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Testo del comunicato

Vedi allegato.

INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2019

9M 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 A STRONG LIQUIDITY POSITION, AND FROM A RESILIENT AND WELL-DIVERSIFIED BUSINESS MODEL FURTHER STRENGTHENED BY THE STRATEGIC ACTIONS CARRIED OUT IN THE FIRST NINE MONTHS OF THE YEAR:

- **MANAGING REVENUE GENERATION, WITH**
  - **A CONTINUED FOCUS ON WEALTH MANAGEMENT & PROTECTION IN THE PRESENCE OF A PICK-UP IN NET INFLOW OF ASSETS UNDER MANAGEMENT IN Q3, WHICH SHOULD PROGRESSIVELY GATHER MOMENTUM IN THE LIGHT OF THE STRONG RESERVE OF POTENTIAL VALUE CREATION DERIVING FROM THE AMOUNT OF HOUSEHOLD SIGHT DEPOSITS THAT CAN BE CONVERTED INTO ASSETS UNDER MANAGEMENT AND THE POOL OF ASSETS HELD UNDER ADMINISTRATION**
  - **STRENGTHENING OF FINANCIAL ACTIVITIES;**
- **STRATEGIC FLEXIBILITY IN MANAGING OPERATING COSTS, WITH VOLUNTARY EXITS OF PEOPLE AND POSSIBLE BRANCH CLOSURES RESULTING FROM THE AGREEMENT WITH SISALPAY, IN ADDITION TO THOSE ENVISAGED IN THE BUSINESS PLAN;**
- **EFFECTIVE PROACTIVE CREDIT MANAGEMENT, WITH A FOCUS ON LOANS IN EARLY DELINQUENCY STAGES.**

NET INCOME WAS €1,044 MILLION IN Q3 2019 AND €3,310 MILLION IN 9M 2019 WHICH WAS EQUAL TO 82% OF THE NET INCOME OF €4,050 MILLION RECORDED IN FULL-YEAR 2018.

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 14.2%, TAKING INTO ACCOUNT THE DIVIDENDS ACCRUED IN 9M 2019.

GROSS INCOME WAS UP 8%, OPERATING MARGIN WAS UP 0.9% AND OPERATING COSTS WERE DOWN 2.5% ON 9M 2018.

CREDIT QUALITY IMPROVED. GROSS NPLS WERE REDUCED AT NO EXTRAORDINARY COST TO SHAREHOLDERS, WITH NPL STOCK DOWN 13.3% ON YEAR-END 2018 AND DOWN AROUND €20 BILLION SINCE THE END OF 2017. IN THE FIRST 21 MONTHS OF THE 2018-2021 BUSINESS PLAN, THE NPL REDUCTION ACHIEVED WAS AS MUCH AS 80% OF THE TARGET SET FOR THE ENTIRE FOUR-YEAR PERIOD. GROSS NPL RATIO STOOD AT 7.6% AND NET NPL RATIO AT 3.6%. NET ADJUSTMENTS TO LOANS WERE DOWN 17.7% ON 9M 2018. ANNUALISED COST OF RISK IN 9M 2019 DECREASED TO 47 BASIS POINTS.

INTESA SANPAOLO CONTINUES TO OPERATE AS A GROWTH ACCELERATOR IN THE REAL ECONOMY IN ITALY. IN 9M 2019, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €32 BILLION. IN 9M 2019, THE GROUP FACILITATED THE RETURN TO PERFORMING STATUS OF AROUND 15,000 COMPANIES, THUS SAFEGUARDING AROUND 75,000 JOBS. THIS BROUGHT THE TOTAL TO AROUND 108,000 COMPANIES SINCE 2014, WITH AROUND 540,000 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 SUPPORT PEOPLE IN NEED DELIVERING, SINCE 2018, AROUND 5.6 MILLION MEALS, 211,000 DORMITORY BEDS, 91,000 MEDICINE PRESCRIPTIONS AND 82,000 ITEMS OF CLOTHING; SUPPORT PROVIDED TO FAMILIES WHO HAVE BEEN VICTIMS OF NATURAL DISASTERS, WITH AROUND €100 MILLION IN SUBSIDISED LOANS GRANTED IN 9M 2019 (OVER €295 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 (€4.6 MILLION GRANTED); THE FUND FOR IMPACT, WITH €5.6 MILLION ALREADY GRANTED IN THE FIRST SEVEN MONTHS BY *PER MERITO* (THE FIRST LINE OF CREDIT WITHOUT COLLATERAL DEDICATED TO ALL ITALIAN UNIVERSITY STUDENTS); A €5 BILLION CIRCULAR ECONOMY CREDIT PLAFOND TO SUPPORT SUSTAINABLE DEVELOPMENT WITH 212 PROJECTS EVALUATED, OF WHICH 48 HAVE ALREADY BEEN FINANCED FOR AROUND €550 MILLION; THE CIRCULAR ECONOMY LAB WHICH IS IMPLEMENTING OPEN INNOVATION PROJECTS; IN 9M 2019, AROUND 550 START-UPS EVALUATED (AROUND 1,100 SINCE 2018) AND ACCELERATOR PROGRAMS LAUNCHED IN RESPECT OF 82 COACHED START-UPS (193 SINCE 2018); *GIOVANI E LAVORO* PROGRAM UNDERWAY, IN PARTNERSHIP WITH GENERATION, AIMED AT INTRODUCING 5,000 YOUNG PEOPLE TO THE ITALIAN LABOUR MARKET: IN 9M 2019, AROUND 90 COMPANIES COMMITTED TO THE PROGRAM, AROUND 1,300 STUDENTS ASSESSED AND AROUND 500 INTERVIEWED, 196 STUDENTS TRAINED IN NINE TRAINING SESSIONS; IN 9M 2019, AROUND 350,000 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, AND 204 ARTWORKS FROM THE CORPORATE COLLECTION ON LOAN (140 IN 2018).

- **ROBUST NET INCOME:**
  - **€1,044M IN Q3 2019 VS €1,216M IN Q2 2019**
  - **€3,310M IN 9M 2019 VS €3,012M IN 9M 2018**

- **GROSS INCOME UP 8% ON 9M 2018**

- **OPERATING MARGIN UP 0.9% ON 9M 2018**

- **OPERATING COSTS DOWN 2.5% ON 9M 2018**

- **IMPROVEMENT IN CREDIT QUALITY TREND:**
  - **DECREASE IN NPLs, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **GROSS NPL REDUCTION: AROUND €20BN SINCE DECEMBER 2017 AND AROUND €33BN SINCE SEPTEMBER 2015 (AROUND €7BN AND AROUND €19BN, RESPECTIVELY, EXCLUDING THE SALE TO INTRUM FINALISED IN Q4 2018 AND THE SALE AGREEEMENT SIGNED WITH PRELIOS IN Q3 2019)**
    - **NPL STOCK DOWN 13.3% GROSS AND 13.9% NET ON YEAR-END 2018; NPL TO TOTAL LOAN RATIO OF 7.6% GROSS AND 3.6% NET**
  - **NET ADJUSTMENTS TO LOANS DOWN 17.7% ON 9M 2018**
  - **ANNUALISED COST OF RISK IN 9M 2019 DOWN TO 47 BASIS POINTS**

- **SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 30 SEPTEMBER 2019, AFTER THE DEDUCTION OF €2,648M OF DIVIDENDS ACCRUED IN 9M 2019, OF**
    - **14.2% PRO-FORMA FULLY LOADED** (1) (2)
    - **14% 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 September 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 9M 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 nine months of the year, and the coupons accrued on the Additional Tier 1 issues.

(**) Equal to 13.1% 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, 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:	Q3 2019	-3.4%	€4,516M FROM €4,677M IN Q2 2019
	9M 2019	-0.8%	€13,582M FROM €13,691M IN 9M 2018
OPERATING COSTS:	Q3 2019	+1%	€2,288M FROM €2,266M IN Q2 2019
	9M 2019	-2.5%	€6,758M FROM €6,930M IN 9M 2018
OPERATING MARGING:	Q3 2019	-7.6%	€2,228M FROM €2,411M IN Q2 2019
	9M 2019	+0.9%	€6,824M FROM €6,761M IN 9M 2018
GROSS INCOME:	Q3 2019	€1,734M	FROM €1,821M IN Q2 2019
	9M 2019	€5,347M	FROM €4,953M IN 9M 2018
NET INCOME:	Q3 2019	€1,044M	FROM €1,216M IN Q2 2019
	9M 2019	€3,310M	FROM €3,012M IN 9M 2018

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER DIVIDENDS ACCRUED IN 9M 2019:
14.2% PRO-FORMA FULLY LOADED [(3) (4)];
14% PHASED-IN [(4) (5)]

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(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 September 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 9M 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 nine months of the year, and the coupons accrued on the Additional Tier 1 issues.

(5) Equal to 13.1% excluding the mitigation of the impact of the first time adoption of IFRS 9.

Turin - Milan, 5 November 2019 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated interim statement as at 30 September 2019 [(°)] [(6)].

Results for the first nine months 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** a **strong liquidity position**, and from a **resilient and well-diversified business model further strengthened by the strategic actions carried out in the first nine months of the year**:

- **managing revenue generation** in a challenging macroeconomic environment, through:
  - a **continued focus on Wealth Management & Protection driven by a client-centric approach** in the presence of a **pick-up in net inflow of assets under management** in Q3 (around €2.5bn), which has been favoured by a further decrease in interest rates and **should progressively gather momentum** in an unchanged financial market scenario, in the light of the **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 €65bn at the end of September – and from the pool of around €170bn of **assets held under administration**;
  - **strengthening of financial activities**, **structurally increasing the total contribution of the securities portfolio management**, including net interest income, to the Group's **revenues**;
- **strategic flexibility in managing operating costs**, through:
  - the agreement reached in May 2019 with the trade unions in respect of **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;
- **effective proactive credit management at no extraordinary cost to shareholders**, with a **focus on loans in early delinquency stages** (specifically, the Pulse initiative);

(°) 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.

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

Specifically, the Group recorded:

- **net income of €1,044m in Q3 2019** versus €1,216m in Q2 2019 and €833m in Q3 2018, and **€3,310m in 9M 2019**, up 9.9% versus €3,012m in 9M 2018 and equal to 82% of the €4,050m full-year 2018 net income;

- **growth in gross income**, up 8% on 9M 2018;

- **growth in operating margin**, up 0.9% on 9M 2018;

- **reduction in operating costs**, down 2.5% on 9M 2018;

- **high efficiency** highlighted by a **cost/income of 49.8%** in 9M 2019 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **net adjustments to loans down** 17.7% on 9M 2018;

- 9M 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 were reduced** by around **€5bn in 9M 2019**, by around **€33bn since September 2015** (the reduction was around €19bn excluding the sale of bad loans to Intrum finalised in Q4 2018 and the sale agreement signed with Prelios in Q3 2019 in respect of unlikely-to-pay loans) and by around **€20bn since December 2017** (the reduction was around €7bn excluding the Intrum and Prelios transactions). **In the first 21 months of the 2018-2021 Business Plan, the NPL reduction achieved was as much as 80% of the target set for the entire four-year period**.
  - **NPL stock** – which in Q3 2019 no longer included the unlikely-to-pay loans to be sold to Prelios, accounted under non-current assets held for sale and discontinued operations (around €2.7bn gross and €1.7bn net) – **in September 2019 was down 13.3% gross** and **13.9% net on December 2018.**
  - **NPL to total loan ratio** was **7.6% gross and 3.6% net** in September 2019;

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 54.8%** at the end of September 2019, **with a cash coverage ratio of 65.3% for the bad loan component**;
  - **robust reserve buffer on performing loans**, amounting to around 0.5% at the end of September 2019;

- **<u>very solid capital position</u>**, with capital ratios well above regulatory requirements. As at 30 September 2019, the **pro-forma fully loaded Common Equity Tier 1 ratio** came in at **14.2%** (7) (8) – **one of the highest levels amongst major European banks** – and the Common Equity Tier 1 ratio calculated by applying the transitional arrangements for 2019 and the Danish Compromise (under which insurance investments are risk weighted instead of being deducted from capital) came in at 14% (8) (9), after the deduction of €2,648m of dividends accrued in the first nine months 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 9.35% 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 (***).
- **<u>strong liquidity position and funding capability</u>**, with **liquid assets of €197bn** and **available unencumbered liquid assets of €116bn at the end of September 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 Q3 2019 (an average of €60.5bn in Q1 2019 and Q2 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 September 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 9M 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 nine months of the year, and the coupons accrued on the Additional Tier 1 issues.

(9) Equal to 13.1% 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 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 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.

- **support provided to the real economy**, with around **€39bn of medium/long-term new lending** in 9M 2019. **Loans** amounting to around **€32bn** were granted **in Italy**, of which around **€26bn was granted to households and SMEs**. **In 9M 2019, the Group facilitated the return** from non-performing **to performing status of** around **15,000 Italian companies, thus safeguarding around 75,000 jobs**. This brought the total to around **108,000 companies since 2014, with around 540,000 jobs safeguarded over the same period**.
- **support provided to the social economy: 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.
- **sustainability and 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 9M 2019:
  - initiatives to **reduce child poverty** and **support people in need** delivering, since 2018, around **5.6 million meals**, around **211,000 dormitory beds**, around **91,000 medicine prescriptions** and around **82,000 items of clothing**;
  - **support provided to families affected by earthquakes and natural disasters, by forgiving mortgages or granting *moratoria* of mortgages** on damaged properties and providing around €100m in subsidised loans in 9M 2019 (over €295m 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 (€4.6m granted);
  - **launch 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 dedicated to all Italian university students studying in Italy or abroad (***Per Merito***), with €5.6m granted in the first seven months;
  - a **€5bn Circular Economy credit Plafond** for the 2018-2021 period, to support **sustainable development**: **212 projects** evaluated, of which 48 already financed for around **€550m**;
  - the **Circular Economy Lab** for corporate clients which is implementing **Open Innovation projects**;
  - **around 550 start-ups evaluated** (around 1,100 since 2018) and **accelerator programs** launched **with 82 coached start-ups** in 9M 2019 (193 since 2018), introducing them to selected investors and ecosystem players (around 1,500 to date);
  - the Intesa Sanpaolo *Giovani e Lavoro* program underway, in partnership with Generation, aimed at **training** and **introducing 5,000 young people to the Italian labour market over the next three years**: in 9M 2019, around 90 companies committed to the program, around 1,300 students assessed and around 500 interviewed, 196 students trained in nine training sessions;
  - around **350,000 visitors** to *Gallerie d'Italia*, the Group's museums, in 9M 2019 (500,000 in 2018); over **140,000 visitors** to the "**Verrocchio, il maestro di Leonardo**" exhibition (which was held at Palazzo Strozzi in Florence from March to July 2019) supported by Intesa Sanpaolo; start of the 19th edition of ***Restituzioni***, the largest restoration program in the world that the Group initiated in 1989, with more than 1,500 pieces of restored public heritage; **204 artworks from the corporate collection on loan** to Italian and international museums in 9M 2019 (140 in 2018).

The income statement for the third quarter of 2019

The consolidated income statement for Q3 2019 recorded **net interest income** of €1,741m, down 1.1% from €1,761m in Q2 2019 and down 5.6% from €1,844m in Q3 2018.

Net fee and commission income amounted to €1,990m, up 0.1% from €1,989m in Q2 2019. Specifically, commissions on commercial banking activities were up 0.3% and commissions on management, dealing and consultancy activities were up 1.1%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded a 1.8% increase in portfolio management (performance fees contributed €12m in Q3 2019 and €1m in Q2 2019), a 0.6% increase in distribution of insurance products and a 2.6% decrease in dealing and placement of securities. Net fee and commission income for Q3 2019 was up 1.6% from €1,959m in Q3 2018. Specifically, commissions on commercial banking activities were down 1.5% and those on management, dealing and consultancy activities were up 4%. The latter recorded increases of 29.3% in dealing and placement of securities and 0.2% in portfolio management (no performance fees in Q3 2018) and a 0.3% decrease in distribution of insurance products.

Income from insurance business amounted to €301m from €284m in Q2 2019 and €271m in Q3 2018.

Profits on financial assets and liabilities at fair value amounted to €479m, compared with €633m in Q2 2019. Contributions from customers decreased from €136m to €117m, those from capital markets decreased from €65m to €13m, those from trading and treasury decreased from €426m to €344m and those from structured credit products decreased from €7m to €5m. Profits on financial assets and liabilities at fair value of €479m for Q3 2019 compare with profits of €208m in Q3 2018. In Q3 2018, contributions from customers amounted to €52m, those from capital markets to €60m, those from trading and treasury to €97m and those from structured credit products were negative €1m.

Operating income amounted to €4,516m, down 3.4% from €4,677m in Q2 2019 and up 5.7% from €4,271m in Q3 2018.

Operating costs amounted to €2,288m, up 1% from €2,266m in Q2 2019, as a result of increases of 0.2% in personnel expenses, 1.7% in administrative expenses and 3.6% in adjustments. Operating costs for Q3 2019 were down 1% from €2,311m in Q3 2018, as a result of a decrease of 4.9% in administrative expenses and increases of 0.4% in personnel expenses and 0.8% in adjustments.

As a result, **operating margin** amounted to €2,228m, down 7.6% from €2,411m in Q2 2019 and up 13.7% from €1,960m in Q3 2018. The cost/income ratio was 50.7% in Q3 2019 versus 48.4% in Q2 2019 and 54.1% in Q3 2018.

Net adjustments to loans amounted to €473m from €554m in Q2 2019 and €519m in Q3 2018.

Net provisions and net impairment losses on other assets amounted to €19m from €37m in Q2 2019 and €25m in Q3 2018.

Other income recorded a negative balance of €2m versus a positive balance of €1m in Q2 2019 and a negative balance of €2m in Q3 2018.

Income (Loss) from discontinued operations recorded a zero balance, the same as in Q2 2019 and in Q3 2018.

Gross income amounted to €1,734m from €1,821m in Q2 2019 and €1,414m in Q3 2018.

Consolidated net income for the quarter amounted to €1,044m, after accounting:
- taxes on income of €536m;
- charges (net of tax) for integration and exit incentives of €27m;
- effect of purchase price allocation (net of tax) of €37m;
- levies and other charges concerning the banking industry (net of tax) of €96m. This derives from the following pre-tax figures: charges of €127m in relation to contributions to the Italian deposit guarantee scheme estimated for full year 2019, €2m in relation to contributions to the deposit guarantee scheme concerning the international network, €3m in relation to contributions to the resolution fund and €13m in relation to levies incurred by international subsidiaries, and positive fair value differences of €5m regarding the *Atlante* fund. In Q2 2019, this caption amounted to €96m, deriving from pre-tax charges of €114m in relation to contributions to the resolution fund, €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 Q3 2018, this caption amounted to €90m, 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, €4m in relation to contributions to the deposit guarantee scheme concerning the international network and €11m in relation to levies incurred by international subsidiaries, and a recovery of €7m in relation to the *Atlante* fund.
- losses pertaining to minority interests of €6m.

Net income of €1,044m in Q3 2019 compares with €1,216m in Q2 2019 and €833m in Q3 2018.

The income statement for the first nine months of 2019

The consolidated income statement for 9M 2019 recorded **net interest income** of €5,258m, down 5% from €5,535m in 9M 2018.

Net fee and commission income amounted to €5,865m, down 2.3% from €6,001m in 9M 2018. Specifically, commissions on commercial banking activities were down 0.2% and commissions on management, dealing and consultancy activities were down 3.9%. The latter recorded decreases of 3.1% in dealing and placement of securities, 3.5% in portfolio management (performance fees contributed €14m, compared with €6m in 9M 2018) and 6.3% in distribution of insurance products.

Income from insurance business amounted to €876m from €846m in 9M 2018.

Profits on financial assets and liabilities at fair value amounted to €1,569m, compared with €1,265m in 9M 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 €277m to €395m, those from capital markets decreased from €442m (including the aforementioned positive effect due to NTV) to €159m, those from trading and treasury increased from €541m to €986m and those from structured credit products increased from €4m to €28m.

Operating income amounted to €13,582m, down 0.8% from €13,691m in 9M 2018.

Operating costs amounted to €6,758m, down 2.5% from €6,930m in 9M 2018, as a result of decreases of 1.6% in personnel expenses and 5.7% in administrative expenses and an increase of 0.4% in adjustments.

As a result, **operating margin** amounted to €6,824m, up 0.9% from €6,761m in 9M 2018. The cost/income ratio was 49.8% in 9M 2019 versus 50.6% in 9M 2018.

Net adjustments to loans amounted to €1,396m, down 17.7% from €1,696m in 9M 2018.

Net provisions and net impairment losses on other assets amounted to €86m from €111m in 9M 2018.

Other income amounted to €5m versus a negative balance of €1m in 9M 2018.

Income (Loss) from discontinued operations recorded a zero balance, the same as in 9M 2018.

Gross income amounted to €5,347m, up 8% from €4,953m in 9M 2018.

Consolidated net income for 9M 2019 amounted to €3,310m, after accounting:
- taxes on income of €1,521m;
- charges (net of tax) for integration and exit incentives of €79m;
- effect of purchase price allocation (net of tax) of €106m;
- levies and other charges concerning the banking industry (net of tax) of €338m. This derives from the following pre-tax figures: charges of €316m in relation to contributions to the resolution fund, €127m in relation to contributions to the Italian deposit guarantee scheme estimated for full year 2019, €15m in relation to contributions to the deposit guarantee scheme concerning the international network and €39m in relation to levies incurred by international subsidiaries, and positive fair value differences of €13m regarding the *Atlante* fund. In 9M 2018, this caption amounted to €309m, deriving from the following pre-tax figures: charges of €277m in relation to contributions to the resolution fund, €123m in relation to contributions to the Italian deposit guarantee scheme estimated for full year 2018, €16m in relation to contributions to the deposit guarantee scheme concerning the international network, and €34m in relation to levies incurred by international subsidiaries, and positive fair value differences of €8m regarding the *Atlante* fund.
- losses pertaining to minority interests of €7m.

Net income of €3,310m in 9M 2019 recorded a 9.9% increase versus the €3,012m of 9M 2018.

Balance sheet as at 30 September 2019

As regards the consolidated balance sheet figures, as at 30 September 2019 **loans to customers** amounted to €395bn, up 0.4% on year-end 2018 and in line with 30 September 2018 (up 1% on Q2 2019 and down 2% on 9M 2018 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 €14,283m, down 13.9% from the €16,591m of year-end 2018; at the end of the third quarter, total NPLs no longer included the unlikely-to-pay loans to be sold to Prelios, which were accounted under non-current assets held for sale and discontinued operations. In detail, bad loans decreased to €6,924m from €7,138m 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 65.3% (67.2% as at year-end 2018). Unlikely-to-pay loans decreased to €7,006m from €9,101m at year-end 2018. Past due loans amounted to €353m from €352m at year-end 2018.

Customer financial assets amounted to €951bn, up 4.3% on year-end 2018 and up 1.2% on 30 September 2018. Under customer financial assets, **direct deposits from banking business** amounted to €427bn, up 2.8% on year-end 2018 and up 0.4% on 30 September 2018. **Direct deposits from insurance business and technical reserves** amounted to €164bn, up 10.1% on year-end 2018 and up 7.9% on 30 September 2018. Indirect customer deposits amounted to €524bn, up 5.6% on year-end 2018 and up 1.9% on 30 September 2018. **Assets under management** amounted to €352bn, up 6.4% on year-end 2018 and up 2.6% on 30 September 2018. As for bancassurance, in 9M 2019 the new business for life policies amounted to €12.4bn. Assets held under administration and in custody amounted to €172bn, up 4.1% on year-end 2018 and up 0.6% on 30 September 2018.

Capital ratios as at 30 September 2019, calculated by applying the transitional arrangements for 2019 and the Danish compromise and taking into account €2,648m of dividends accrued in 9M 2019, were as follows:
- Common Equity Tier 1 ratio [(12)] at 14% (13.5% at year-end 2018 [(13)]),
- Tier 1 ratio [(12)] at 15.6% (15.2% at year-end 2018 [(13)]),
- total capital ratio [(12)] at 17.8% (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 nine months 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 13.1% for the Common Equity Tier 1 ratio, 14.6% for the Tier 1 ratio and 17.1% for the total capital ratio.

(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, taking into account the Danish compromise.

The estimated pro-forma Common Equity Tier 1 ratio for the Group on a **fully loaded basis** was 14.2% (13.6% at year-end 2018). It was calculated by applying the fully loaded parameters to the financial statements as at 30 September 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 9M 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 €116bn at the end of September 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 €197bn at the end of September 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 Q3 2019 (an average of €60.5bn in Q1 2019 and Q2 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 €6.9bn in 9M 2019 and included benchmark transactions of €1bn covered bonds and senior of JPY13.2bn, €2.25bn and U.S.$2bn (around 93% were placed with foreign investors).

The Group's **leverage ratio** as at 30 September 2019 was 6.4% applying the transitional arrangements for 2019 and 6% fully loaded, both best in class among major European banking groups.

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As at 30 September 2019, the Intesa Sanpaolo Group's **operating structure** had a total network of 4,886 branches, consisting of 3,825 branches in Italy and 1,061 abroad, and employed 89,397 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 (enterprises with group turnover of €350m or less)
- customers that are non-profit organisations.

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 third quarter of 2019, the Banca dei Territori Division recorded:
- operating income of €2,253m, +1.7% versus €2,216m in Q2 2019;
- operating costs of €1,250m, -0.1% versus €1,251m in Q2 2019;
- operating margin of €1,003m, +4% versus €965m in Q2 2019;
- a cost/income ratio of 55.5% versus 56.5% in Q2 2019;
- net provisions and adjustments of €257m versus €362m in Q2 2019;
- gross income of €746m, +23.8% versus €602m in Q2 2019;
- net income of €471m, +24.2% versus €380m in Q2 2019.

In the first nine months of 2019, the Banca dei Territori Division recorded:
- operating income of €6,664m, -4.8% versus €7,000m in 9M 2018, contributing approximately 49% of the consolidated operating income (51% in 9M 2018);
- operating costs of €3,735m, -6.4% versus €3,989m in 9M 2018;
- operating margin of €2,929m, -2.7% versus €3,011m in 9M 2018;
- a cost/income ratio of 56% versus 57% in 9M 2018;
- net provisions and adjustments of €851m versus €1,171m in 9M 2018;
- gross income of €2,078m, +12.9% versus €1,840m in 9M 2018;
- net income of €1,310m, +13.4% versus €1,155m in 9M 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 third quarter of 2019, the Corporate and Investment Banking Division recorded:
- operating income of €1,140m, -8% versus €1,238m in Q2 2019;
- operating costs of €260m, +3.6% versus €251m in Q2 2019;
- operating margin of €879m, -10.9% versus €987m in Q2 2019;
- a cost/income ratio of 22.9% versus 20.3% in Q2 2019;
- net provisions and adjustments of €66m versus €70m in Q2 2019;
- gross income of €814m, -11.6% versus €920m in Q2 2019;
- net income of €550m, -11.2% versus €619m in Q2 2019.

In the first nine months of 2019, the Corporate and Investment Banking Division recorded:
- operating income of €3,218m, +9.6% versus €2,936m in 9M 2018, contributing approximately 24% of the consolidated operating income (21% in 9M 2018);
- operating costs of €764m, +0.7% versus €759m in 9M 2018;
- operating margin of €2,454m, +12.7% versus €2,177m in 9M 2018;
- a cost/income ratio of 23.7% versus 25.9% in 9M 2018;
- net provisions and adjustments of €188m versus €50m in 9M 2018;
- gross income of €2,269m, +6.6% versus €2,129m in 9M 2018;
- net income of €1,532m, +1.3% versus €1,513m in 9M 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 third quarter of 2019, the International Subsidiary Banks Division recorded:
- operating income of €499m, -0.9% versus €504m in Q2 2019;
- operating costs of €243m, +1% versus €241m in Q2 2019;
- operating margin of €256m, -2.6% versus €263m in Q2 2019;
- a cost/income ratio of 48.7% versus 47.8% in Q2 2019;
- net provisions and adjustments of €6m versus €28m in Q2 2019;
- gross income of €252m, +5.6% versus €238m in Q2 2019;
- net income of €193m, +2.1% versus €189m in Q2 2019.

In the first nine months of 2019, the International Subsidiary Banks Division recorded:
- operating income of €1,485m, in line with the €1,485m in 9M 2018, contributing approximately 11% of the consolidated operating income (11% in 9M 2018 as well);
- operating costs of €721m, -0.1% versus €722m in 9M 2018;
- operating margin of €764m, +0.1% versus €763m in 9M 2018;
- a cost/income ratio of 48.6%, in line with 48.6% in 9M 2018;
- net provisions and adjustments of €36m versus €73m in 9M 2018;
- gross income of €733m, +5.5% versus €695m in 9M 2018;
- net income of €564m, +4.3% versus €541m in 9M 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 third quarter of 2019, the Private Banking Division recorded:
- operating income of €482m, +1.6% versus €474m in Q2 2019;
- operating costs of €160m, +13.7% versus €141m in Q2 2019;
- operating margin of €322m, -3.5% versus €334m in Q2 2019;
- a cost/income ratio of 33.2% versus 29.7% in Q2 2019;
- net provisions and adjustments of €14m versus €6m in Q2 2019;
- gross income of €308m, -5.9% versus €328m in Q2 2019;
- net income of €208m, -10.4% versus €232m in Q2 2019.

In the first nine months of 2019, the Private Banking Division recorded:
- operating income of €1,444m, +2.4% versus €1,410m in 9M 2018, contributing approximately 11% of the consolidated operating income (10% in 9M 2018);
- operating costs of €448m, +5.2% versus €426m in 9M 2018;
- operating margin of €996m, +1.2% versus €984m in 9M 2018;
- a cost/income ratio of 31% versus 30.2% in 9M 2018;
- net provisions and adjustments of €39m versus €14m in 9M 2018;
- gross income of €966m, -1.5% versus €981m in 9M 2018;
- net income of €673m, +0.4% versus €670m in 9M 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 third quarter of 2019, the Asset Management Division recorded:
- operating income of €195m, +6.2% versus €183m in Q2 2019;
- operating costs of €37m, +3.9% versus €35m in Q2 2019;
- operating margin of €158m, +6.7% versus €148m in Q2 2019;
- a cost/income ratio of 18.8% versus 19.2% in Q2 2019;
- gross income of €158m, +6.7% versus €148m in Q2 2019;
- net income of €118m, +8.7% versus €109m in Q2 2019.

In the first nine months of 2019, the Asset Management Division recorded:
- operating income of €558m, +2.4% versus €545m in 9M 2018, contributing approximately 4% of the consolidated operating income (4% in 9M 2018 as well);
- operating costs of €108m, -4.4% versus €113m in 9M 2018;
- operating margin of €450m, +4.2% versus €432m in 9M 2018;
- a cost/income ratio of 19.4% versus 20.7% in 9M 2018;
- gross income of €450m, +4.2% versus €432m in 9M 2018;
- net income of €344m, +0.6% versus €342m in 9M 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 Intesa Sanpaolo Life) and Fideuram Vita.

In the third quarter of 2019, the Insurance Division recorded:
- operating income of €296m, +6.5% versus €278m in Q2 2019;
- operating costs of €52m, +6.3% versus €49m in Q2 2019;
- operating margin of €244m, +6.5% versus €229m in Q2 2019;
- a cost/income ratio of 17.6% versus 17.7% in Q2 2019;
- net provisions and adjustments of €1m, in line with €1m in Q2 2019;
- gross income of €243m, +6.4% versus €228m in Q2 2019;
- net income of €170m, +2.2% versus €167m in Q2 2019.

In the first nine months of 2019, the Insurance Division recorded:
- operating income of €837m, -5.4% versus €885m in 9M 2018, contributing approximately 6% of the consolidated operating income (6% in 9M 2018 as well);
- operating costs of €145m, +10.7% versus €131m in 9M 2018;
- operating margin of €692m, -8.2% versus €754m in 9M 2018;
- a cost/income ratio of 17.3% versus 14.8% in 9M 2018;
- net provisions and adjustments of €2m versus €3m in 9M 2018;
- gross income of €690m, -8.1% versus €751m in 9M 2018;
- net income of €495m, -8.3% versus €540m in 9M 2018.

<u>The outlook for 2019</u>

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 as at 30 September 2019, 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.

* * *

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)

	30.09.2019	30.09.2018	Changes	
			amount	%
Net interest income	5,258	5,535	-277	-5.0
Net fee and commission income	5,865	6,001	-136	-2.3
Income from insurance business	876	846	30	3.5
Profits (Losses) on financial assets and liabilities designated at fair value	1,569	1,265	304	24.0
Other operating income (expenses)	14	44	-30	-68.2
Operating income	**13,582**	**13,691**	**-109**	**-0.8**
Personnel expenses	-4,226	-4,294	-68	-1.6
Other administrative expenses	-1,759	-1,866	-107	-5.7
Adjustments to property, equipment and intangible assets	-773	-770	3	0.4
Operating costs	**-6,758**	**-6,930**	**-172**	**-2.5**
Operating margin	**6,824**	**6,761**	**63**	**0.9**
Net adjustments to loans	-1,396	-1,696	-300	-17.7
Other net provisions and net impairment losses on other assets	-86	-111	-25	-22.5
Other income (expenses)	5	-1	6	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**5,347**	**4,953**	**394**	**8.0**
Taxes on income	-1,521	-1,477	44	3.0
Charges (net of tax) for integration and exit incentives	-79	-66	13	19.7
Effect of purchase price allocation (net of tax)	-106	-108	-2	-1.9
Levies and other charges concerning the banking industry (net of tax)	-338	-309	29	9.4
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	7	19	-12	-63.2
Net income (loss)	**3,310**	**3,012**	**298**	**9.9**

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			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,741	1,761	1,756	1,736	1,844	1,838	1,853
Net fee and commission income	1,990	1,989	1,886	2,029	1,959	2,015	2,027
Income from insurance business	301	284	291	238	271	281	294
Profits (Losses) on financial assets and liabilities designated at fair value	479	633	457	204	208	448	609
Other operating income (expenses)	5	10	-1	-11	-11	25	30
Operating income	**4,516**	**4,677**	**4,389**	**4,196**	**4,271**	**4,607**	**4,813**
Personnel expenses	-1,421	-1,418	-1,387	-1,519	-1,415	-1,447	-1,432
Other administrative expenses	-606	-596	-557	-753	-637	-609	-620
Adjustments to property, equipment and intangible assets	-261	-252	-260	-287	-259	-254	-257
Operating costs	**-2,288**	**-2,266**	**-2,204**	**-2,559**	**-2,311**	**-2,310**	**-2,309**
Operating margin	**2,228**	**2,411**	**2,185**	**1,637**	**1,960**	**2,297**	**2,504**
Net adjustments to loans	-473	-554	-369	-698	-519	-694	-483
Other net provisions and net impairment losses on other assets	-19	-37	-30	-76	-25	-35	-51
Other income (expenses)	-2	1	6	507	-2	3	-2
Income (Loss) from discontinued operations	-	-	-	-	-	-1	1
Gross income (loss)	**1,734**	**1,821**	**1,792**	**1,370**	**1,414**	**1,570**	**1,969**
Taxes on income	-536	-449	-536	-173	-432	-504	-541
Charges (net of tax) for integration and exit incentives	-27	-30	-22	-54	-31	-16	-19
Effect of purchase price allocation (net of tax)	-37	-29	-40	-49	-38	-26	-44
Levies and other charges concerning the banking industry (net of tax)	-96	-96	-146	-69	-90	-93	-126
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Minority interests	6	-1	2	13	10	-4	13
Net income (loss)	**1,044**	**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	30.09.2019	01.01.2019	Changes	
			amount	%
Due from banks	71,958	68,723	3,235	4.7
Loans to customers	395,193	393,550	*1,643*	*0.4*
Loans to customers measured at amortised cost	*394,289*	*392,945*	*1,344*	*0.3*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*904*	*605*	*299*	*49.4*
Financial assets measured at amortised cost which do not constitute loans	24,104	14,183	9,921	69.9
Financial assets at fair value through profit or loss	54,542	41,536	13,006	31.3
Financial assets at fair value through other comprehensive income	75,052	60,441	14,611	24.2
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	167,034	149,546	17,488	11.7
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	570	952	-382	-40.1
Investments in associates and companies subject to joint control	1,113	943	170	18.0
Property, equipment and intangible assets	16,889	17,081	-192	-1.1
Assets owned	*15,347*	*15,452*	*-105*	*-0.7*
Rights of use acquired under leases	*1,542*	*1,629*	*-87*	*-5.3*
Tax assets	15,555	17,253	-1,698	-9.8
Non-current assets held for sale and discontinued operations	2,554	1,297	1,257	96.9
Other assets	24,154	23,811	343	1.4
Total Assets	**848,718**	**789,316**	**59,402**	**7.5**

Liabilities	30.09.2019	01.01.2019	Changes	
			amount	%
Due to banks at amortised cost	119,359	107,815	11,544	10.7
Due to customers at amortised cost and securities issued	415,128	405,960	9,168	2.3
Financial liabilities held for trading	53,938	41,895	12,043	28.7
Financial liabilities designated at fair value	4	4	-	-
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	879	810	69	8.5
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	74,405	67,800	6,605	9.7
Tax liabilities	2,561	2,433	128	5.3
Liabilities associated with non-current assets held for sale and discontinued operations	256	258	-2	-0.8
Other liabilities	32,236	20,859	11,377	54.5
of which lease payables	*1,523*	*1,603*	*-80*	*-5.0*
Technical reserves	89,237	80,797	8,440	10.4
Allowances for risks and charges	5,164	6,254	-1,090	-17.4
of which allowances for commitments and financial guarantees given	*423*	*510*	*-87*	*-17.1*
Share capital	9,086	9,085	1	-
Reserves	38,197	37,690	507	1.3
Valuation reserves	-194	-913	-719	-78.8
Valuation reserves pertaining to insurance companies	727	9	718	
Equity instruments	4,103	4,103	-	-
Minority interests	322	407	-85	-20.9
Net income (loss)	3,310	4,050	-740	-18.3
Total liabilities and shareholders' equity	**848,718**	**789,316**	**59,402**	**7.5**

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			
	30/9	30/6	31/3	1/1	31/12	30/9	30/6	31/3
Due from banks	71,958	77,141	85,515	68,723	68,723	71,178	69,876	70,646
Loans to customers	395,193	394,253	395,595	393,550	393,550	395,265	399,704	400,958
Loans to customers measured at amortised cost	*394,289*	*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	*904*	*1,010*	*605*	*605*	*605*	*722*	*621*	*614*
Financial assets measured at amortised cost which do not constitute loans	24,104	20,396	19,995	14,183	14,183	12,528	12,181	11,688
Financial assets at fair value through profit or loss	54,542	52,693	47,626	41,536	41,536	41,377	42,158	42,115
Financial assets at fair value through other comprehensive income	75,052	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	167,034	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	570	568	702	952	952	638	682	476
Investments in associates and companies subject to joint control	1,113	1,071	1,075	943	943	592	602	608
Property, equipment and intangible assets	16,889	16,895	16,899	17,081	15,474	14,352	14,410	14,400
Assets owned	*15,347*	*15,325*	*15,317*	*15,452*				
Rights of use acquired under leases	*1,542*	*1,570*	*1,582*	*1,629*				
Tax assets	15,555	16,120	16,854	17,253	17,253	17,116	17,120	17,354
Non-current assets held for sale and discontinued operations	2,554	803	1,236	1,297	1,297	3,694	3,609	751
Other assets	24,154	23,258	22,137	23,811	23,823	21,697	21,288	22,046
Total Assets	**848,718**	**828,365**	**829,280**	**789,316**	**787,721**	**798,961**	**795,695**	**795,148**

Liabilities	2019				2018			
	30/9	30/6	31/3	1/1	31/12	30/9	30/6	31/3
Due to banks at amortised cost	119,359	120,077	123,165	107,815	107,815	107,551	99,059	98,313
Due to customers at amortised cost and securities issued	415,128	411,588	416,505	405,960	405,960	417,801	424,836	417,731
Financial liabilities held for trading	53,938	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	4
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	879	847	846	810	810	905	1,413	1,394
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	74,405	72,027	70,955	67,800	67,800	71,069	70,337	69,058
Tax liabilities	2,561	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	256	254	260	258	258	312	261	266
Other liabilities	32,236	26,483	22,675	20,859	19,264	19,370	20,190	21,073
of which lease payables	*1,523*	*1,547*	*1,553*	*1,603*				
Technical reserves	89,237	84,710	82,508	80,797	80,797	80,449	79,842	82,656
Allowances for risks and charges	5,164	5,260	5,694	6,254	6,254	6,566	6,877	7,242
of which allowances for commitments and financial guarantees given	*423*	*450*	*449*	*510*	*510*	*490*	*473*	*503*
Share capital	9,086	9,086	9,085	9,085	9,085	9,084	8,732	8,732
Reserves	38,197	38,232	41,704	37,690	37,690	37,949	37,212	40,796
Valuation reserves	-194	-474	-877	-913	-913	-1,631	-1,366	-760
Valuation reserves pertaining to insurance companies	727	322	137	9	9	-44	3	429
Equity instruments	4,103	4,103	4,103	4,103	4,103	4,103	4,103	4,103
Minority interests	322	337	358	407	407	366	386	529
Net income (loss)	3,310	2,266	1,050	4,050	4,050	3,012	2,179	1,252
Total liabilities and shareholders' equity	**848,718**	**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								
30.09.2019	6,664	3,218	1,485	1,444	558	837	-624	13,582
30.09.2018	7,000	2,936	1,485	1,410	545	885	-570	13,691
% change	-4.8	9.6	-	2.4	2.4	-5.4	9.5	-0.8
Operating costs								
30.09.2019	-3,735	-764	-721	-448	-108	-145	-837	-6,758
30.09.2018	-3,989	-759	-722	-426	-113	-131	-790	-6,930
% change	-6.4	0.7	-0.1	5.2	-4.4	10.7	5.9	-2.5
Operating margin								
30.09.2019	2,929	2,454	764	996	450	692	-1,461	6,824
30.09.2018	3,011	2,177	763	984	432	754	-1,360	6,761
% change	-2.7	12.7	0.1	1.2	4.2	-8.2	7.4	0.9
Net income (loss)								
30.09.2019	1,310	1,532	564	673	344	495	-1,608	3,310
30.09.2018	1,155	1,513	541	670	342	540	-1,749	3,012
% change	13.4	1.3	4.3	0.4	0.6	-8.3	-8.1	9.9

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
30.09.2019	203,311	117,451	33,616	9,464	245	-	31,106	395,193
01.01.2019	211,491	110,642	31,538	9,530	228	-	30,121	393,550
% change	-3.9	6.2	6.6	-0.7	7.5	-	3.3	0.4
Direct deposits from banking business								
30.09.2019	194,916	103,906	42,765	37,692	8	-	47,375	426,662
01.01.2019	191,588	102,449	39,384	32,103	6	-	49,552	415,082
% change	1.7	1.4	8.6	17.4	33.3	-	-4.4	2.8

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

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