solid core operating performance 
- **€4,389m Operating income (+4.6% vs 4Q18⁽¹⁾)**, with **Net interest income up 1.2% vs 4Q18⁽¹⁾**, and **€1,792m Gross income (+30.8% vs 4Q18⁽¹⁾)** 
- **Strong decrease in Operating costs (-4.5% vs 1Q18⁽¹⁾)** with **Cost/Income ratio at 50.2%** 
- **Strong reduction in Loan loss provisions (-23.6% vs 1Q18)**, with **annualised cost of risk down to 37bps (vs 61bps in FY18)** 
- **Increased NPL coverage (54.1% vs 52.7% as at 31.3.18⁽²⁾)** coupled with **the lowest ever Q1 NPL inflow** 

■ Best-in-class capital position with balance sheet further strengthened:

- **€15.1bn NPL deleveraging since 31.3.18 (€29bn since the September 2015 peak, €1bn in Q1)**, well ahead of the 2018-2021 Gross NPL Business Plan target 
- **The lowest NPL stock since 2009 and the lowest Net NPL ratio since 2008** 
- **Common Equity⁽³⁾ ratio at 13.5%**, well above regulatory requirements even under EBA stress test adverse scenario, despite widened sovereign bond spread and TRIM and IFRS16 impacts registered in Q1 
- **Best-in-class leverage ratio: 6%** 
- **Strong liquidity position: LCR and NSFR well above 100%** 

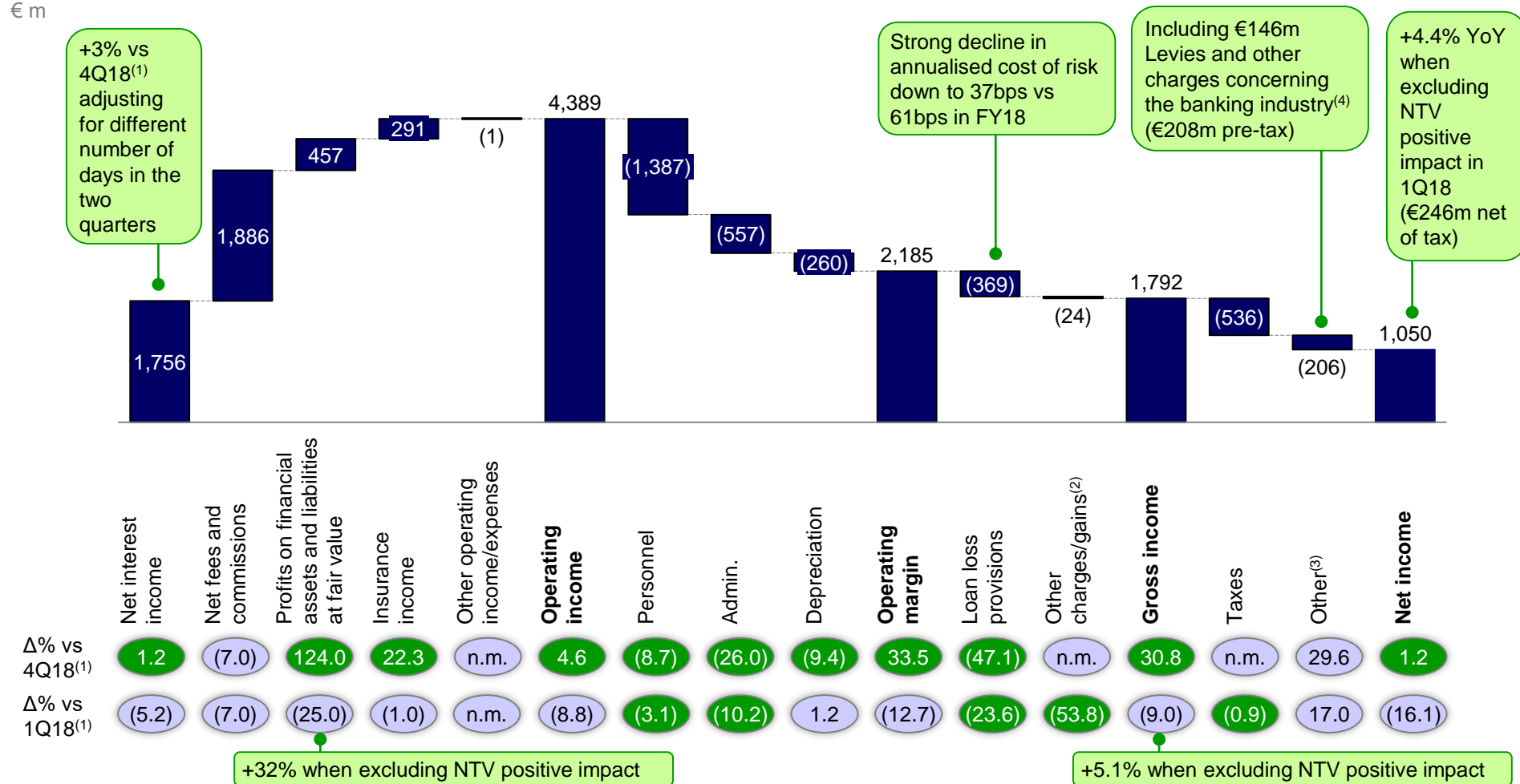
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Growth in Profitability Driven by a Strong Reduction in Operating Costs and Loan Loss Provisions in a Challenging Revenue Environment

1Q19 P&L
€ m



Note: figures may not add up exactly due to rounding

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(2) Net provisions and net impairment losses on other assets, Other income (expenses), Income (Loss) from discontinued operations

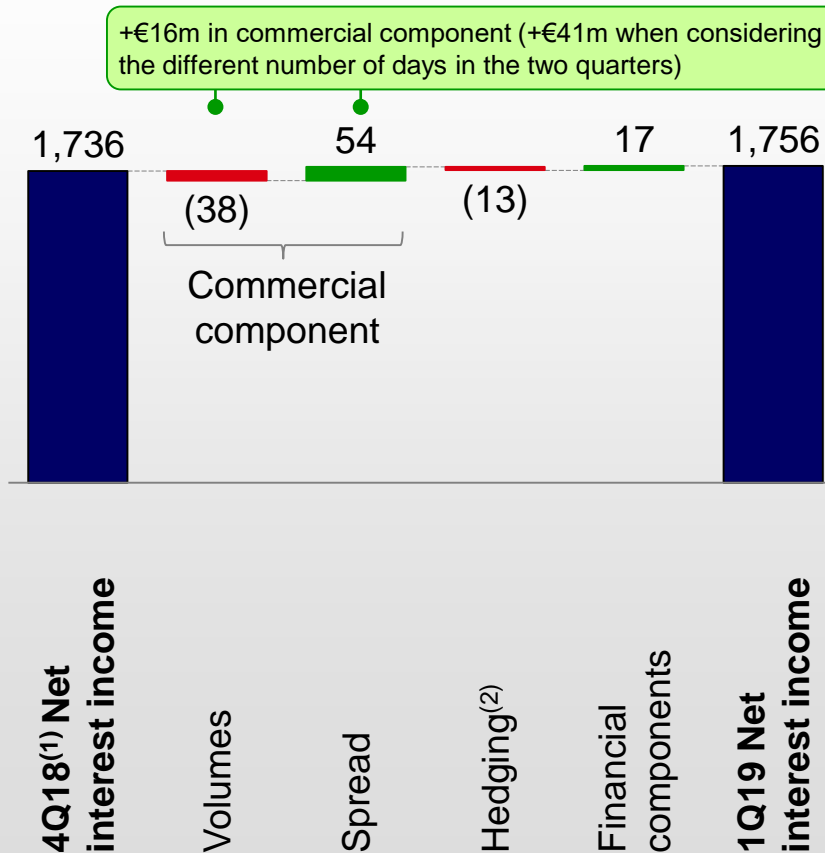
(3) Charges (net of tax) for integration and exit incentives, Effect of purchase price allocation (net of tax), Levies and other charges concerning the banking industry (net of tax), Impairment (net of tax) of goodwill and other intangible assets, Minority interests

(4) Including charges for the Resolution Fund: €199m pre-tax (€137m net of tax), our estimated commitment for the year

Increase in Net Interest Income vs 4Q18 Despite Continuing Low Market Rates

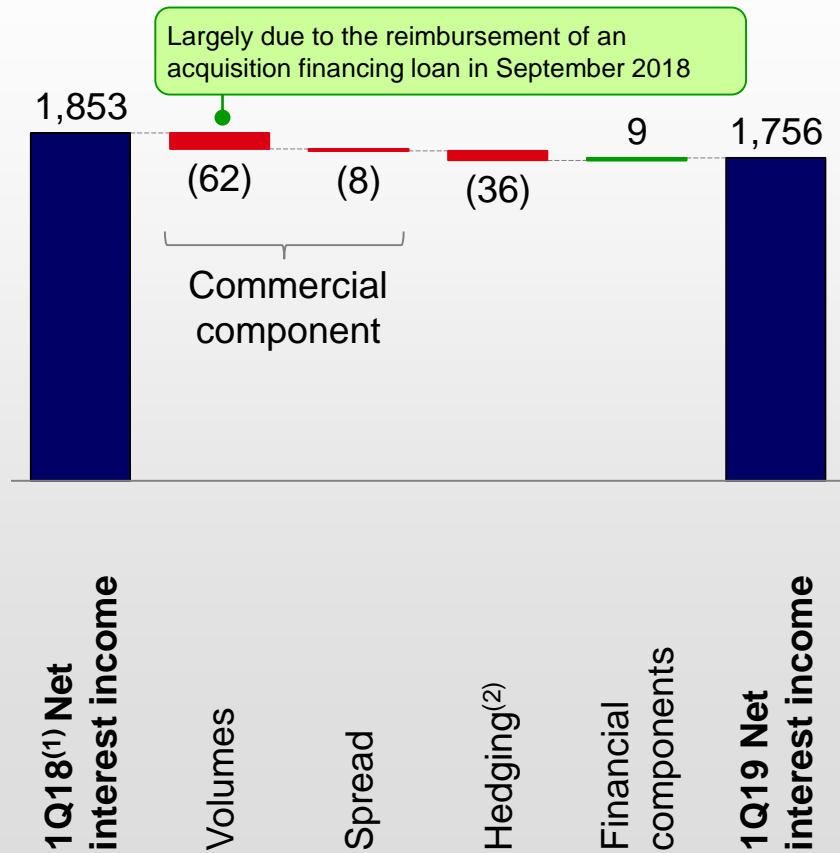
Quarterly comparison

Net interest income, Δ 1Q19 vs 4Q18⁽¹⁾
€ m



Yearly comparison

Net interest income, Δ 1Q19 vs 1Q18⁽¹⁾
€ m



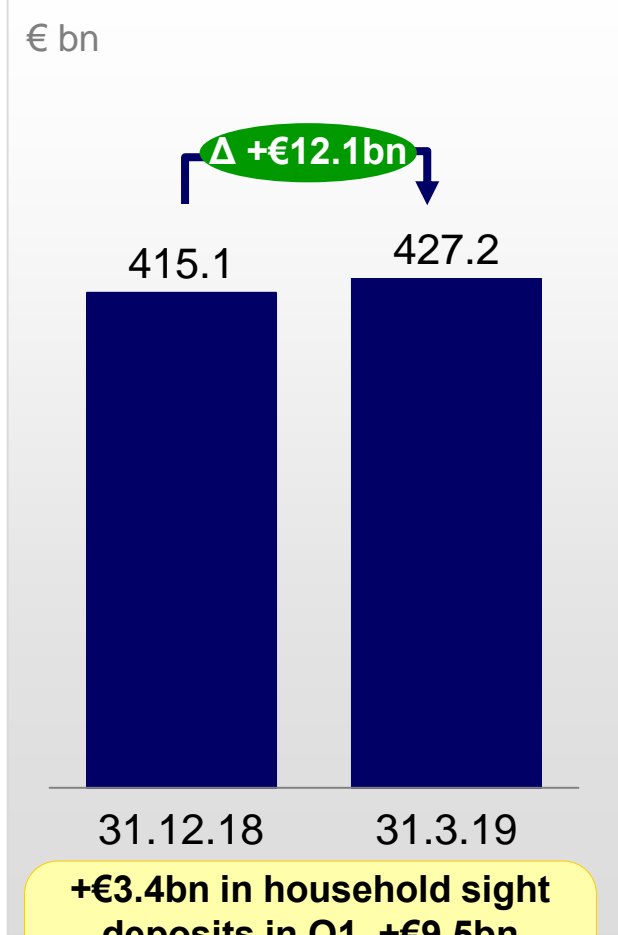
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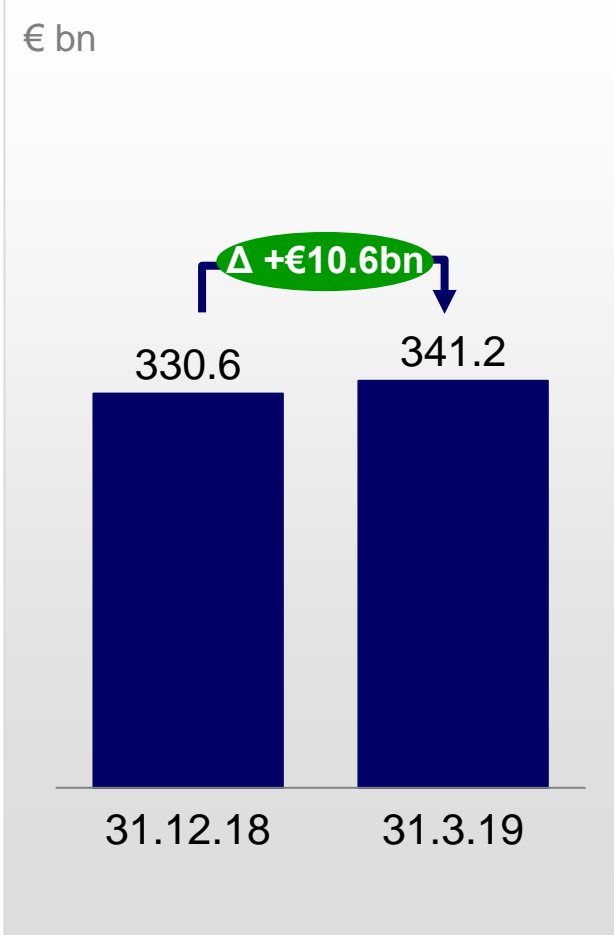
(2) ~€57m benefit from hedging on core deposits in 1Q19

€30 billion Growth in Customer Financial Assets in Q1

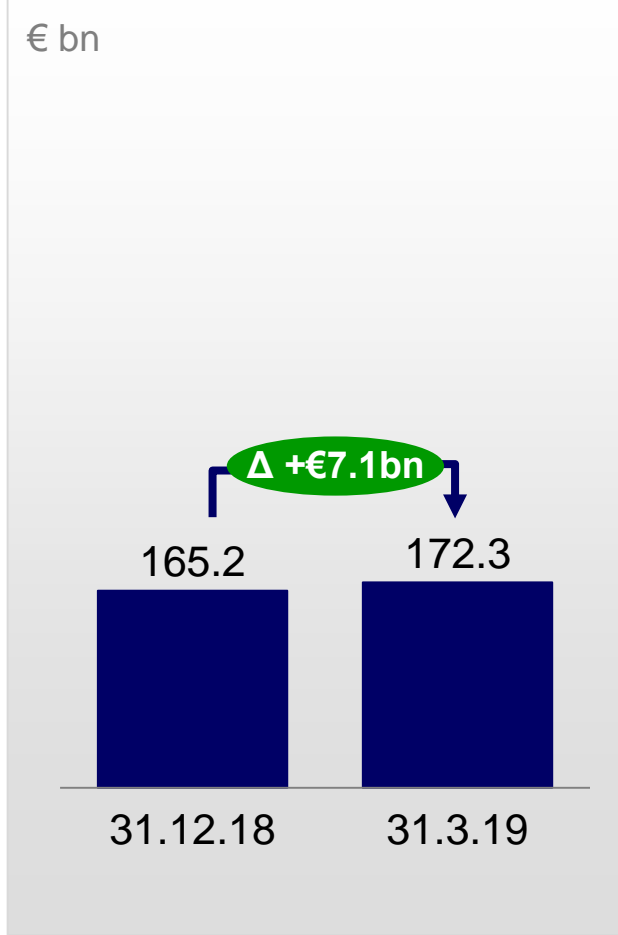
Direct deposits



Assets under Management



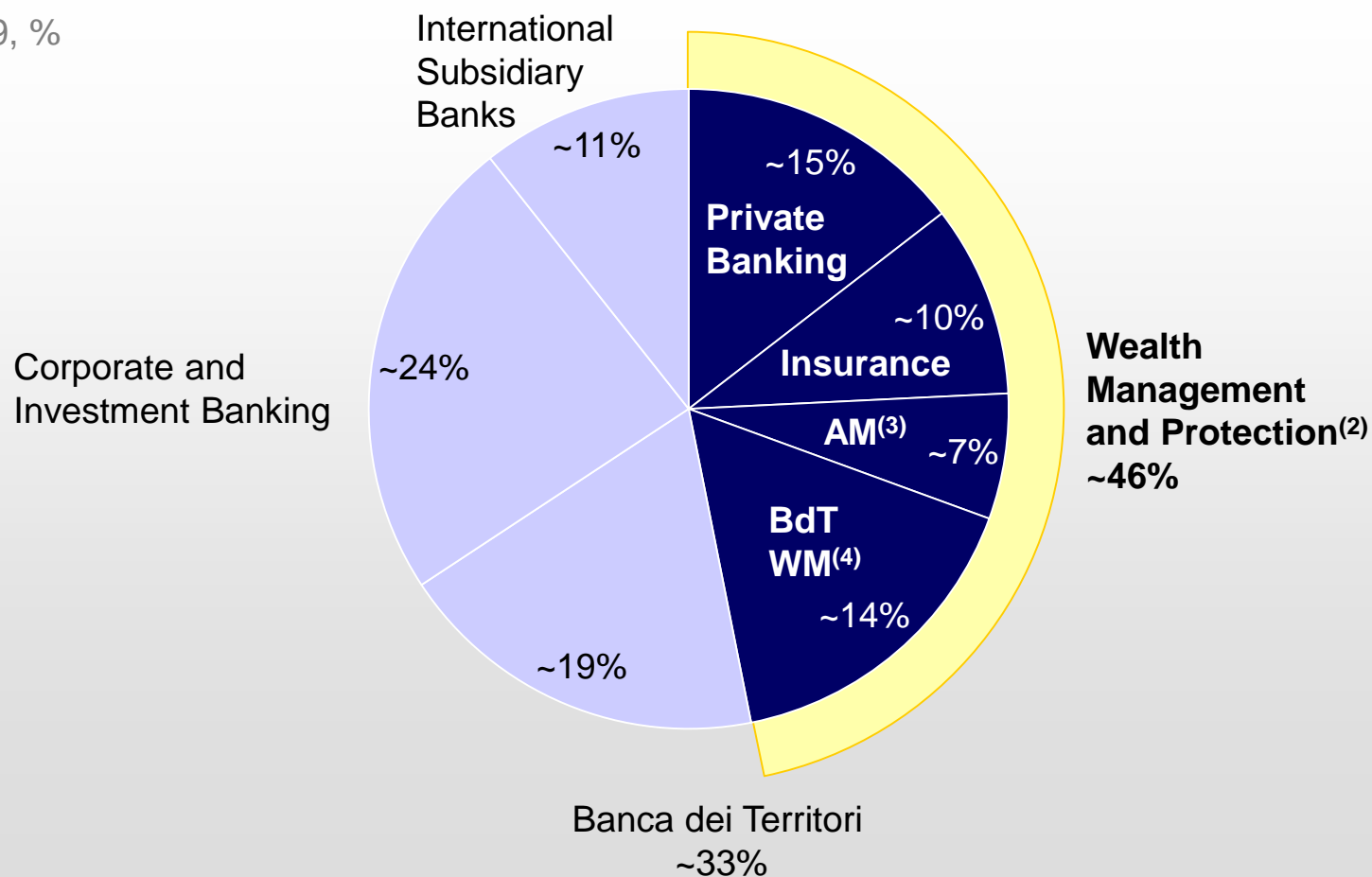
Assets under Administration



ISP: a Successful Wealth Management and Protection Company

Gross income breakdown⁽¹⁾

1Q19, %



Note: figures may not add up exactly due to rounding

(1) Excluding Corporate Centre

(2) Private Banking includes Fideuram, Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) Morval and Siref Fiduciaria; Insurance includes Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita; Asset Management includes Eurizon; BdT WM includes €462m revenues from WM products included in Banca dei Territori (applying a C/I of ~35%)

(3) AM = Asset Management

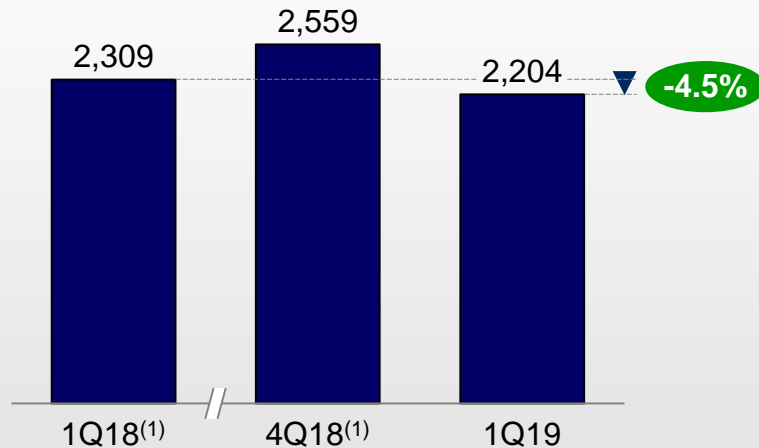
(4) BdT WM = Banca dei Territori Wealth Management

Continued Strong Reduction in Operating Costs while Investing for Growth

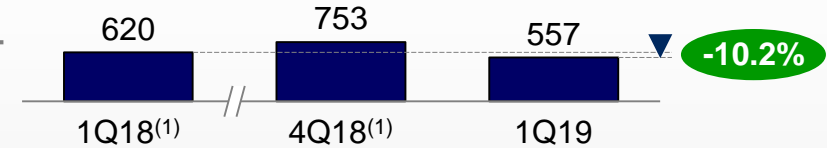
Operating costs

€ m

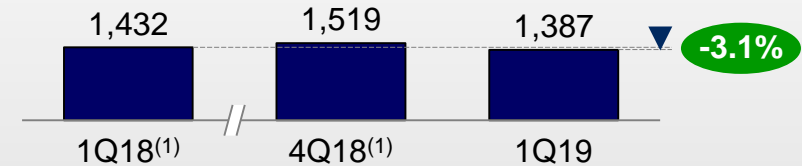
Total Operating costs



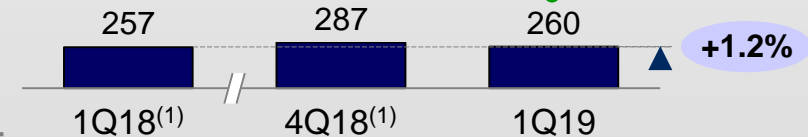
Administrative costs



Personnel costs



Depreciation



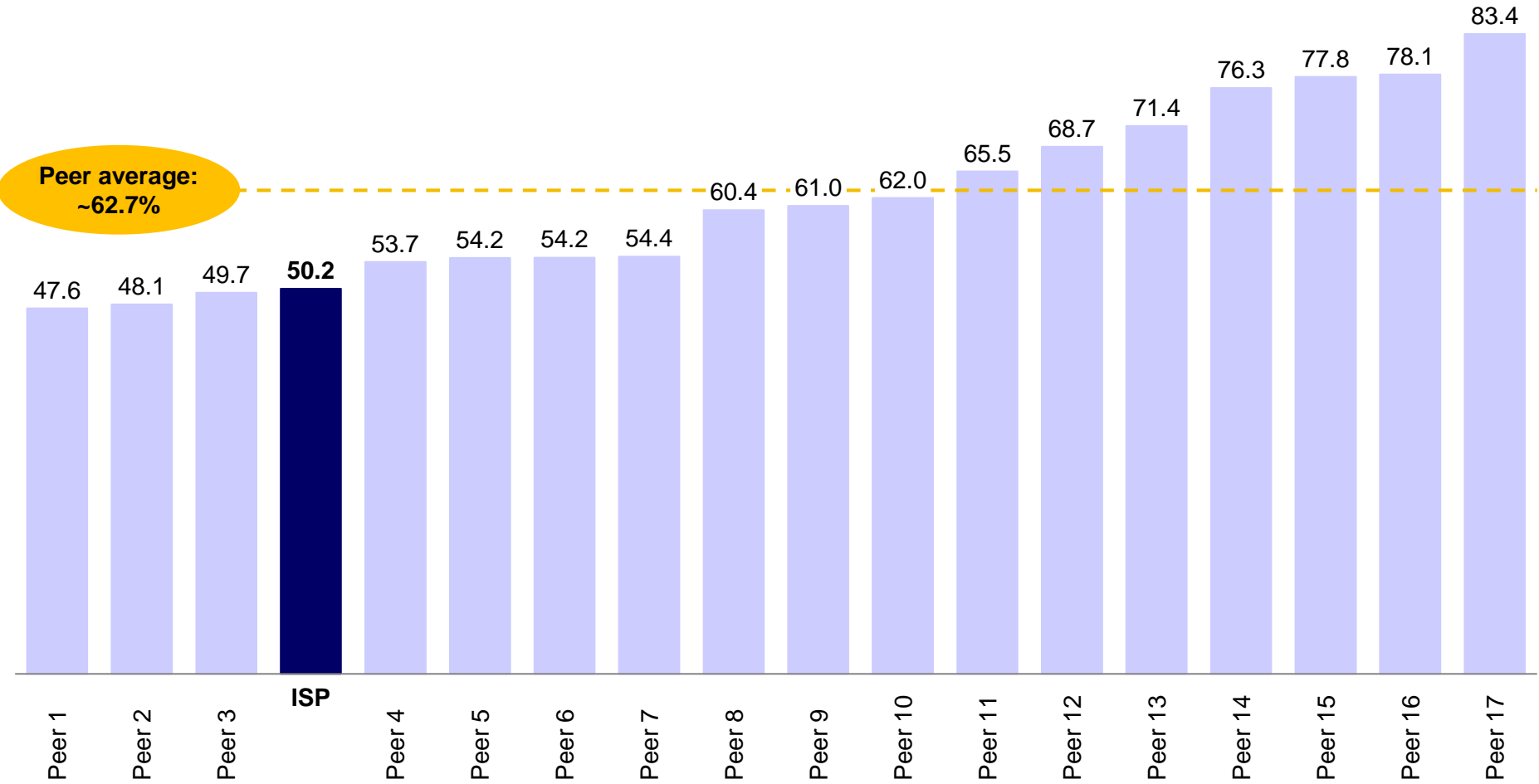
f(x)

- Cost/Income at 50.2%
- €105m cost reduction vs 1Q18, while continuing to invest for growth
- ~4,500 headcount reduction since 31.3.18, of which ~1,300 in 1Q19
- More than 3,000 additional exits by June 2020 already agreed with labour unions and fully provisioned
- ISP maintains high strategic flexibility in managing costs and remains a Cost/Income leader in Europe

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Best-in-class Cost/Income Ratio in Europe

Cost/Income⁽¹⁾
%

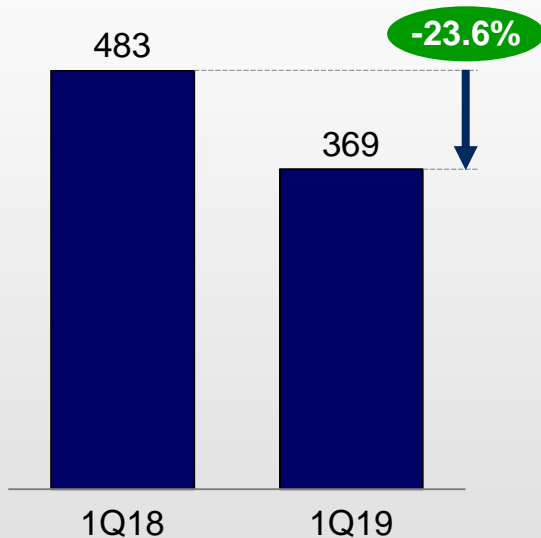


(1) Sample: Barclays, BBVA, BNP Paribas, Credit Suisse, Deutsche Bank, HSBC, ING Group, Lloyds Banking Group, Nordea, Santander, Société Générale, Standard Chartered and UBS (31.3.19 data); BPCE, Commerzbank, Crédit Agricole S.A. and UniCredit (31.12.18 data)

Significant Reduction in Loan Loss Provisions and Cost of Risk Coupled with Increased NPL Coverage

Loan loss provisions

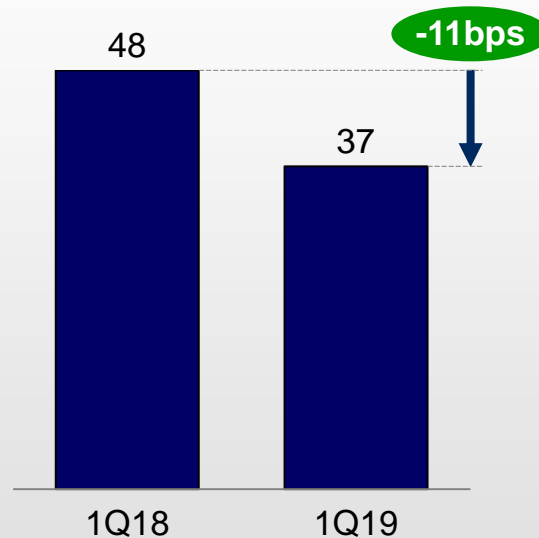
€ m



Lowest quarterly LLPs since 2008 coupled with the lowest ever Q1 NPL inflow and €15.1bn NPL deleveraging since 31.3.18

Cost of risk⁽¹⁾

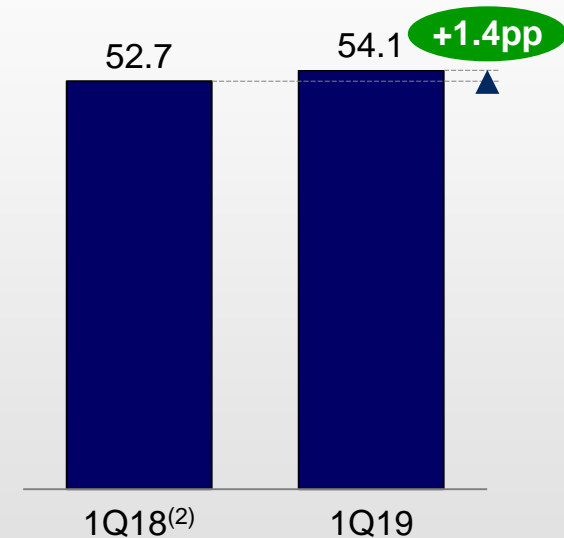
bps



Annualised cost of risk well on track to deliver 2018-21 Business Plan target (41bps)

NPL coverage ratio

%



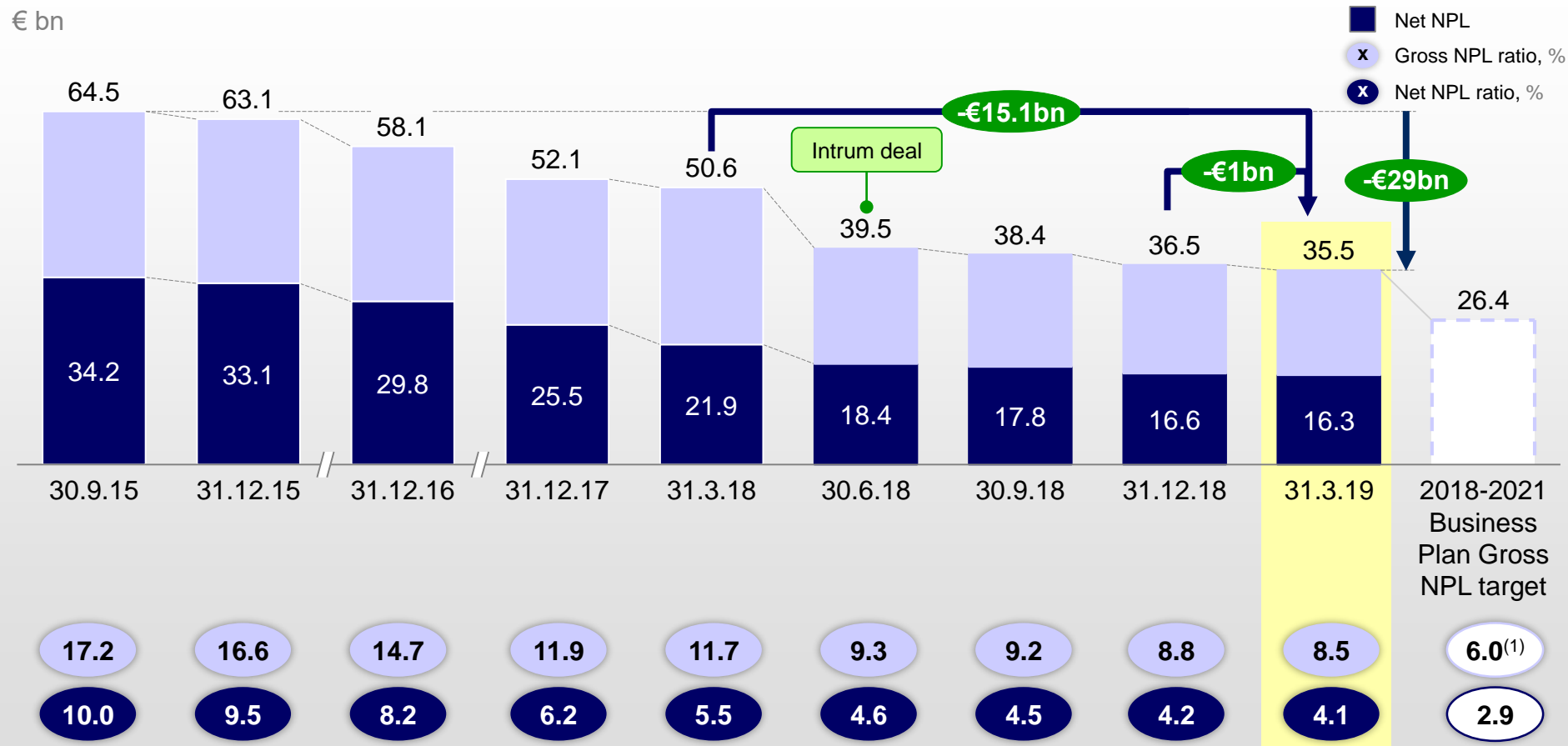
Increased and conservative NPL coverage will facilitate our Business Plan de-risking strategy

(1) Annualised
(2) Pro-forma including Intrum agreement

€1bn NPL Deleveraging in Q1, with 64% of 2018-2021 Business Plan Target Already Achieved at No Cost to Shareholders...

NPL stock

€ bn



- 14 consecutive quarters of NPL reduction
- Lowest NPL stock since 2009
- Net NPL ratio down to 4.1%, the lowest since 2008

(1) Equal to 5% based on EBA definition

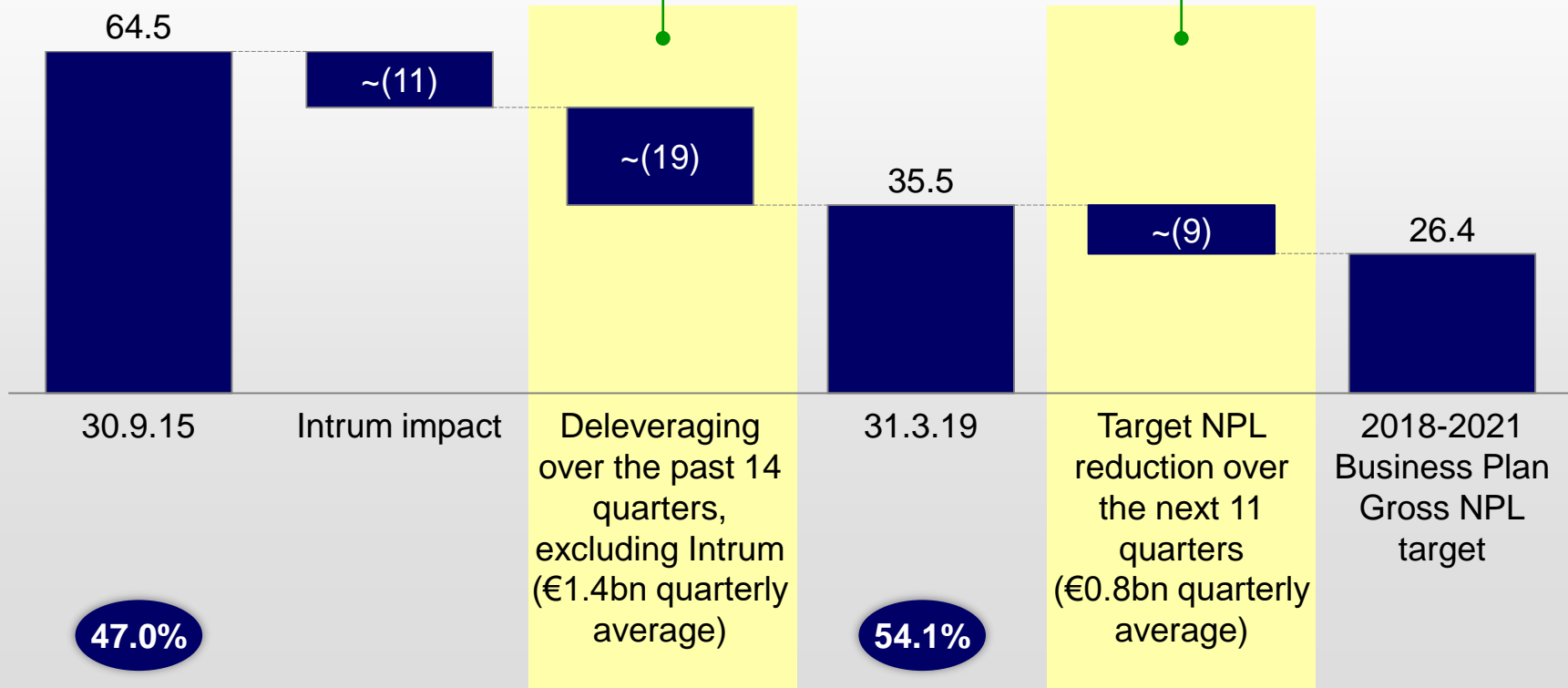
... with a Positive Outlook for Delivering 2021 Target Ahead of Schedule

x NPL coverage ratio, %

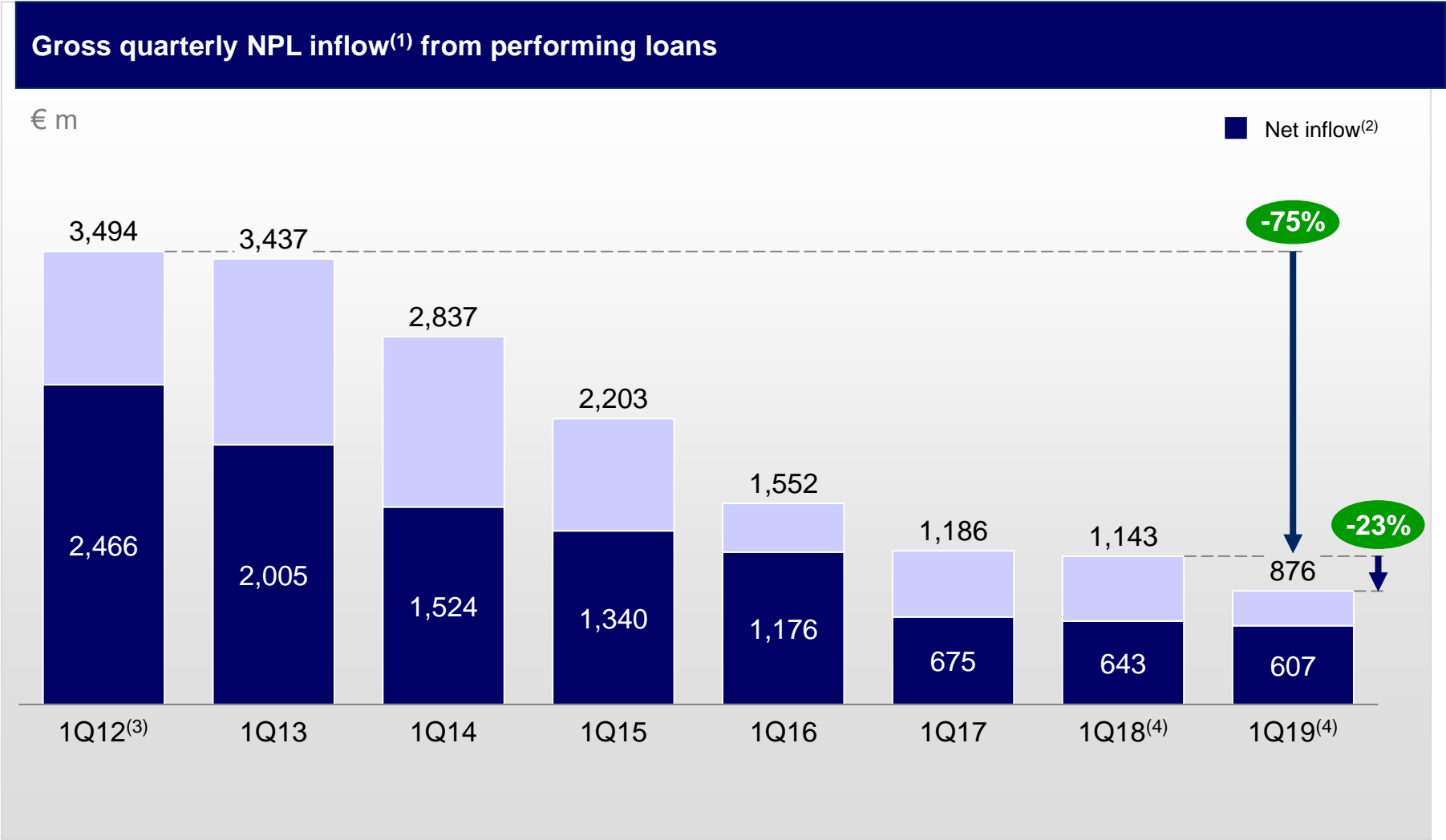
Gross NPL stock

€ bn

The speed of our deleveraging machine positions ISP well ahead of the 2018-2021 NPL Business Plan target



Lowest Ever Q1 NPL Inflows



(1) Inflow to NPL (Bad Loans, Unlikely to Pay and Past Due) from performing loans

(2) Inflow to NPL (Bad Loans, Unlikely to Pay and Past Due) from performing loans minus outflow from NPL into performing loans

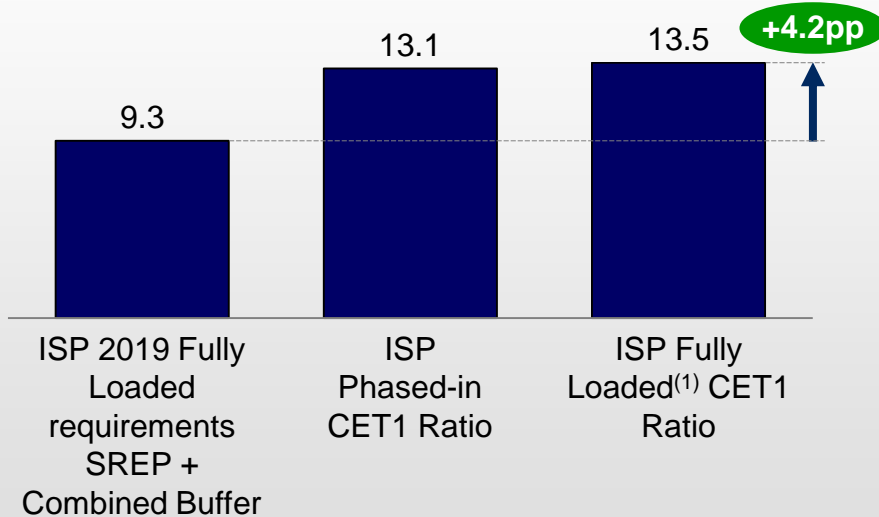
(3) 2012 figures recalculated to take into consideration the regulatory changes to Past Due classification criteria introduced by the Bank of Italy (90 days since 2012 vs 180 days up until 31.12.11)

(4) Including contribution of the two former Venetian Banks

Solid Capital Base, Well Above Regulatory Requirements Even in the Stress Test Scenario

ISP CET1 Ratios vs requirements SREP + Combined Buffer

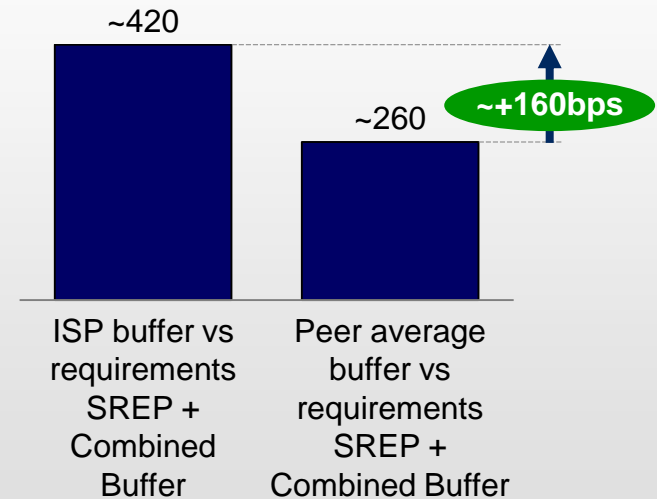
31.3.19, %



- **ISP CET1 Ratios already include ~30bps impact deriving from the widened sovereign bond spread⁽²⁾ and ~20bps impact from TRIM and IFRS16 registered in Q1**
- **Launched process of recognition of the Danish Compromise**

Fully Loaded CET1 Ratio Buffer vs requirements SREP + Combined Buffer⁽³⁾⁽⁴⁾

31.3.19, bps



More than €11bn excess capital due to internal capital management with €13.4bn cash dividends paid over the past 5 years

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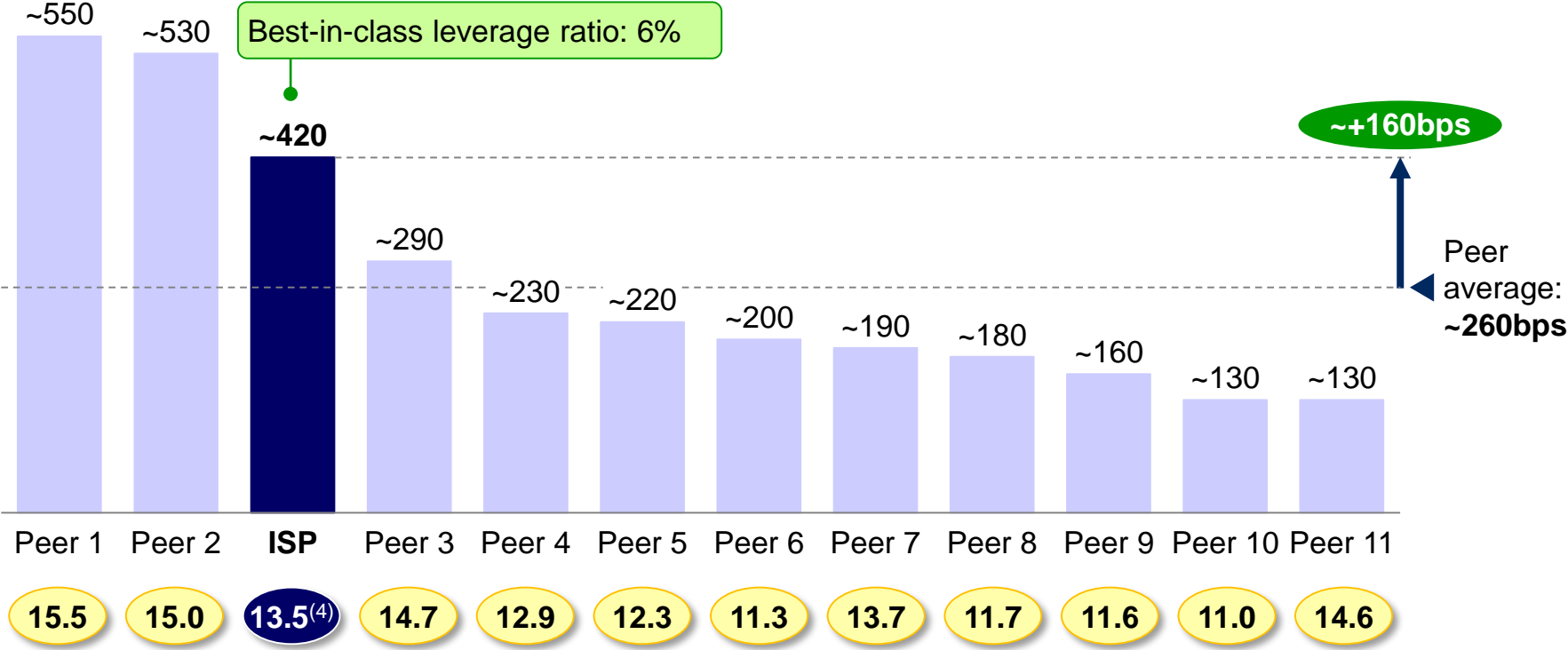
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Best-in-Class Excess Capital

Fully Loaded CET1 Ratio Buffer vs requirements SREP + Combined Buffer⁽¹⁾⁽²⁾⁽³⁾

bps

Fully Loaded CET1 Ratio⁽²⁾, %



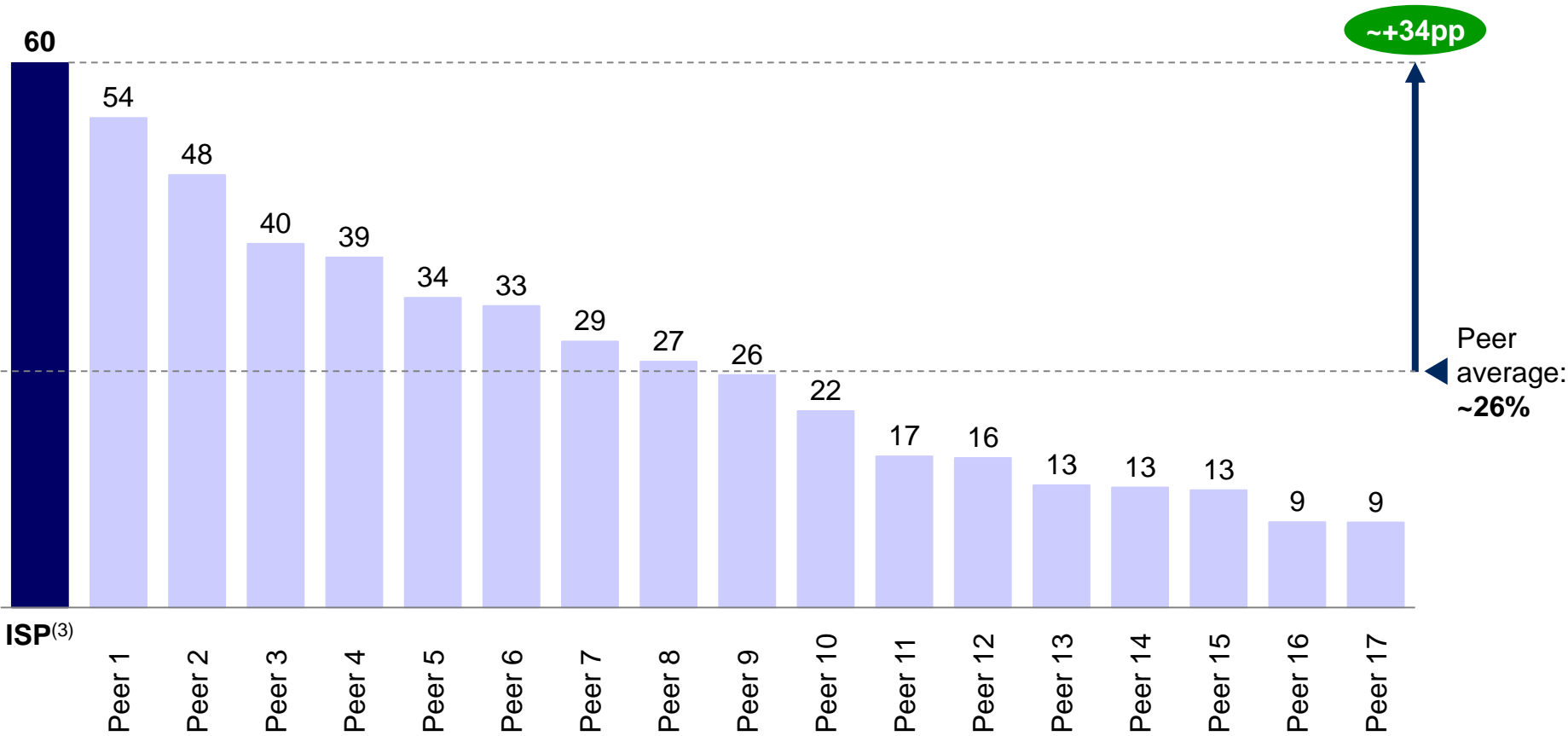
ISP is a clear winner of the EBA stress test

(1) Calculated as the difference between the Fully Loaded CET1 ratio vs requirements SREP + Combined Buffer (for the French banks the counter-cyclical buffer is estimated on the Pillar 3 2018); only top European banks that have communicated their SREP requirement
 (2) Sample: BBVA, BNP Paribas, Deutsche Bank, ING Group, Nordea, Santander and Société Générale (31.3.19 data); BPCE, Commerzbank, Crédit Agricole Group and UniCredit (31.12.18 data). Source: Investors' Presentations, Press Releases, Conference Calls, Financial Statements
 (3) Including estimated benefit from the Danish Compromise. Estimated average benefits for the French banks equal to ~20bps
 (4) Pro-forma fully loaded Basel 3 (31.3.19 financial statements considering the total absorption of DTA related to IFRS9 FTA, goodwill realignment/adjustments to loans/non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the operations of the two former Venetian banks, the expected distribution of 1Q19 Net income of insurance companies - exceeding reserves already distributed in the quarter - and the expected absorption of DTA on losses carried forward)

Best-in-Class Risk Profile in Terms of Financial Illiquid Assets

Fully Loaded CET1⁽¹⁾/Total financial illiquid assets⁽²⁾

%



€194bn in total financial liquid assets with LCR and NSFR well above 100%

(1) Fully Loaded CET1. Sample: Barclays, BBVA, BNP Paribas, Credit Suisse, Deutsche Bank, HSBC, ING Group, Lloyds Banking Group, Nordea, Santander, Société Générale, Standard Chartered and UBS (31.3.19 data); BPCE, Commerzbank, Crédit Agricole Group and UniCredit (31.12.18 data)

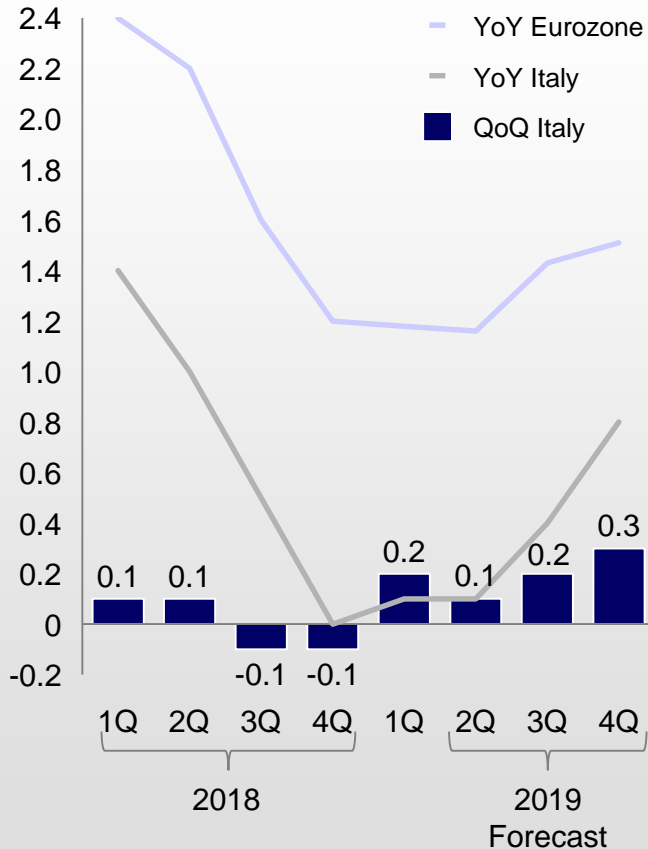
(2) Total illiquid assets include Net NPL, Net repossessed assets, Level 2 assets and Level 3 assets. Sample: Barclays, BBVA, Credit Suisse, Deutsche Bank, HSBC, ING Group, Nordea, Santander, Société Générale, Standard Chartered and UBS (31.3.19 data); BNP Paribas, BPCE, Commerzbank, Crédit Agricole Group, Lloyds Banking Group and UniCredit (31.12.18 data). Net repossessed assets as of 31.3.19 (BBVA 31.12.18 data). Level 2 and Level 3 assets as of 31.12.18

(3) 55% including the effect of Real Estate and Art, Culture and Historical Heritage portfolio revaluation

Italian Economy: Solid Fundamentals Have Absorbed the Impact of the Slowdown and Will Help a Swift Recovery in H2 2019

Despite an expected economic slowdown in 2019, with recovery in the second half...

Italian GDP growth, %



... fundamentals remain solid

Households

- **Wealth of Italian households** at €10.5tn, of which €4.2tn in financial assets
- **Low level of indebtedness**

Corporates

- **Manufacturing companies** stronger than pre-crisis level:
 - Profitability: Gross operating margin at ~9.4%
 - Capitalisation: Equity/Total liabilities at ~40%
- **Italian companies well positioned to cope with a domestic economic slowdown:**
 - **Export-oriented companies**, highly diversified in terms of industry and size, have become powerhouses over the past few years (trade surplus, net of energy, was above €80bn in 2018, in line with the 2017 record high)
 - **Domestic-oriented companies** will benefit from resilient consumption driven by expansionary fiscal policy

Government

- Stock of **assets owned by Public Sector entities** of ~€1.0tn⁽¹⁾:
 - ~€0.6tn of financial assets
 - ~€0.3tn of Real Estate
 - ~€0.1tn of other non-financial assets

(1) As of 2016; not including infrastructure, natural resources, cultural heritage

Source: Bank of Italy, ISTAT, "Analisi dei Settori Industriali" Intesa Sanpaolo - Prometeia October 2018, Consensus Economics, Consensus Forecast, March 2019

ISP Outlook for 2019

Growth in Operating income



Continued cost reduction



Decrease in cost of risk



Net income up vs 2018



80% payout ratio in 2019

CONFIRMED

Strong and sustainable value creation and distribution while maintaining a solid capital position

A Solid Start to the Year

€1,050m Net income, +4.4% vs 1Q18 excluding the positive impact from the sale of the NTV stake⁽¹⁾

**€4,389m Operating income (+4.6% vs 4Q18⁽²⁾), with Net interest income up 1.2% vs 4Q18⁽²⁾, and
€1,792m Gross income (+30.8% vs 4Q18⁽²⁾)**

Strong decrease in Operating costs (-4.5% vs 1Q18⁽²⁾) with Cost/Income at 50.2%

**The lowest ever Q1 NPL inflow: LLPs down 23.6% vs 1Q18, with increased
NPL coverage (54.1% vs 52.7% at 31.3.18⁽³⁾)**

**€15.1bn NPL deleveraging since 31.3.18 at no cost to shareholders (€29bn since the September 2015
peak, €1bn in Q1); the lowest NPL stock since 2009 and the lowest Net NPL ratio since 2008**

64% of targeted 2018-2021 NPL deleveraging already achieved

**Common Equity⁽⁴⁾ ratio at 13.5%, well above regulatory requirements even under the EBA stress test
adverse scenario, despite the widened sovereign bond spread and TRIM and IFRS16 impacts**

Strong commitment to Corporate Social Responsibility through a variety of concrete initiatives

(1) €264m pre-tax positive impact (€246m net of tax) booked in 1Q18, deriving from the sale of the NTV stake

(2) Data restated for IFRS16, the full line-by-line consolidation of Autostrade Lombarde, and the reclassification of Risanamento Operating income entirely to "Other operating income (expenses)", placement fees for certificates from "Profits on financial assets and liabilities at fair value" to "Net fee and commission income", expenses for employees transferred to Tersia (Intrum deal) to "Other administrative expenses", and international subsidiaries charges concerning the banking industry from "Other operating income (expenses)" to "Levies and other charges concerning the banking industry (net of tax)" and to "Taxes on income"

(3) Pro-forma including Intrum agreement

(4) Pro-forma fully loaded Basel 3 (31.3.19 financial statements considering the total absorption of DTA related to IFRS9 FTA, goodwill realignment/adjustments to loans/non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the operations of the two former Venetian banks, the expected distribution of 1Q19 Net income of insurance companies - exceeding reserves already distributed in the quarter - and the expected absorption of DTA on losses carried forward)